# Project Briefs

**January–June 2021**

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### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<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>BOQ</td>
<td>Bill of Quantities</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>CHW</td>
<td>Community Health Worker</td>
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<tr>
<td>CIP</td>
<td>Capacity Injection Project</td>
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<tr>
<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>CSSP</td>
<td>Somaliland Civil Service Strengthening Project</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>DLI</td>
<td>Disbursement-Linked Indicator</td>
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<tr>
<td>DP</td>
<td>Development Partner</td>
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<tr>
<td>DRM/PFM</td>
<td>Domestic Revenue Mobilization and PFM Capacity Strengthening Project</td>
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<td>EU</td>
<td>European Union</td>
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<td>ESF</td>
<td>Environmental and Social Framework</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<tr>
<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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<tr>
<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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<tr>
<td>GAVI</td>
<td>Global Alliance for Vaccines and Immunisation</td>
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<td>GBV</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>GRM</td>
<td>Grievance Redress Mechanism</td>
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<tr>
<td>GoSL</td>
<td>Government of Somaliland</td>
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<td>HH</td>
<td>Household</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>IFI</td>
<td>International Financial Institution</td>
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<td>IGFF</td>
<td>Inter-Governmental Fiscal Forum</td>
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<td>ILO</td>
<td>International Labour Organization</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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<tr>
<td>IPRSP</td>
<td>Interim Poverty Reduction Strategy Paper</td>
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<td>JSS</td>
<td>Jubbaland State of Somalia</td>
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</table>
**M&E** Monitoring and Evaluation

**MDAs** Ministries, Departments, and Agencies

**MIS** Management Information System

**MoCI** Ministry of Commerce and Industry

**MoEWR** Ministry of Energy and Water Resources

**MoF** Ministry of Finance

**MoHADM** Ministry of Humanitarian Affairs and Disaster Management

**MoIFAR** Ministry of Interior, Federal Affairs, and Reconciliation

**MoLSA** Ministry of Labor and Social Affairs

**MoPIED** Ministry of Planning, Investment, and Economic Development

**MoPTT** Ministry of Posts, Telecommunications, and Technology

**MPF** Multi-Partner Fund

**MSME** Micro, Small, and Medium Enterprises

**MTR** Mid-Term Review

**NCA** National Communications Authority

**NDP** National Development Plan

**NGO** Nongovernmental Organization

**NPS** New Partnership for Somalia

**OoP** Office of the President

**PAC** Pre-Arrears Clearance

**PFM** Public Financial Management

**PIU** Project Implementation Unit

**PLR** Performance and Learning Review

**POM** Project Operations Manual

**PSS** Puntland State of Somalia

**RCRF** Recurrent Cost and Reform Financing Project

**SBCF** Somali Business Catalytic Fund

**SCALEd-UP** Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project

**SCORE** Somali Core Economic Institutions and Opportunities Program

**SDRF** Somalia Development and Reconstruction Facility

**SEAP** Somalia Electricity Access Project

**SEU** Somalia Economic Update

**SFF-LD** Special Financing Facility for Local Development

**SIF** Somali Infrastructure Fund (AfDB administered)

**SL** Somaliland

**SMEF** Small and Medium Enterprise Facility

**SMEs** Small and Medium-sized Enterprises

**SMP** Staff-Monitored Program

**SNHCPS** Somalia Shock Responsive Safety Net for Human Capital Project

**SNLRP** Somalia Shock Responsive Safety Net for Locust Response Project

**SPS** Social Protection System

**SUIPP** Somali Urban Investment Planning Project

**SURP** Somali Urban Resilience Project
EFFECTIVE, ACCOUNTABLE GOVERNMENT PORTFOLIO

This portfolio financed eight active projects. Of these, four are recipient-executed investment projects and four are analytical/advisory projects. The MPF provides financing worth US$216.9 million. The portfolio is co-financed with US$603 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. The MPF built the platform for a key scale up of our portfolio in Human Development, approving US$100 million for Health, US$40 million for education, US$110 million for the Baxnaano platform, and US$75 million for combating the impact of the locust crisis. Under the Country Partnership Framework, the World Bank Group 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.
CAPACITY INJECTION PROJECT (CIP)

**Timeframe:** 2015–21; **Budget:** Appraised at US$40 million, currently allocated US$34.39 million

**Status:** Effective

**Objectives:** To strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core government functions.

**Beneficiaries:** *Direct beneficiaries:* FGS and PSS Governments; *Indirect beneficiaries:* citizens.

**Government counterparts:** *Federal level:* Office of the Prime Minister, Ministry of Finance, Ministry of Labor and Social Affairs, Ministry of Planning and International Cooperation, Civil Service Commission, and selected line Ministries; *Puntland:* Office of the President, Ministry of Finance, Ministry of Labor, Youth and Sports, Ministry of Planning, Civil Service Commission, and selected line ministries.

**Implementation arrangements:** The project is government-executed. It is complemented by a separate UNDP project (Somalia Institutional Development Performance–SIP) using common governance arrangements, harmonized results framework, and based on agreed division of labor.

**Geographic coverage:** Initial focus on Federal Government and Puntland State Government. This is the first in a Series of Projects.

**Component 1: Developing capacity for key cross-cutting government functions (US$13 million at appraisal)**

*This component supports the injection of core staffing capacity into key government ministries, departments, and agencies through the government’s capacity injection modality (CIM). Capacity injection in this program focuses on advisory, managerial, and technical staff to fill urgent capacity gaps identified by the government.*

**Subcomponent 1.1: Ongoing**

*Supporting harmonized and government-led capacity injection in priority institutions*

There are ongoing discussions within government on the transitioning of the Capacity Injection Mechanism (CIM) staff into the mainstream civil service. The Bank has advised the Federal Government of Somalia (FGS) to bring together all relevant stakeholders to conclude discussions on the plans for this transition. Puntland State of Somalia (PSS) has confirmed that the CIM staff will be transitioned into the mainstream civil service once the pay and grading policy and bill are in place. The Bank has advised the PSS and FGS to ensure that the pay and grading TA includes in their deliverables the matching remuneration levels between the current CIM grades and the new pay and grading structure.

**Subcomponent 1.2: Ongoing**

*Providing specialized training and coaching support for new*

Capacity Strengthening of the School of Management and Public Administration (SOMPA-FGS): In FGS, the ongoing implementation of this Technical Assistance (TA) has slowed down due to the COVID-19 pandemic. Plans are under way to commence the training of trainers. The PSS is in the process of concluding the procurement of TA from the Kenya School of Government (KSG) to partner with the **Institute of Public**
recruits and their teams | Administration and Management (IPAM). The Bank has advised both the FGS and PSS to ensure that the KSG works closely with the managerial and academic staff of SOMPA and IPAM, respectively, on knowledge and skills transfer. In addition, given the delays caused by the COVID-19 pandemic, the FGS, PSS, and KSG need to agree on how these TAs can be fully implemented in the remaining time, including through virtual means.

Component 2: Strengthening the policies and procedures for civil service management (US$12.25 million at appraisal)

This component aims to facilitate solutions of the Federal Government and Puntland State of Somalia to manage and implement their civil service and capacity development agenda. The project will support interventions for strengthening civil service management capacity of the government and development of related frameworks.

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<tr>
<th>Subcomponent 2.1: Ongoing</th>
<th>Reorganization of MDAs: The development of an organizational ordinance providing more clarity on mandates, vision, mission, functions, accountabilities, structures, staff complement, and establishment ceilings from the organizational review recommendations has been delayed in the FGS due to the pending conclusion of review of the organizational review reports. The Bank has advised the FGS to expedite the contract modification of the pay and grading TA to include the review of these reports and development of the Ordinance. The PSS has developed an organizational ordinance and has submitted to the Cabinet for endorsement.</th>
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<tr>
<td>Supporting priority ministries in reorganization and change management</td>
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<tr>
<th>Subcomponent 2.2: Ongoing</th>
<th>HR policies and civil service management subsidiary legislation: Following the endorsement of the civil service management administrative regulations and procedures by the Cabinet, the Bank has advised FGS to begin planning their roll-out to all the Ministries, Departments and Agencies (MDAs). The Bank has also advised FGS to expedite the enactment of the long outstanding Civil Service Bill in order to make provisions for handling all aspects of civil service management. In PSS, the administrative regulations and procedures have been endorsed by Cabinet and rolled out in the MDAs.</th>
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<tr>
<td>Strengthening basic policies for civil service management</td>
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Pay and grading policy and system: The Pay and Grading TA in the FGS is ongoing. However, delays have been experienced due to COVID-19. The government team is working closely with the consultant to accelerate the conclusion of the TA. The Bank has advised the PSS to extend the Pay and Grading TA’s contract to enable them to expand the coverage of job evaluations and revise the financial modeling data that had been analyzed under phase I of the assignment.

Pension reform: In the FGS, the Cabinet has endorsed the Pension Policy and the draft Bill, and these will be submitted to the Parliament for approval. The approval process may be further delayed in the Federal Parliament due to upcoming elections. The PSS has amended the Pension Law and Pension Policy; it will be submitting these to the Cabinet for endorsement during July 2021, and thereafter to Parliament for approval. The processes at the Cabinet and the Parliament need to be accelerated to pave the way for development of regulations and implementation. The Bank is advising the FGS and PSS on preparatory activities to be undertaken ahead of the implementation of the Pension Policy and the Law.
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<th>Subcomponent 2.3: Ongoing</th>
<th>HRMIS Design and Implementation</th>
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<td>Civil service workforce management</td>
<td>The HRMIS Phase I activities are under way in both the FGS and PSS. The TA firms are expected to complete the assessment and prepare the detailed functional and technical requirements for the HRMIS solution.</td>
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<td><strong>FGS:</strong></td>
<td>The Bank’s comments on the System Requirements Specifications (SRS) report and the System Design report have been incorporated, and the revised reports submitted for final review by the Bank. The draft implementation roadmap has also been submitted to the Bank for review.</td>
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<tr>
<td><strong>PSS:</strong></td>
<td>The Bank has shared review comments on the draft Inception Report which the consultant has revised and is undergoing the Bank’s review. The SRS report, the system design report, and the implementation roadmap together with the cost estimates are expected by the Bank in the course of July 2021.</td>
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<td></td>
<td>The Bank suggested to both the FGS and PSS to compare several options for the HRMIS solution, including cloud hosting, and prepare detailed cost and duration estimates to inform decisions on the solution. A cloud-based HRMIS solution could shorten the development time and reduce the cost of deployment. A technical note summarizing possible cloud-based deployment options has been shared with both the FGS and PSS.</td>
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<td></td>
<td>The HRMIS Phase II will entail the development of HRMIS modules in line with the approved roadmap; quality assurance of modules from development to live environment; training and change management; post-implementation support and exit; and post-implementation review.</td>
</tr>
<tr>
<td><strong>Biometric Attendance System</strong></td>
<td>The FGS has put in place a biometric attendance monitoring system. To date, not all attendance recording points are functioning due to delays in activation, caused by the COVID-19 pandemic. The Bank has advised the PSS to include the assessment of business process requirements and system specifications for the biometric attendance monitoring as part of the ongoing assessment by the HRMIS TA.</td>
</tr>
<tr>
<td><strong>Public Sector Reform Strategy</strong></td>
<td>The FGS is developing a National Public Sector Reform Strategy for the FGS and the Federal Member States (FMS) to provide the framework for long-term capacity development programming and systematic implementation of interventions by both government and development partners.</td>
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<th>Subcomponent 2.4: Ongoing</th>
<th>Strengthening the ethical foundation of the civil service</th>
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<tr>
<td><strong>FGS</strong> and <strong>PSS</strong> 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.</td>
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Component 3: Strengthening policy management, coordination, and monitoring capabilities at the center of government

This component aims at supporting the Federal Government and Puntland State Government to significantly improve their ability to develop policies and oversee policy and program implementation at the Cabinet level. Support is mainly geared towards capacity development in key areas of policy development and monitoring. This component supports three subcomponents.

<table>
<thead>
<tr>
<th>Subcomponent 3.1:</th>
<th>This subcomponent supported strengthening capacity for aid coordination and monitoring and evaluation of the Somali Compact. The Ministry of Planning, Investment and Development (MoPIED) continues to publish aid data (including Puntland’s), with the support of the UN and World Bank.</th>
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<tr>
<td><strong>Target achieved and activity completed</strong></td>
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<tr>
<th>Subcomponent 3.2:</th>
<th>The TA to support the FGS in improving Cabinet processes and developing a Cabinet manual/handbook is under way. In the PSS, the development of a Cabinet Management Information System is being concluded and options for hosting the system being discussed.</th>
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<tr>
<td><strong>Ongoing</strong></td>
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<tr>
<td><strong>Developing basic policy management capabilities</strong></td>
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| Subcomponent 3.3: | Executive Leadership Program  
FGS and PSS: This has been included in the training programs to be delivered through the twinning program with the KSG. |
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<tr>
<td><strong>Ongoing</strong></td>
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<tr>
<td><strong>Strengthening leadership for change and delivery</strong></td>
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Component 4: Project management and coordination (US$6 million)

| Ongoing | Both the FGS and PSS continue to submit to the OPM and the OOP, respectively, quarterly progress reports on the project and other flagship projects. |

Contacts: Lucy Musira: Lmusira@worldbank.org; Gregory Kisunko: Gkisunko@worldbank.org
# CIVIL SERVICE STRENGTHENING PROJECT (CSSP)

**Timeframe:** 2016–22; **Budget:** US$10 million

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Strengthen basic functions for payroll, human resources, and policy management in selected central agencies and line ministries.</th>
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<tr>
<td>Beneficiaries:</td>
<td>Direct beneficiaries: The Government of Somaliland and Somaliland civil servants; Indirect beneficiaries: citizens.</td>
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<tr>
<td>Government counterparts:</td>
<td>Main implementing agencies: Somaliland Civil Service Commission (CSC), Somaliland Ministry of Finance, Somaliland Ministry of Labor and Social Affairs, Somaliland Ministry of National Planning and Development and Ministry of Presidency.</td>
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<tr>
<td>Implementation arrangements:</td>
<td>Government-executed.</td>
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<td>Geographic coverage:</td>
<td>The project aims to roll-out targeted capacity and organizational reforms in specific Ministries, Departments, and Agencies (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.</td>
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**Component 1: Strengthening the policies, procedures, and systems for civil service management (US$3.9 million)**

**HR and payroll audits:** Periodic payroll audits are being conducted by the Government of Somaliland (GoSL) and new active employee lists from payroll cleaning continue to be uploaded in the activated SLFMIS payroll module. Technical Assistance (TA) to develop payroll management guidelines, integrate, and reconcile payroll and personnel records of civil servants has been completed. Follow-on HR audit, biometric registration, and subsequent payroll cleaning for ~8,500 public sector workers that were not under the purview of the Civil Service Commission during the first HR audit will be conducted and supported under the CSSP II.¹

**Human Resource Management Information System (HRMIS):** The HRMIS Phase I activities on assessments are under way. The final System Requirements Specifications (SRS), and the Technical Requirements reports, including the implementation roadmap and cost estimates, will be submitted to the Bank for review. Implementation support and capacity building, including further strengthening digital governance capabilities through interfacing the HRMIS to the SLFMIS and the pension system, will be supported under the CSSP II.

**Pay and grading policy and system:** The procurement of TA for this assignment is in the final stages. The need of ensuring the alignment of the Talent Management Program (TMP) staff and civil servants’ salaries over a well-defined period, to ensure fiscal sustainability, will be addressed by this TA. The deployment of the new pay and

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grading system, including consultations and public awareness campaigns, and transitioning of TMP staff into the new system will be supported under the CSSP II.

Civil service pension reform: The Pension Policy and the draft Bill have been finalized and submitted to the Cabinet for review and endorsement. A communication plan for pension reforms is under preparation. The Bank team has also engaged with the government in discussions and preparation of implementation plans and specific activities. Implementation of the pension system will be supported under the upcoming CSSP II.

Quality of service delivery in the civil service: The TA to support the GoSL in conducting an assessment on service delivery, leadership, and innovation by the public service is ongoing. Based on the gaps identified, this assignment will make proposals on how to improve the quality of services provided by all MDAs, including the six regional offices.

Component 2: Strengthening core capacity of targeted ministries (US$3.6 million)

Reorganization of MDAs: In addition to the 18 MDAs that have undergone review, a further eight are currently being reviewed to support improvements in the organization structure, redistribute mandates, 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.

Civil Service Talent Management Program (TMP): 46 TMP positions (28 percent female) have been filled and staff members have undergone induction training. However, there have been two resignations and these positions will be filled during the year.

Management and common service training: The TA by the Ghana Institute of Management and Public Administration (GIMPA) to the Somaliland Civil Service Institute (CSI) is ongoing. GIMPA is providing capacity building to the CSI in designing and delivering training programs for civil servants as well as in curriculum development. The CSI has requested for additional support from the Bank in expanding the distance and online learning for civil servants, as a coping mechanism for the situation created by the COVID-19 pandemic. This support has been included in the proposed CSSP II.

Component 3: Strengthening policy management capabilities at the center of government (US$0.75 million)

Policy management units in 18 MDAs have been established, establishment lists developed and approved, and these units staffed. Unit staff members have also undergone short-term and intermediate training in Policy Management.

Support to the improvement of policy oversight and management capabilities of the Office of the President (OOP) remains pending due to the delayed recruitment of policy and legal staff in this office, due to security concerns and related OOP hiring policies. The continued delay poses a risk to the achievement of the PDO, which includes strengthening the basic function for policy management. The Civil Service Commission is working closely with the OOP to see if these positions can be filled under the WB/Talent Management Program procedures.

An assessment of the existing policy management capacities of the OOP has been conducted and an action plan for strengthening this function developed. Procurement of TA to support the GoSL in implementing the action plan will commence once the policy and legal staff positions are filled.
**Status of Disbursement-Linked Indicators (Performance-Based Conditions)**

DLI 5 (Development and endorsement of a Talent Management Program manual) has been achieved, verified, and funds disbursed against its achievement. The Bank has received documentary evidence on the achievement of (a) DLI 2 (Payroll audits to identify control weaknesses and ghost workers); (b) DLI 3 (Number of improved HR procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet); and (c) DLI 4 ( Newly established or reorganized HR units in targeted MDAs adequately staffed). Due to the pending attainment of the required eligible expenditure program (EEP), reimbursements cannot be made yet against the achievement of the DLIs. Documentary evidence on the achievement of DLI 1 (Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality) is yet to be submitted to the Bank.

**Component 4: Project management and support in delivery**

The PCU is fully staffed and actively engaged in project implementation. Communication strategies for the CSSP, Civil Service Commission, Civil Service Institute, Office of the President, the Ministry of Planning, and the Ministry of Information on the Program have been developed and validated.

**Contacts:** Lucy Musira: Lmusira@worldbank.org; Gregory Kisunko: Gkisunko@worldbank.org
DOMESTIC REVENUE MOBILIZATION AND PUBLIC FINANCIAL MANAGEMENT CAPACITY STRENGTHENING PROJECT (DRM/PFM)

Status: Ongoing

Objectives

Beneficiaries: Direct beneficiaries: government counterparts; Indirect beneficiaries: citizens.


Implementation arrangements: Recipient-executed (RE).

Geographic coverage: Mogadishu, Garowe, and Hargeisa.

Project restructuring and additional financing (AF)
The AF will continue to benefit the Puntland State of Somalia (PSS) and Somaliland in addition to the FGS. Overall, the activities are consistent with the original project activities even though there was a modification to the Project Development Objective (PDO) to explicitly include the DRM support. Even though the activities in the AF were consistent with the original, the components were realigned and reduced from six to four. There was also an extension of the closing date of the original project 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 World Bank assistance with changing government priorities and country context. The project is expected to achieve results which include strengthened capacity to formulate efficient tax policy, establishment of more efficient inland revenue tax administration organization, 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.

Component 1: Strengthening tax policy and inland revenue administration systems
This component is expected to strengthen tax policy and selected inland revenue systems and capacity.

Subcomponent 1.1: Improving organizational capacity for tax policy
This subcomponent includes (a) establishing the Tax Policy Unit (TPU) in the MoF by supporting activities to crowd in support for the TPU, definition of structure and job specifications, definition of linkages to the Attorney General’s office, and support in establishing legal or regulatory frameworks for access to taxpayer and other data; and (b) support the TPU in the development of a credible and fair revenue policy, evidence-based research, revenue forecasting, and tax gap analysis capacity.
Generally, the implementation of this component is moderately satisfactory. The TPUs in the FGS and PSS and the Fiscal Policy Section in SL have been established, and staff deployed. Tax policy trainings supported by the Bank in collaboration with the International Monetary Fund (IMF) (in FGS), and the Foreign Commonwealth and Development Office (FCDO) (in Somaliland), have also helped enhance skillsets through ‘learning by doing’ and enabled the three states to continue preparing revenue performance analysis reports, revenue forecasts, and assessing the impact of the COVID-19 pandemic on revenues. Additionally, the FGS TPU has been able to engage the Federal Member States’ (FMS) staff in the tax policy trainings, which contributes to the intended outcomes: skill development; intergovernmental fiscal coordination; and national tax system harmonization. In this context, training has been conducted for 15 potential trainers 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. The three governments highlighted the need for continued strengthening of their TPUs, and it was agreed to continue the trainings virtually until COVID-19 conditions allow on-site support.

Subcomponent 1.2: Improving systems for inland revenue administration

This subcomponent includes (a) operationalizing a large taxpayer office; (b) business process mapping and redesigning; (c) modernizing and automation; and (d) capacity building.

The three states have made good progress. 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). A contract was signed with KPMG to design the system, and later support its procurement and quality assurance. Authorities agreed to identify and assign FGS counterparts, in preparation for the ITAS design contractor, to work with and understudy the design consultant. In SL, the government has made good progress in procuring the services of a consulting firm (AARC) to carry out needs assessment for the development and implementation of an integrated revenue automation system/integrated tax administration systems. Government assigned counterpart staff kicked off the TA that has been constrained by the COVID-19 pandemic. 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 Tax Audit Unit comprising five staff members was set up and a draft Tax Audit Strategy prepared, supported by the Bank. The Unit commenced desk-based payroll audits, completing three audits in the review period. Training Needs Assessment (TNA) of tax audit staff was completed and follow-up virtual trainings delivered by the Bank. In the PSS the establishment of the LMTO has been initiated as a result of Project support. Such support will continue, including contribution to the PSS and FGS LMTO’s harmonization.

The three states have made good progress on the taxpayer identification number (TIN). In the FGS about 430 Somalia Financial Management Information System (SFMIS) generated TINs have been issued. In the PSS 1,600 Puntland Financial Management Information System (PLFMIS) generated TINs have been issued. Similarly, the Inland Revenue Department in SL has adopted a new structure for the unique TIN following technical advice from both the Bank and FCDO Prosperity from Revenue (or PROFR) program, and confirmed issuing approximately 5,000 TINs. In view particularly of the
national tax system development in the FGS, the TIN structure needs harmonization with the FMS, which has not made much progress. Looking ahead, similar harmonization is required to harmonize the large and medium taxpayer definition/criteria across the FGS and FMS. Additionally, based on the new structures too, the three states plan to update the old data so that they meet the new structures. The Project will continue to support these activities, among others.

In SL, an online banking portal and e-Cashier system has been established with the objective of tax payment simplification and expanding taxpayer outreach amidst the COVID-19 pandemic for collecting revenues through existing mobile money transfer systems. Also, a Goods and Services Tax (GST) module in the SLFMIS has been developed and piloted, in preparation for the government plans to implement Electronic Fiscal Devices (EFDs). For this purpose, draft regulations to govern implementation are at advanced stages of formalization, supported by the FCDO PROFR program.

**Capacity building:** In the FGS a Human Resource and Capacity Building Unit has been set up to strengthen the Director General–Revenue’s office in managing the capacity-building function. The authorities have been successful in training 74 officials, including 22 (or about 30 percent) women; in the PSS 124 officials, including 20 (or about 16 percent) women, have been trained—all supported by the Project. In addition, the African Development Bank (AfDB) concluded and handed over a new revenue training building to the FGS. The AfDB has agreed to equip the facility with minimal furniture, which will be complemented by the Project. This calls for fast tracking of the TNA and development of the curriculum plus learning materials. The PSS TNA as well as taxpayer service charter has been completed, for both the inland revenue and customs, supported by the Project. Likewise, the PSS is making good progress to prepare a: training plan based on the TNA; Human Resource Management (HRM) Strategy; Taxpayer Service Charter; and DRM training module of the CIPFA supported program.

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<thead>
<tr>
<th>Subcomponent 1.3: Taxpayer education and facilitation to promote voluntary compliance</th>
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<tr>
<td><strong>This subcomponent will include development and implementation of (a) taxpayer orientation/socialization program; (b) taxpayer service charter; (c) facilitation and grievance redressal helpdesk; (d) proactive disclosure of revenue performance reports; (e) tax forums; (f) training curriculum; and (g) utilizing the Somalia Revenue Academy to equip the wider public with tax compliance skillsets and knowledge.</strong></td>
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</table>

The three states have made good progress on taxpayer orientation/education and facilitation workshops. The FGS was able to hold two workshops resulting in the consultation/education of 295 taxpayers (citizens), including 88 (or about 30 percent) women. The PSS was able to hold numerous taxpayer education and facilitation workshops, including in the regions, resulting in the engagement of 200 taxpayers, including 22 (or about 11 percent) women. Also, the taxpayer helpdesk is functional and gave feedback to 242 taxpayers, including 61 (or about 25 percent) women. In SL, the Taxpayer Education Awareness and Communication Unit concluded a survey of more than 265 taxpayers supported by the FCDO PROFR program. The SL confirms that a Taxpayer Help and Information desk and helpline are operational, including a hotline app for complaints with PROFR support. However, there were challenges implementing robo-calls to taxpayers, in view of the local telecom services. Further plans for events have been constrained by the COVID-19 pandemic in all the three states. The governments
will use other means to reach the taxpayers, including local media, electronic media, and other cultural means.

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<thead>
<tr>
<th>Subcomponent 1.4: Supporting the Revenue Bill consultations and bridging operationalization upon enactment</th>
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<tbody>
<tr>
<td><strong>This subcomponent includes (a) support for the FGS-led Revenue Bill consultation process with the FMS; (b) support to selected FMS to implement the enacted Revenue Law, in addition to PSS and Somaliland that are already in the project scope; and (c) analytical work on revenue assignment and unbundling issues following the Revenue Bill consultation, and to help operationalization upon enactment.</strong></td>
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The Revenue Act 2019 enactment is a major achievement by Somalia. Aiming to help operationalize the Act, the government has requested for the Bank's support. The FGS put together the terms of reference for this support, particularly aiming at the harmonization between the FGS and PSS, and has initiated implementation of the activity. The FGS also confirms that it has requested FCDO PREMIS support to help harmonize the other four FMS tax laws to the Revenue Act, where PREMIS provided such support. The intergovernmental fiscal forum (IGFF), which has been established with Bank support, has greatly helped the FGS and FMS dialogue, particularly in the last six months, at both the ministerial and technical levels, supported by the Secretariat.

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<thead>
<tr>
<th>Component 2: Strengthening capacity for public financial management control and accountability</th>
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<tbody>
<tr>
<td>Component 2 focuses on (a) the implementation of critical treasury management, control, budget execution, public procurement and accounting, and reporting reforms; (b) deepening reforms targeted at enhancing transparency and accountability in the use of public funds through strengthening key integrity pillars including SAIs, external oversight capacities, internal control systems, and the overall fiduciary environment; and (c) expanding the reach of the government's PFM staff professionalization program.</td>
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<table>
<thead>
<tr>
<th>Subcomponent 2.1: Strengthening systems of treasury management, budget execution, procurement, accounting, and financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>This component supports the FGS, Puntland, and Somaliland to strengthen their budget execution, accounting, and reporting and auditing systems. Work is progressing well but at varying degrees.</td>
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</table>

In the **FGS**, the government has enacted the PFM Act and the amended Procurement Act. The related regulation for the procurement has also been passed and government has confirmed that the related PFM regulations have also now been completed and posted on the Ministry of Finance (MoF) website. The FGS has also fully implemented the International Public Sector Accounting Standards (IPSAS) cash basis of reporting and Financial Statements (FS) are prepared on this basis. The Quality Assurance (QA) review of the IFMIS for both FGS and Puntland are ongoing and draft report submitted for review. It is expected to be completed within the first quarter of 2021. The FGS and PSS have both committed to implementing the key findings and recommendations that are contained in the QA firm’s report to help enhance their systems. The FGS office of the Accountant General has committed to establishing an internal audit unit within her office to strengthen controls and help establish the same in critical/key MDAs. The External Assistance Fiduciary Section (EAFS) in the FGS, located in the office of the Accountant General, is being strengthened to ensure that it can provide the required FM staff to all new development projects for the FGS. The framework has been put in place to help operationalize this decision going forward.
In **Puntland**, the PFM Act is being reviewed and revised, and it is expected to be well aligned with that of the FGS to ensure uniformity of the PFM legal framework within the federation. The project has also supported the integration of the PFMIS functions with the Puntland State Bank banking system to facilitate online payment operations. This also allows direct payments of staff payroll into individual bank accounts, provide real-time bank balances, and facilitate cash management processes and planning. The Cabinet has also approved the Treasury Single Account (TSA) framework for implementation. All other ongoing activities are progressing well.

In **Somaliland**, steps are being taken to update its PFM Act to ensure the inclusion of legal provisions for internal audit functions in government. In this regard, the project has supported consultation among stakeholders including parliamentarians. A Fixed Assets Policy has been developed and approved by the Cabinet and is being implemented. The National Tender Board (NTB) is being supported by the project and has developed draft regulations for the procurement law and helped develop some procurement manuals; staff members are now being trained on their use. With the Minister of Finance’s intervention, the chart of accounts and SLFMIS has now been rolled out into the local government, thus supporting all government payments to be done using the SLFMIS. Internal audit work is progressing well, internal audit framework developed, audit charter, internal audit manuals have all been developed and staff are being trained on their use. In addition, other TA activities supporting key PFM institutions are all progressing well.

### Subcomponent 2.2: Strengthening the integrity systems

**FGS:** The annual audit of the government financial statements for the year ended December 2019 as well as the projects’ audits were delayed due to a late start because of the COVID-19 pandemic and late selection of a TA firm. These have, however, now been successfully completed and published on the Office of the Auditor General’s (OAG’s) website. The projects’ audits have also been completed and copies submitted to the Bank. Most of the planned activities under the project are progressing well. On the Audit Bill, despite its approval by both houses of Parliament, it is yet to be signed by the President. Since the resignation of the DRM/PFM Project Coordinator, the search to recruit a replacement is still ongoing and is yet to be completed. During discussions with project management the Bank team was informed that the shortlisting is complete, and qualified candidates will shortly be invited for interviews to complete the process.

**Puntland:** Most of the planned activities are also progressing well with support from embedded TAs and all previous agreed actions have been actioned. It has been agreed with Puntland management that all revisions to their laws, for example, the PFM law, should be aligned with that of FGS to ensure consistency within the Somalia federation. FMIS QA for PSS, which is being done jointly with the FGS, has progressed well and the draft report submitted. The PSS has not submitted the project audited financial statements (AFS) for the financial year ended December 31, 2019. This is due to delayed recruitment of the external audit firm to support the Office of the Auditor General (PSS). The TA firm is now at work and it is expected that the AFS will be submitted to the Bank by January 31, 2021.

**Somaliland:** The project continues to support the OAG with TAs who have ensured that the office is able to perform its function adequately. This year the office performed performance audits for two Bank-funded projects and completed them successfully, in addition to the normal project financial audits. All agreed actions have also been completed and activities under the project are also progressing well. The support provided
to the Parliamentary Accounts Committee (PAC) of Parliament is also progressing and clerks in the PAC office are being trained to support the committee’s work on reviewing government AFS.

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<thead>
<tr>
<th>Subcomponent 2.3: Professionalization of PFM staff</th>
<th>This component provides support to expand the government’s professionalization of the PFM staff program.</th>
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<tr>
<td><strong>Puntland</strong>: The PFM Staff Professionalization Certificate Program was extended to benefit the other FMS, where eight candidates have joined the program with the Puntland team. In addition, Puntland is running the Diploma level program, where 14 candidates have already passed the first module and are preparing for the second module. The program continues to face attendance challenges, which management is addressing.</td>
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<tr>
<td><strong>In Somaliland</strong>, where the program is also running at the Diploma level, 10 candidates have also passed the first two modules. In addition, there were some 11 candidates who were approved to re-sit the certificate; out of these only two candidates have passed. The project will not be able to support these re-sit candidates again, given the multiple chances they have received but have not been able to complete the program successfully.</td>
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<tr>
<td>In total, from the start of the program, the number of candidates that have passed the certificate level is 166: (a) FGS: 65; (b) Somaliland: 33; and (c) Puntland: 68. Out of this number, 21 are women (FGS: 6; Somaliland: 8; and Puntland: 7). Most of these candidates have been successfully deployed in various PFM institutions in governments of the FGS, Puntland, and Somaliland.</td>
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**Component 3: Rapid Response Facility (RRF)**

The RRF will provide just-in-time support, responding to the authorities’ request for a flexible window within the project to respond to emerging DRM and PFM priorities in a timely manner, without the need to reallocate project proceeds or for project restructuring.

This component is supporting FGS and Somaliland. In the FGS, the MoF Phase 2 building has been completed and handed over, and the project is in its defects’ liability period. Given the ongoing pandemic, there was no official/formal handover ceremony, but the building is ready and in use by the government and the contract is in defects liability period.

In Somaliland, the current Inland Revenue automation needs assessment is being financed from this component. The work is ongoing. Even though it has been delayed due to the COVID-19 pandemic, it is expected to be completed in the coming months. It will then be reviewed by government and finalized to ensure adequate time for its implementation.
Component 4: Public financial management reform oversight, coordination, and management

This component aims to support project management and coordination for the three governments—FGS, PSS, and Somaliland—in accordance with the new activities and extended timeline.

In the **FGS**, the project coordination unit (PCU) continues to support all the components’ heads and all related procurement has either been completed successfully or is ongoing. In August 2020, the Project Coordinator of the DRM/PFM Project resigned, and government is in the process of filling the vacant position. The procurement process has been delayed but is now at the shortlisting stage; qualified candidates are expected to be invited for interview within the next month. This will ensure that a new project coordinator is selected soon.

In **Puntland**, the PCU performance under the project continues to be satisfactory. Governance arrangements under the project are now operating well with full participation from senior leadership of the MoF. The Component Implementation Teams (CITs) and Technical Steering Committee (TSC) meet as required and can follow up and monitor ongoing activities and provide guidance on any challenges. This has ensured that most of the planned activities under the project are being implemented with only limited and a few outstanding items.

Similarly, in **Somaliland**, the PCU has performed very well in managing the project, supporting the various participating institutions, and ensuring that the required procurement of their needs are met in a timely manner. The PCU has also facilitated the training required by the institutions and many have been able to undertake their required trainings. The PCU has been requested to resolve the issues regarding the IPSAS TA, which seems to have run into trouble with the Accountant General’s Office. The government is expected to implement IPSAS cash basis of reporting in 2021 and all FS are required to be prepared on that basis, and timely resolution of this issue will be appreciated by the government.

**Challenges**

Most of the challenges raised in the last report remain the same.

- **Business process mapping, modernization, and automation**: Challenges still exist with the TIN structure, more specifically with the FGS/PSS. The government is still using the old design to issue TINs, which necessitates issuance of multiple TINs to registered taxpayers. The authorities should explore options to improve the existing TIN structure, with the potential to harmonize it with the TIN structure of other FMS.

- There has been **improvement in the timeliness of submission of contracts** for no-objection by the government. However, sometimes requests are submitted without the required supporting documents, leading to delays in the process.

- **Quality Assurance (QA) Review or Audit on FMIS systems** is making progress but only gradually. After the submission of the draft report, the step of submitting comments for finalization has been delayed; steps to address identified weaknesses and actions to address them have not been developed. One of the key weaknesses raised in the QA review is that of the sustainability of the system. These concerns have been raised several times but governments, especially in the FGS and Puntland, have not taken any concrete steps, actions or measures to start addressing this sustainability issue. In this regard, Somaliland has taken action and put in place measures to address its sustainability concerns.

- **Skills transfer from the TA providers to civil servants** is still a concern, and there seem to be no real strategies in place to address this concern. Whilst Somaliland and PSS have made progress, the FGS
continues to lag. This is a matter of top priority and the Bank continues to encourage the government to work on this and put in place a strategy to help address the situation.

- **The budget module of the Somalia Financial Management Information System (SFMIS-FGS) has still not been used.**

- **Engagement on key Bills:** The Revenue Act 2019, Amended Customs Act 2020, PFM as well as the Procurement Amendment Acts have all been passed and signed into law. However, there has been no new development on the Audit Bill. After long delays, both houses of Parliament passed the Audit bill and sent it to the President for signature, but it has not yet been signed. It looks like the Presidency has some concerns about the Audit Bill and it is not likely to be signed at this point in time. Government is urged to sign the Bill as it a good Audit Bill which meets some of the key International Organization of Supreme Audit Institutions’ (INTOSAI) provisions.

- **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.

- **The Bank team is encouraged by the government leadership in the design of the national tax system, in close collaboration with the FMS.** In this regard, more attention is required to operationalize the Revenue Act 2019 and move forward the FGS and FMS harmonization agenda.

**Contacts:** Frederick Yankey: fyankey@worldbank.org; Sher Shah Khan: skhan7@worldbank.org
## ENGAGEMENT IN SOMALIA’S HEALTH SECTOR

<table>
<thead>
<tr>
<th><strong>Timeframe</strong></th>
<th>2018–21; <strong>Budget</strong>: US$1.2 million</th>
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<td>This project is now effective.</td>
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### Damal Caafimaad (ASA)

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<th><strong>Timeframe</strong></th>
<th>June 30, 2021–May 30, 2025</th>
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<tr>
<td><strong>Budget</strong>: US$100 million (IDA: US$75 million; Global Financing Facility: US$25 million)</td>
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<tr>
<th><strong>Objectives</strong></th>
<th>Identify opportunities for the World Bank to catalyze improved health and nutrition outcomes in conflict-impacted Somalia through strengthened government institutions and mobilizing private sector actors.</th>
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<tr>
<th><strong>Beneficiaries</strong>:</th>
<th>The project aims to determine effective strategies and project activities for World Bank support to Somalia’s health sector. The project will focus on analytic work and capacity development aimed primarily at the Federal Ministry of Health (FMoH) and FMS.</th>
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<tr>
<th><strong>Government counterparts</strong>:</th>
<th>The key Federal Government institution for the overall coordination of the project is the FMoH. Within the FMoH, directorates, which the work will engage with, include the Directorates of Policy and Planning and the Human Resources Directorate.</th>
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<tr>
<th><strong>Implementation arrangements</strong>:</th>
<th>The analytic work was executed by the World Bank in close coordination with the FMoH and FMS MoHs.</th>
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<tr>
<th><strong>Geographic coverage</strong>:</th>
<th>The work took place at the national level.</th>
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### Current status and changes: The implementation of the ASA was successful in achieving its objectives and a series of deliverables have been completed. As expected at the concept note stage, the contents of the planned activities have been modified to reflect the needs identified during ASA implementation and inputs from other donors. This flexible ‘menu of options’ approach, adjusting to needs during implementation, was extremely useful for the task team as the World Bank is reengaging in the health sector for the first time in 30 years, with a high level of uncertainty. Second, the ASA’s roll-out coincided with the timing of the preparation of the first IDA health project in Somalia, ‘Damal Caafimaad’, and allowed the task team to strengthen its technical basis of new investments by using the ASA to directly inform project design. In addition to adjustments in deliverables, inherent in the ‘menu of options’ approach, several changes were made to the ASA during implementation:

- The preparatory work for Somalia’s Investment Case (IC), which will develop a prioritized plan for Somalia’s health sector, is supported by the Global Financing Facility (GFF) under another ASA (P173177). The team has adjusted the activities to be financed under this ASA to maintain complementarities with the IC ASA.
• Following the governance challenges in the FMoH and on the basis of a direct request from the Minister of Health, the ASA was used to provide immediate fiduciary support without waiting for the approval of the IDA health project.

Improving Health Services in Somalia (‘Damal Caafimaad’) Project:

The ‘Engagement in Somalia’s Health Sector’ ASA closely informed the development of the first World Bank–financed project in Somalia’s health sector in over 30 years. The project was approved by the World Bank Board of Directors on June 30, 2021, and will be implemented over four years, closing on May 30, 2025. The Damal Caafimaad project is co-financed by US$75 million from IDA and US$25 million from the GFF. Damal Caafimaad’s Project Development Objective is to improve the coverage of essential health and nutrition services in project areas and strengthen stewardship capacity of Ministries of Health (MoHs). The project has four components:

• Component 1: Expanding the coverage of high-impact health and nutrition services in select geographic areas (US$75.5 million): This component will deliver and expand the coverage of select, essential health services within five regions in Somalia; Nugal in Puntland State, Hiraan and Middle Shabelle in Hirshabelle State, and Bay and Bakool in South West State. The health services covered in this component include cost-effective, high-impact maternal, child, newborn, communicable disease, and mental health interventions. To deliver health services, a government contracting model will be used in which the FMoH contracts nongovernmental organizations (NGOs) to deliver health services in the target regions, with oversight from the FMoH and FMS MoHs. This component will also include third party monitoring (TPM) to track performance and increase the quantity and quality of available health information.

• Component 2: Strengthening government stewardship to enhance service delivery (US$11.5 million): This component will strengthen the stewardship and oversight capacity of the federal and state MoHs with a focus on developing the capacity of the Health Management and Information System (HMIS), Public Financial Management (PFM), organizational development, and regulation and the private sector.

• Component 3: Project management, knowledge management and learning (US$6 million): This component will finance project management and oversight including safeguards’ activities and operations of the Project Contracting and Implementation Unit (PCIU) in the FMoH and Project Management Teams (PMTs) in the FMS MoHs, which will implement and monitor project activities.

• Component 4: Contingent Emergency Response Component (CERC) (US$0): This currently unfinanced component will allow for rapid reallocation of funds in the likely event of an emergency, such as an epidemic, outbreak, humanitarian event, or other public health emergency, during the life of the project.

In addition to the activities described above, US$7 million in project funds were retained to contribute to the achievement of the project’s development objective in Somaliland, with specific activities and arrangements to be determined based on agreements between Somaliland and the FGS.

Component 1: Strengthening access to essential health services

This component explored health service delivery and included the following:

(a) Health Service Delivery landscaping: This report was completed in July 2019 and provided an overview of health sector service delivery in Somalia, which informed development of the Damal Caafimaad project.
(b) **Private sector contracting options**: This work was co-funded by the WG, GAVI, and GFF and conducted by a contracted consultancy firm, Philanthropy Advisors. The assignment is complete, and two reports were generated—one for Somalia and another one for Somaliland. The recommendations of the reports have been instrumental in the design of the Damal Caafimaad project.

(c) **Developing a standardized health quality tool**: The health service quality tool is currently under development by a consultant with expertise in reducing maternal and neonatal mortality through health service quality improvements. The health service quality tool will be used to improve health service quality through the Damal Caafimaad Project. The work is anticipated to be complete in September 2021.

### Component 2: Strengthening government policy, regulation, coordination, and oversight/management

The objective of this component is to work towards strengthening the FMoH’s governance role with a focus on improved health policy, regulatory frameworks and implementation, coordination of health sector actors, intergovernmental coordination including coordination with the FMS, and contract oversight/management. Options under this component include:

(a) **Contract management procedures and roles outlined, structures defined**: Learning from lessons of fragile contexts where health sector contracting has been used, defined roles and structures for contract management were developed to inform Damal Caafimaad design and implementation.

(b) **TA to provide interim capacity development support to the FMoH for improved financial and performance management**: At the request of the minister of health following governance issues within the FMoH, technical assistance, undertaken by the firm Abyrint, was provided to the FMoH to develop fiduciary capacity and strengthen PFM procedures. The work has formed the basis for ongoing PFM capacity development through the Damal Caafimaad project.

(c) **Regulatory landscape assessment for health professions, health facilities, and the pharmaceutical sector**: A health sector regulatory assessment is being finalized that will form the basis of regulatory capacity development in the Damal Caafimaad project. The work is anticipated to be complete in August 2021.

### Component 3: Health financing and financial protection

This component aimed to improve understanding of the health financing landscape in Somalia to identify opportunities for targeted health service delivery interventions and improved health sector financing. This component explored key aspects of health financing to understand details of different sources of health financing, including out-of-pocket (OOP) expenditures, donor contributions (including nontraditional donors), and risk pooling mechanisms. The component also created an action plan to develop a health financing strategy. The component had one deliverable:

(a) **Health financing landscape report**: The report reviews OOP expenditures, risk pooling mechanisms, and the health financing landscape; it generated an action plan to develop a health financing strategy. The ‘Health Financing Landscape report’ was completed in late 2019 and used to inform the Damal Caafimaad project.

(b) **Costing of Somalia’s Essential Package of Health Services (EPHS) was completed in December 2020.** It is expected to inform the contracting with NGOs for service delivery.
### Challenges

- The COVID-19 pandemic disrupted operations and delayed work on the ASA as the counterpart’s focus shifted away from what was planned under this program towards COVID-19.
- The April 2020 governance challenges in the FMoH revealed the FMoH’s weak internal controls and systems and highlighted the immediate need to resolve underlying issues to regain trust in the FMoH’s fiduciary system.
- The counterpart capacity remains weak—the MoHs remain understaffed and lacking in key personnel to effectively take part in the ASA processes by providing critical information and reviews.
- Limited number of consultants with experience in Somalia—this has been made worse by the persistent insecurity that has compromised the ability of teams to move around Somalia and gather data.
- The upcoming general election and anticipated political changes have introduced uncertainties as a result of expected changes in government.

### Contacts:

- Bernard Olayo: bolayo@worldbank.org
- Naoko Ohno: nohno@worldbank.org
## ENHANCING GOVERNANCE DIALOGUE ON SOMALIA

<table>
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<tr>
<th><strong>Timeframe:</strong> 2019–2023</th>
<th><strong>Budget:</strong> US$1,025,000 (including a contribution from the Swiss embassy)</th>
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<tr>
<td><strong>Status:</strong> Effective</td>
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### Objectives

Improve policy dialogue and coordination necessary for reform progress, achievement of governance projects’ objectives, and governance integration in sectoral operations.

### Beneficiaries:

FGS and FMS ministries and institutions.

### Government counterparts:

Federal and Member States, Ministries of Finance, the Federal Office of the Prime Minister, the Federal Office of the President, and some line ministries and oversight institutions, such as the Office of the Auditor General.

### Implementation arrangements:

Bank-executed.

### Component 1: Thought leadership

by convening stakeholders (government and partners) and facilitating discussions on some critical economic governance issues, including engagement with Multi-Partner Fund (MPF) donors and Pillar Working Groups.

The paper on the role of the state after the normalization of relations with donors was revised, finalized, disseminated, and published:

As an important input to the Performance Learning Review (PLR) of the World Bank (WB), and upon the demand of the Country Management Unit (CMU), the paper on the role of the state was revised, finalized, and disseminated to various donors. It was accepted in a peer-reviewed journal, *Development Policy Review*, and published.

It suggests that future public reforms could be based on three pathways: (a) the development of a results-oriented state; (b) the facilitation of private sector growth through regulation and favor competition; and (c) the development of a more accountable state that would promote participatory governance, thereby strengthening the legitimacy of the state vis-à-vis its citizens.

The paper presents the current problems in Somalia and what a possible way forward could be. The paper also outlines the affordability of the future Somalia State and its implications and the role of development partners in supporting a Somalia State.

A subsequent paper on the role of the state in the education sector was drafted:

The main objective of the paper (still being drafted) is to examine the limits and opportunities of public finance as the principal means to expand educational provision. The note decomposed FGS and FMS expenditure trends and simulated the growth of government revenues allocated to education in the light of continued demand for spending from other sectors.

The paper demonstrates that if the government were to increase its share of revenues allocated to education from the current 2.9 percent to the 20 percent benchmark, it could provide schooling for 1.2 million additional out-of-school children—raising the primary gross enrollment rate to 70 percent. It points out that this seven-fold
increase in revenue share is highly unlikely in the medium term, and consequently highlights the need for other policy measures to increase the provision of education.

It also reviews the experience of comparator countries in South Asia and Sub-Saharan Africa that have faced similar public financing constraints and chose to actively enable and/or support the private sector in their countries to grow and close the enrollment gap—for instance, Pakistan, Nigeria, Mali, Burkina Faso, and Niger.

One of the main recommendations coming from the analysis of these comparator country experiences is that policies which facilitate private sector engagement should be coupled with mechanisms that help ensure access to private education for children from disadvantaged communities or groups, and incentivize private schools to deliver good quality education.

**A paper on the social contract in Somalia was developed and disseminated to donors:**

Building on a regional study in Africa aiming at measuring social contracts’ concepts and within the framework of reflecting on future donor interventions, a paper was developed to apply social contracts’ measurement and complements with qualitative assessments in Somalia. This paper uses the framework developed regionally to explore the citizen-state bargain and social outcomes in Somalia.

The qualitative parts describing the social contract in Somalia use the lenses of security, education, and taxes to describe the current setting. It is usually assumed that improved service delivery in fragile states should improve, almost automatically, state legitimacy and then reduce conflict likelihood. This paper shows that security imperatives prevail in such countries and tax bargaining hardly exists in most cases. Citizen expectations are usually low, which explains that how service delivery is improved matters a lot for state legitimacy. This work draws lessons pertaining to past engagement, building on Somalia’s history, and also reflects on how aid may impact the country.

It was presented and discussed with MPF donors in April 2021. Some subsequent discussions were held on the future programming of certain donors to reflect the main findings of the paper.

**Component 2: Targeted just-in-time review, engagement, and support to the client and promotion of knowledge transfer to Somali institutions**, including providing technical experts for a limited number of themes.

Key just-in-time inputs and papers were undertaken during the reporting period:

- A comprehensive public financial management (PFM) assessment in FMS was carried out with a large team to cover revenue, budget, procurement, audit, and citizen engagement aspects (among others). This was the first assessment of this type and was an opportunity to take stock of the outcome of reforms undertaken in previous years.

- A policy note on intergovernmental transfers was finalized in September 2020, which was an input for discussion for policy makers in Somalia. It has defined short- and long-term recommendations in the area of transfers with possible options. The note was written by an external consultant.

**A report on Somalia Public Financial Management Assessment in FMS was produced and used for policy dialogue:**

A PFM assessment in the FMS was carried out during FY21 and disseminated to donors, including the Foreign Commonwealth and Development Office (FCDO). It was designed to be participatory, with questionnaires sent to the FMS and then virtual sessions with PFM professionals in the FMS. It built on the module of the World Bank Public Expenditure Review on public financial management (2020) by shifting the primary focus from the FGS to the PFM system and performance of the four south-central FMS and Puntland. The main objective of the assessment was to obtain a baseline understanding of the performance strengths and weaknesses of the PFM
systems and processes that are currently in place, and formulate a prioritized set of recommendations. The assessment utilized a combination of qualitative and quantitative approaches and was guided by, but not limited to, the dimensions used in the Public Expenditure and Financial Accountability (PEFA) (PFM Performance Measurement Framework, 2016 version).

The assessment was based on four guiding principles: (a) relevance to a fragility, conflict and violence context; (b) phased/sequenced approach to recommendations considering Somalia’s political and economic context; (c) building foundations by focusing on basic first-generation reforms; and (d) avoiding duplication with other existing or planned Bank diagnostics. The application of the above principles has led to the elimination of the following areas: revenue management, public investment management, state-owned enterprises and parastatals, medium term fiscal strategy and expenditure framework, and debt management.

The assessment covered five technical areas: (a) the legal and regulatory framework for PFM; (b) the internal control framework; (c) financial reporting; (d) budgeting and cash management; and (e) external audits. An assessment of the PFM landscape suggests that PFM reforms are at still at an early stage in the FMS (with some variation); the FMS, however, have made strong progress in a short time span. All FMS have built the foundation for the PFM cycle that aims to ensure that public expenditure is well planned, executed, accounted for, and scrutinized. This is particularly noteworthy, as it generally takes a long time to build fiscal institutions, especially in postconflict settings. The design of the future operational support to PFM will be largely influenced by the main findings of this assessment.

**Support on intergovernmental fiscal relations:**

**Recruitment of a senior intergovernmental fiscal advisor.** A senior intergovernmental fiscal advisor (as an extended term consultant) was recruited to help the Bank team to facilitate dialogue on such issues between the FGS and FMS. An allocation for the position is being provided by the Swiss Embassy in Kenya (US$750,000 for three years through the MPF); US$500,000 has been transferred to the MPF. A note to draw lessons on intergovernmental fiscal dialogue and the role of the WB is being drafted by the senior advisor to reflect and possibly amend the approach, if required.

**Technical input on intergovernmental transfer system:**

A just-in-time note was produced to propose for the reform of the intergovernmental transfer system between the FGS and FMS. Improving the design of the intergovernmental transfer was supported by the Disbursement-Linked Indicators (DLI) matrix for the World Bank-supported Recurrent Cost and Reforms Financing (RCRF) Projects (Phases II and III) and the benchmarks specified in the EU-supported State Building and Resilience Contract (SBRC) Project. Both the RCRF II and the SBRC call for a draft policy paper setting out (a) the guiding principles for FGS transfers to the member states and Benadir Region Administration; (b) a comparative analysis of transfer systems in the region, and (c) a discussion of the longer-term outlook. This was discussed at a Finance Ministers Fiscal Forum in August 2020.

The note considered the principles of a transfer system, country-specific characteristics of Somalia, and regional comparators. The first part discusses the principles of transfer design and their application to the particular circumstances that currently prevail in Somalia. The second part describes the transfer system of four countries in the region—South Africa, Nigeria, Kenya, and Ethiopia—and draws lessons from them that may be applicable to Somalia. The final section concludes with recommendations for the short and medium term.

**Support on pension reforms in Somalia:**

Significant progress toward establishing a pension system for nonuniformed public servants for three Somalia jurisdictions—the FGS, Puntland State of Somalia (PSS) and Government of Somaliland (GoSL)—has been made.

The progress to date is:
• All three jurisdictions have agreed that their pension systems should be run on a defined benefit, ‘pay as you go’ basis, which means that contributions from current workers and the government as employer are to be used to pay benefits to those who have reached retirement age. The proposed system is socially responsible and fiscally sustainable (although in the long term, contribution rates may need to be increased):
  o The system does not require a major injection of start-up resources;
  o It does not require investment in financial assets, which Somalia currently does not have; and
  o It has far simpler governance requirements.
• All three jurisdictions have agreed to provide benefits that pay between 45 percent and 50 percent of basic salary after 30 years of service, which is in line with the International Labour Organization standard of 40 percent after 30 years. These benefit rates provide adequate pensions, but are not overly generous and, therefore, they do not bankrupt the pension system and government.

Through extensive policy dialogue that was supported with simulation modeling, international best practices notes referring to other Muslim pension systems (with and without Sharia provisions) and just-in-time advice, the Bank team achieved the following:
• All three governments have agreed to provide current workers past service credit in line with their birth year to avoid the messy, time-consuming, and politicized issue of deciding who gets past service credit and how much.
• All three have agreed that the only people eligible for pensions are those who were working in 2019 or later.
• All three jurisdictions have agreed to put in place a retirement age of 65 for both men and women, providing equal treatment for both.
• All three jurisdictions have agreed that pensions will be provided for all individuals with 10 or more years of service credit, with lump sum gratuities for those with service below 10 years. In all cases, pensions and/or gratuities will not be payable until the individual reaches retirement age.
• All three jurisdictions have agreed that disability pensions will be paid to those who are totally incapable of any type of work, which is much easier to administer than looser definitions of disability.
• All three jurisdictions have agreed on an appropriately restrictive definition of who gets survivor pensions, which are set at 70 percent of the entitlement of the original contributor to an old age pension, providing pensions to spouse(s), children who are not old enough to provide their own livelihood and, in one case, parents who are more than 50 percent dependent on the contributor for their sustenance.
  o This provision was actually the most contentious, as the initial view of the counterparts was that pensions should be inherited and placed under the rules of the Sharia courts, which would have provided few benefits, particularly for female family members.
• All three jurisdictions have agreed that pensions, going forward, will be indexed with inflation, protecting the purchasing power of the pension.

Most importantly, all three jurisdictions have agreed to limit the amount of discretion involved in deciding who gets pensions and the amounts of the benefits and make most of the process rules, based on rules either in the legislation itself or in upcoming regulations, which will serve to make the process fairer and more automatic, compared to the original views (that every detail would be decided by a Committee of Ministers), which would result in a slow and politicized process.
Currently, Pension Legislations in all three jurisdictions are in the process of Cabinet approval and then will be ready to move to the Parliamentary process.

Moreover, an ongoing work to secure timely and high-quality reforms implementation has been carried out. A grant of 1 million Euros (through the MPF) from the Italian Agency for Development Cooperation was approved to allow the team to maintain reform momentum.

The team has already proposed or is working with government teams on:

- List of regulations which will need to be drafted in each jurisdiction.
- Business processes designed and implemented before the pension funds can begin operation.
- Step-by-step action plans that shall be implemented between enactment of Pension Legislation and first payment of pensions to retirees.

Support on anti-corruption was initiated:

There have been several recent efforts by the Somalia government to improve on its performance on confronting corruption. This includes the establishment of its Anti-Corruption Commission, approval of the National Anti-Corruption Strategy, ratification of the United Nations Convention against Corruption (UNCAC), Africa Union Convention on Preventing and Combating Corruption (AUCPCC), and the Arab Convention on Anti-Corruption. With the policy and legal framework in place, the Commission, and the Ministry of Justice (of the FGS) have been charged with the responsibility for spearheading anti-corruption efforts including investigation, prosecution, prevention of corruption, awareness raising, and education. However, both the Commission and Ministry of Justice are still in their infancy stages and require significant capacity building.

The enhanced governance policy dialogue platform provided an opportunity to provide targeted Peer to Peer (P2P) exchanges between key Somali and Kenyan anti-corruption institutions. A concept note was developed jointly between the WB and the Ministry of Justice, outlining the content and approach for the P2P sessions. These sessions ran for six weeks, taking the form of weekly interactive sessions around policy, legal, institutional, financial, human resource, and operational issues on anti-corruption, offering both best practice and best-fit solutions for the Somalia context. The sessions also provided perspectives on the implementation of specific areas of the Somalia National Anti-Corruption Strategy, UNCAC and AUCPCC, as well as on organizational development issues. These sessions provided a platform for candid discussions on successes, challenges, and opportunities in the short, medium and long term. Participants were drawn from the Somalia Anti-Corruption Commission and Ministry of Justice and facilitated by the WB task team, the Kenya Law Reform Commission, Ethics and Anti-Corruption Commission and the National Anti-Corruption Campaign Steering Committee. Through this support, meaningful connections between Kenyan and Somali anti-corruption institutions have been formed to take this conversation forward. The task team hopes to adopt a similar approach with other countries (for example, Rwanda) in FY 2021/2022. These sessions would then provide a solid basis for the WB to prioritize, sequence, and engage on any potential programs/projects towards institutional strengthening.

Legal analysis of award of Production Sharing Agreements regarding procurement legislation:

Due to recurrent disputes between the MoF and the Ministry of Petroleum and upon request of the FGC, a just-in-time legal note was commissioned. Written by a lawyer, it is on the legal requirements for the award of Production Sharing Agreements (PSAs). It concludes that “the provisions of the Procurement Act and the Petroleum Act do not conflict, and can and should be read together to enable the Somali Petroleum Authority (SPA) to competitive tender or directly negotiate PSAs, in accordance with the Procurement Act process. “The SPA should follow the requirements and processes set out in the Procurement Act, as it is required to do so by that law and can do so without conflict with the Petroleum Act. Doing so will enable it to achieve its statutory duty in the Petroleum Act to provide the maximum benefit to Somalia and its people”. This was then further discussed
later during an FGC meeting further stating that the Petroleum Act was not above the Procurement Act and award of PSAs should comply with the Procurement Act.

**A note for Somalia CSO stocktaking and a roadmap for gradual engagement with think tanks:**

A WB team, together with technical experts, has advanced the efforts and process for civil society organizations’ (CSO) engagement in Somalia. A stocktaking note has been prepared on CSOs/think tanks in Somalia.

The findings of the stocktaking study were intended to support the Somalia Country Management Unit (CMU) to (a) better understand and navigate the complexities of the landscape of CSOs; (b) identify reliable partners through consideration of their political and clan affiliations, strengths, and weaknesses; and (c) identify opportunities and risks to engagement. To address these objectives, this stocktaking began by making the case for a phased approach as an entry point. This was followed by general findings regarding the CSO landscape and a mapping of CSOs broken down by subcategory (think tanks, platforms, youth, and gender). Finally, the note ended with opportunities for collaboration with organizations already engaging with CSOs in Somalia. This note was based on numerous interviews (donors’ representatives or independents involved in engagement with CSOs).

This note outlined not only the way forward but also the need for, and the benefit of, engaging with think tanks as an entry point to CSO engagement in Somalia. There is a strong case for the World Bank Group (WBG) to engage CSOs in operational and analytical work in Somalia, which includes incorporating the views and feedback of beneficiaries and aligning with broader WBG strategy. The recent WB paper on the role of the state demonstrated the current weak accountability of authorities vis-à-vis citizens. Sharing information with CSOs through an ASA has the potential to build consensus around policy, raise awareness, and influence public debate in the country.

To manage risks and test the approach, the initial engagement will involve presentation and discussion of internally cleared or public reports and involve only think tanks. This engagement would also build on the findings of an initial scoping the Somalia CMU conducted in late 2019. To facilitate this process, a detailed engagement plan in cooperation with the WB communications team has been prepared.

The team started to partner with two think tanks to develop and run the two dialogues which were chosen based on the findings of the stocktaking: Rift Valley Institute (RVI) and Heritage Institute for Policy Studies (HIPS). The engagement will focus on two modules from the Public Expenditure Review (PER): Moving the Fiscal Federalism Agenda Forward (May 2020), and Domestic Resource Mobilization in Somalia (February 2021).

**Component 3: Strengthened governance teams’ coordination**, and outreach to Country Management Unit and Global Practices

**Weekly governance team meetings:** Since the beginning of the fiscal year, 20 minute internal governance meetings have been held (whenever the Task Team Leader [TTL] is available). During such meetings, the governance teams update each other on the status of their activities and share their experiences and knowledge. More than 15 key team members meet on a regular basis. Key milestones, deliverables, and missions are shared with the team to have a more coordinated approach vis-à-vis the Somali authorities.

**Joint Governance Troika Projects’ meetings:** A new meeting was held in June 2021 with representatives of the FGS to strengthen coordination among the projects, particularly the interrelated project activities that are complementary to each other.

**Planned Notes and Activities for FY22**

Planned activities will be based on just-in-time needs. The following activities should be carried out:
- Support to intergovernmental fiscal relations will be pursued with subsequent analytical work (in addition to managing the senior intergovernmental fiscal advisor).
- A joint paper with the urban team on fiscal decentralization, fiscal sustainability, and governance at the local level in Somalia.
- A comparative pension system design policy paper summarizing and comparing policy design process in the FGS, PSS, and SL, and the ‘how to’ of the reform (as well as managing the Italian grant on pension reforms).
- A paper on public service performance and quality in SL based on existing comprehensive surveys.
- A background paper for the Country Private Sector Diagnostic (CPSD) on the political economy of the private sector in Somalia and competition.

### Challenges

- Canceled missions make dissemination and convincing people to change/amend policies more difficult.

**Contact:** Gael Raballand: graballand@worldbank.org
RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM


**Status:** Effective

**Objectives**
Support the Federal Government of Somalia (FGS) and eligible Federal Member States (FMS) to strengthen resource management systems, the intergovernmental fiscal framework, and service delivery systems in health and education.

**Beneficiaries:** Primary beneficiaries include the government, civil servants and employees of the implementing Ministries, Departments and Agencies (MDAs) in the FGS and FMS, as well as development partners who use the RCRF as a convening platform to provide technical advice and financial assistance.

**Government counterparts:** Ministries of Finance, Offices of the Accountant General, Ministries of Education, Ministries of Health.

**Implementation arrangements:** Recipient-executed (RE).

**Geographic coverage:** The RCRF is a national program and supports the FGS and, through intergovernmental transfers, all FMS. It does not include Somaliland.

The first phase of RCRF is now 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 intergovernmental fiscal federalism, citizen engagement, and service delivery.

The overall approach to RCRF III is one of continuity with RCRF II, but with additional measures, including:

(a) Introducing reform benchmarks to incentivize reforms and associated funding within the FMS for improved governance and education and health service delivery.

(b) Reducing the number of FGS reform benchmarks from seven (RCRF II) to five, creating a smaller and better focused set of reform incentives for the FGS.

(c) Providing expanded resources for intergovernmental system strengthening, including support for improved intergovernmental fiscal reporting.

(d) Supporting a change of approach to recurrent cost financing in the education sector, moving gradually from the existing RCRF II teacher payroll financing to introduce performance-based school grants.

(e) A new Citizen Engagement component for improved accountability and service delivery.
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, scale-up of the Marwo Caafimaad Female Health Worker (FHW) Program and retraining for COVID-19 response.

RCRF II and RCRF III are implemented in parallel in an integrated manner.

**Component 1: Recurrent cost finance to reform resource management systems (US$56.6 million by RCRF II and US$13.5 million by RCRF III)**

<table>
<thead>
<tr>
<th>Subcomponent 1.1: Ongoing Financing eligible civil service salaries</th>
<th>Subcomponent 1.1 continues to provide a ‘baseline’ level of input-based financing of the FGS civil service wage bill.</th>
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<tbody>
<tr>
<td>During 2021, there is US$7 million of baseline financing available to the FGS, at the same level as in 2020 and 2019, and down from US$8 million in 2018. Progress in timely payments of FGS civil service salaries has been made, and any late payments are limited to a few days. A category funding issue created a liquidity squeeze in early 2021 which delayed salary payments to some RCRF-financed payrolls, including individuals hired under CIM. This has been resolved by the replenishment of US$10 million from the MPF to project funds. Subcomponent 1.1 also provides a continued source of financing for the FGS' Capacity Injection Mechanism (CIM) recruits (recruited through the support provided by the World Bank CIP). Financing has totaled US$17.4 million since the start of the program in 2016. This financing is set to decline. 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. The CIM has now been onboarded to the SFMIS payroll module, a major improvement in the systems integration and transparency of this program. (Please refer to the CIP project brief, on page 6, for more details on personnel numbers.)</td>
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| Subcomponent 1.2: Ongoing Financing eligible civil service salaries in FGS: Reform benchmarks (PBCs/DLIs) | In March 2021, US$4.2 million was disbursed against the August 2020 DLIs in the areas of intergovernmental fiscal policy framework, FGS transfers to FMS, and teacher proficiency testing. An additional US$4.4 million was disbursed in June 2021 against two February 2021 DLIs related to the functional specifications for the new customs information technology (IT) system, strengthening of the payment process for operational expenditures, and one August 2021 DLI related to the teacher proficiency testing. At the same time, five earlier DLIs in the areas of domestic revenue mobilization and cash management, which are worth US$7 million, have not been met. New performance benchmarks were added as part of project restructuring, dated March 22, 2021, to support reforms to improve human resource management (HRM); improve wage bill management; enhance the transparency, coverage, and quality of the fiscal reporting; and strengthen service delivery. The first tranche of US$7 million was subsequently disbursed upon satisfactory completion of the first set of newly added DLIs. |
### Component 2: Strengthen intergovernmental fiscal relations (forums and Secretariat) (US$1.8 million by RCRF II and US$17.8 million by RCRF III)

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<tr>
<th>Subcomponent 2.1: Supporting Intergovernmental Fiscal Forums and Secretariat (US$3.2 million)</th>
<th>Progress on Component 2.1 has been moderately satisfactory with the setting of the Intergovernmental Fiscal Reform Unit, convening of high-level political and technical meetings, and provision of support to FMS for fiscal reporting. The mechanism of the participation eligibility criteria has been useful to incentivize transparency of fiscal reporting. The FGS and five FMS have been successful in providing, to the World Bank team, monthly unaudited fiscal reports using six-digit budget codes and publishing fiscal summary reports online. A consolidation tool prepared by the World Bank team is used by the FGS MoF team. Harmonization of the FGS and FMS’ budget classifications (BC)/CoA is an important step, which will serve as the basis for introducing consolidated budget documents. The Financial Reporting Unit (FRU) under the FGS MoF, comprising representatives from the Budget Department and OAG, and a Technical Working Group (TWG), comprising FMS representatives, were created on February 28, 2021, based on the policy document signed by the minister, to advance the unified BC/CoA and standardized financial reporting. The FRU held technical discussions with FMS during a dedicated workshop in Garowe to finalize the unified CoA and standardize fiscal reporting.</th>
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<tbody>
<tr>
<td>Subcomponent 2.2: Reform benchmarks for improved governance and service delivery at FMS level (US$11.7 million)</td>
<td>RCRF III has introduced new reform benchmarks for improved governance and service delivery at FMS level. The first round of service delivery transfer agreements in the health sector between the FGS and five FMS were prepared and signed. The agreements are accompanied by Annual Community Health Service Delivery Plans, including costed COVID-19 and infectious diseases measures, as well as reporting formats and associated reporting procedures in the health sector.</td>
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</table>
| Subcomponent 2.3: Strengthening resource management systems (US$4.7 million) | During the implementation of RCRF II, it has become apparent that further investments are required in FMS capabilities to strengthen PFM and service delivery. This new subcomponent will finance the following four main activities:  
  - Support a “common approach” to implementation of World Bank operations at FMS level, including investments in ministries of finance (notably External Assistance Fiduciary Sections or 'EAFS’), PFM and contract management capability in ministries of education and health, and social safeguards.  
  - Support a comprehensive plan to coordinate with other PFM projects at FMS level on sustained skills improvement (in areas of finance, accounting and financial reporting, procurement, HR, and internal audit), with a focus on improved PFM, education, and health service delivery.  
  - Extend the PFM staff professionalization program, started under RCRF II, in collaboration with the DRM&PFM project, to train more PFM staff in the PFM institutions and MDAs of all FMS.  
  - Support intergovernmental collaboration to improve automatic fiscal data sharing between the FGS and FMS and harmonization of budget |
classifications, to support automation of fiscal reports, including IT equipment, if needed.

Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS (US$54.7 million by RCRF II and US$30.9 million by RCRF III)

**Subcomponent 3.1: Financing core government functions in FMS (US$23.1 million + US$10.8 million)**

During January–June of 2021, this subcomponent continued the financing of FMS recurrent costs; previously under Component 2, it was moved to Component 3 to consolidate fiscal transfers to FMS. The subcomponent—through the transfer grants from FGS to FMS—finances the following: (a) monitors reforms to meet the eligibility criteria; (b) finances salaries and allowances of civil servants (excluding elected officials) in selected MDAs (that is, Finance, Health, Education); (c) provides salaries and allowances to government staff and young graduates recruited under the CIM; (d) enables systems’ strengthening and the establishment of basic accountability systems; and (e) eligible nonsalary recurrent costs (NSRCs) for selected MDAs (that is, Finance, Health, Education).

**Subcomponent 3.2: Financing education service delivery (US$16.5 million + US$10.8 million)**

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 MoECHE management. After several delays in 2020 teacher salary payments, the underlying reasons for delays were successfully resolved, and teacher salaries in all FMS were paid in a timely manner. 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 a harmonized national exams, common curriculum framework and syllabus for basic education. After successfully piloting in Benadir, in March 2020, the FGS MoECHE rolled out Teacher Proficiency testing 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 and a virtual validation workshop was conducted in July 2020. In June 2021, an Intergovernmental Education Coordination Forum Committee was established, and the first intergovernmental meeting focused on the creation of a National Examination Board and a National Curriculum Board.

**Subcomponent 3.3: Financing health service delivery (US$15.1 million + US$10.1 million)**

The health subcomponent aims to establish the foundations necessary to improve health service delivery and health outcomes through the development of FHWs’ cadres and strengthening of the government’s stewardship and management capacities. Substantive progress has been made in the roll-out of the FHW program. A long-delayed Health Technical Partner (HTP) contract was signed on March 31, 2021. The HTP will provide support to the FHW program roll-out in the three states of the BRA, PSS, and GSS. The FHW program in the other three states (HSS, JSS, and SWSS) is being launched in parallel, with technical support from the World Bank team and HTP’s experts based at the FGS MoH. All eligible FMS proceeded with the selection process of new FHWs, which is now completed and pending the finalization of the verification of credentials process of about 500 FHW/FHS.
Intergovernmental coordination agenda was further advanced through the conduct of quarterly health coordination meetings at FMS level and a National Inter-Governmental Health Coordination meeting in Mogadishu to discuss overall health issues in the state and the progress made on the FHW program.

### Component 4: Citizen engagement and feedback (US$2.3 million by RCRF III)

This new RCRF III component 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.

**Budget transparency.** Two mechanisms are being developed in support of the improved budget transparency through public participation in the budget process: (a) budget transparency and Open Budget Survey (OBS) ranking improvement; and (b) policy dialogue.

**Citizen engagement in education and health.** Three mechanisms are proposed: (a) mass media campaign; (b) ICT-based engagement; and (c) in-person community mobilization. Relevant draft Terms of Reference (ToR) have been developed and, as a next step, the PIU will finalize them in consultations with FMS as well as ensure deeper integration with the Environmental and Social Framework. Contracting for these ToRs is expected to be completed in September 2021.

**Contacts:** Zubair Khurshid Bhatti: zbhatti@worldbank.org; Gael Raballand: graballand@worldbank.org; Alma Nurshaikhova: anurshaikhova@worldbank.org
## SOMALIA SHOCK RESPONSIVE AND SOCIAL SAFETY NETS

This Project Brief includes:

### SOMALIA SHOCK RESPONSIVE SAFETY NET FOR HUMAN CAPITAL PROJECT (SNHCP)

- **Timeframe:** August 2019–August 2023; **Budget:** US$175 million, with US$65 million funded through an IDA pre-arrears clearance grant and an additional financing (AF) grant of US$110 million from IDA

- **Status:** Implementation ongoing, with AF approved on June 17, 2021.

- **Objectives:** Provide cash transfers (CTs) to targeted poor and vulnerable households (HHs) and establish the key building blocks of a national shock-responsive safety net system.

- **Components:**
  - Component 1: Nutrition-linked unconditional cash transfers.
  - Component 2: Delivery systems and institutional capacity building.
  - Component 3: Project management, monitoring and evaluation, and knowledge management.

### SOMALIA SHOCK RESPONSIVE SAFETY NET FOR LOCUST RESPONSE PROJECT (SNLRP)

- **Timeframe:** June 2020–May 2023; **Budget:** US$115 million, including an AF grant of US$75 million from IDA

- **Status:** Implementation ongoing, with AF approved on June 17, 2021.

- **Objectives:** Protect food security and livelihoods of poor and vulnerable HHs affected by the locust outbreak and strengthen social protection (SP) systems for preparedness.

- **Components:**
  - Component 1: Emergency cash transfers.
  - Component 2: Project management, and monitoring and evaluation.
  - Component 3: Household registration in the Unified Social Registry (USR).

### SOMALIA SOCIAL PROTECTION SUPPORT: BUILDING BLOCKS TOWARDS A NATIONAL SOCIAL PROTECTION SYSTEM (ASA)

- **Timeframe:** March 2019–February 2022; **Budget:** US$2 million, funded through the MPF

- **Status:** Implementation ongoing.

- **Objectives:** Support the Government of Somalia to develop key building blocks of a national SP system and support the design of a scalable social safety net program.

- **Components:**
  - Component 1: Social Protection Policy framework and capacity building.
  - Component 2: Social Safety Net Program and delivery systems.
  - Support for both components 1 and 2: Implementation support, training, workshops, and conferences.

**Beneficiaries:** Federal Government of Somalia (FGS), Federal Member States (FMS), Ministry of Labor and Social Affairs (MoLSA), and the poor and vulnerable communities and HHs of Somalia.

**Government counterparts:** Federal Ministry of Labor and Social Affairs.
**Implementation arrangements:** The SNHCP and SNLRP are implemented by the MoLSA on behalf of the FGS, in partnership with the World Food Programme (WFP) and United Nations Children’s Fund (UNICEF) and with implementation and supervision support by the World Bank (WB), while the MPF-funded ASA is executed by the WB in support of the FGS. All activities are being implemented with full engagement of FMS authorities, as well as the relevant UN agencies, and in consultations and collaboration with development partners (DPs), and relevant humanitarian agencies and NGOs involved in supporting the Social Policy (SP) agenda.

The **SNHCP** serves as the umbrella project supporting the FGS to operationalize the national SP Policy and develop a national shock responsive safety net system in Somalia. Specifically, it supports the government-led cash transfer (CT) program, known as ‘Baxnaano’, with a focus on enhancing CT linkages with the health and education sectors for enhanced human development outcomes. 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. Given the limited FGS capacity, the MoLSA signed standard Output Agreements with the WFP and UNICEF to support implementation of the CT and system building, respectively. Activities are closely coordinated with the joint SP program funded by the Sustainable Development Goal (SDG) Fund and implemented by the International Labour Organization (ILO), UNICEF, and WFP, as well as with the United Kingdom Foreign, Commonwealth and Development Office (UK FCDO), Somalia Cash Consortium, and the Somalia Donor Working Group on safety nets.

The **SNLRP** operationalizes the shock responsive feature of the SNHCP, developed in response to the impacts of the locust outbreak. It provides emergency CTs to locust-affected households for a period of six months, while strengthening the preparedness of SP systems to respond to the impacts of future locust outbreaks and other shocks. The SNLRP is implemented using existing Baxnaano delivery arrangements, through a standard Output Agreement between the MoLSA and WFP to deliver emergency CTs (or ECTs), which is also being amended to include HH registration in the USR for enhanced functionality of the USR for shock response. The MoLSA Project Implementation Unit (PIU) is also implementing the SNLRP.

The MPF-funded **ASA** supported the development of the SNHCP/Baxnaano, and now supports its implementation by providing technical assistance (TA). Specifically, TA support to the Baxnaano design fell under the **ASA's Component 2: Concept paper: Design of a scalable social safety net program (Deliverable due date: December 2019).**

For the purposes of this report, the SNHCP is considered the parent project, which is supported by the ASA, with the SNLRP operationalizing the shock responsive feature of the SNHCP. Progress on the ASA and SNLRP will thus be discussed as part of the progress and results achieved under the SNHCP, as appropriate. The target dates for the outcome and intermediate indicators for the SNHCP and SNLRP are as per their respective closing dates. The ASA deliverables have different target dates, which are specified below.

**Geographic coverage:** The SNHCP and SNLRP are implemented across Somalia and the ASA activities support a national SP agenda benefiting all of Somalia.
### Progress of activities/deliverables

### Nutrition-linked unconditional cash transfers (SNHCP) and emergency cash transfers (SNLRP)

**SNHCP**: Component 1 provides predictable and nutrition-linked CTs to 200,000 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 CTs will be provided over a three-year period before the enrolled HHs are reassessed for eligibility. The geographic targeting has been concluded following in-depth consultations with FMS and district authorities, which ensured full ownership and commitment to the implementation of the CTs, and 880 villages from 21 districts across Somalia have been selected.

As of June 10, 2021: 179,836 HHs out of the full caseload of 200,000 HHs (nearly 90 percent of the total targeted caseload) have been verified and enrolled in the program in 880 villages from 21 districts across Somalia. Of these, 132,547 HHs have received four quarterly payments of US$60 per HH per quarter, while registration and enrolment of the remaining HHs continues. Development of the USR and the CT delivery systems are progressing well. The PIU within the MoLSA is fully established, with liaison officers at the FMS level. M&E arrangements are also well established with third-party monitoring (TPM), as well as a targeting evaluation, which is jointly funded by the Multi-Partner Fund (MPF) and the FCDO, under way.

Challenges to the provision of the SNHCP CTs have included complex political dynamics and challenging relationships between the FGS, FMS, and Somaliland; shift to mobile money payments modality in response to COVID-19 risks requiring rigorous and time intensive beneficiary validation processes to ensure fiduciary accountability; and slow distribution of SIM cards to beneficiaries due to COVID-19 related travel restrictions.

Nonetheless, a beneficiary survey conducted by MESH of the FDCO after the first and second quarterly payments found that for 96 percent of the respondents, Baxnaano was the only cash support in the previous two months at the time of the survey, with 98.8 percent having spent ‘most or all’ money on food. This demonstrated that the CTs are reaching households underserved by social assistance and have an immediate impact on food insecurity.

In addition, an independent third-party monitoring (TPM) agency hired by the project has started regular quarterly monitoring, and a draft report is currently under review for finalization.

In addition to the reliable and predictable nutrition-linked CTs provided under the SNHCP, the SNLRP provides emergency CTs to 250,000 poor and vulnerable HHs (100,000 under the original project and 150,000 to be targeted under the AF approved on July 17, 2021) impacted by the locust outbreak. Selected beneficiaries receive a temporary cash assistance for a total of six months, with HHs already benefitting 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. As of June 10, 2021: 94,171 HHs (out of the full caseload of 100,000) in 735 villages have been enrolled, of which 69,174 HHs have received their full entitlement, with the remaining caseload being progressively registered and enrolled for payment.

### Delivery systems and institutional capacity building (SNHCP); Social Protection Policy framework and capacity building (MPF-funded ASA), and Social Safety Net Program and delivery systems (MPF-funded ASA)

The objective is to build the national capacity of the FGS/MoLSA and FMS to gradually take over direct implementation of Baxnaano and lay the foundations for a more comprehensive SP system in Somalia. As such, ASA activities contributed to the SP policy and governance structures; TA contributed to the design of the
Baxnaano program and its delivery systems (for example, targeting methodology/systems, payment, GRM, and so on), as well as the USR as a broad platform to support coordination across social programs and inform targeting and inclusion policies and programs. The ASA is also supporting a Targeting Evaluation of the current Baxnaano approach, and the production of a Discussion Paper on the experience of Baxnaano as a national Safety Net (SN) program operating in the context of fragility and prolonged humanitarian aid. Progress of activities is described below, including the areas that the MPF-funded ASA is specifically supporting.

**SP Policy and Governance Structures**

**National SP Policy.** The SP Policy, funded by the Italian Development Cooperation and developed with TA support from UNICEF, WFP, and ILO, with input from the WB (via the ASA) and other DPs, was endorsed by the FGS in July 2019 and launched in September 2019. *(ASA Component 1: Policy Note: Social protection policy framework. Deliverable due: October 2019—Completed)*

**Five-year SP Policy roadmap.** The ‘Social Protection Policy Implementation Framework’ funded by Italian Development Cooperation, and developed with TA support from UNICEF, WFP, and ILO, with input from the WB (via the ASA) and other DPs, to facilitate the operationalization of the National SP Policy was endorsed by the FGS in November 2020. *(ASA Component 1: A medium-term strategic roadmap. Deliverable due: October 2019—Completed)*

**National SP Steering Committee.** This activity supported the establishment of a National SP Steering Committee, a body with the policy and decision-making power to: guide and support the development and implementation of relevant legal and regulatory frameworks; determine and oversee strategic social protection priorities; support intra-governmental collaboration; and execute an oversight role over implementing ministries/authorities. The Committee is chaired by the Deputy Prime Minister and co-chaired by the MoLSA, and comprises key FGS and FMS ministers, representatives from the Office of the Prime Minister, and Heads of the National Economic Council and National Commission for Refugee and IDPs. The terms of reference (ToR) for this Steering Committee, prepared by the MoLSA with TA support by UNICEF (under SNHCP Component 2) and technical input by the WB (via the ASA), was endorsed by the Cabinet in August 2020. However, the Committee has not yet met due to the ongoing complex political dynamics on the ground. *(ASA Component 1: Directive/Decree: Government-issued directive for a governance structure of the “high level SP commission”. Deliverable due: December 2019—Completed)*

**Government-led SP Working Group.** This activity supported the establishment of the Government Donor-Partner Working Group (GDWG) for SP. The GDWG has been endorsed by Cabinet and has held two quarterly meetings in November 2020 and February 2021, with the next quarterly meeting being planned. It is chaired by the MoLSA, with the WB elected as co-chair for the first year (rotational on an annual basis), and comprises representatives from relevant sectoral ministries, civil society, private sector, and development partners. The GDWG is responsible for contributing to SP-related dialogue and activities. It also serves as a platform for coordination and alignment of SP programs and technical assistance; and also promotes and supports the gradual shift of humanitarian assistance to a consolidated SP approach that addresses both poverty reduction and protection against shocks. The ToR for the GDWG was prepared by the MoLSA with TA support by UNICEF (under SNHCP Component 2) and technical input by the WB (via the ASA). *(ASA Component 1: ToR: Social Protection Working Group [SP Government-DP Working Group]. Deliverable due: October 2019—Completed)*

**TA for the Development of Safety Net Delivery Systems**

**Design of a national cash transfer program and delivery systems.** This activity is supporting the development of payment delivery systems (among other delivery systems) for Baxnaano for government direct implementation, with TA by UNICEF (under SNHCP Component 2) and technical support by the WB (via the ASA). The Bank provided technical input to the concept of the delivery system TA and to the ToRs of the lead TA firms. UNICEF has onboarded Development Pathway for TA on the CTs’ delivery system, and the work is ongoing. The MIS
firm’s ToR is near finalization for UNICEF to begin the procurement process. This activity will also support the development of payments’ regulatory and technical requirements for FGS endorsement and will be informed by a parallel Bank-funded initiative supporting the development of the regulatory framework for mobile banking, regulating the telecom sector, and an ID system.  

(ASA Component 2: Technical paper: Cash transfers payment delivery system—regulatory and technical requirements. Deliverable due: September 2020—In progress)

Design of the Unified Social Registry. Following the introductory workshop on the global experience of social registries in January 2020 supported by the ASA, a concept note for the social registry has been developed by the Bank (via the ASA) and finalized with the FGS/MoLSA. With WB support (via the ASA), UNICEF has onboarded Development Pathway to design and develop the social registry. A Common Registration Form (CRF) has now been endorsed to facilitate data collection and sharing by social sectors and partners, as applicable. This activity is collaborating with the Bank-funded Somalia Capacity Advancement, Livelihoods and Entrepreneurship through Digital Uplift Project’s (SCALEDP, P168115) national ID activities to ensure interoperability of beneficiary information between government agencies and support the development of a national registry.  


Design of a cash transfers’ targeting methodology/system. A short-term targeting methodology for the SNHCP has been developed and is enabling the immediate delivery of cash transfers payments. This activity is supporting the development of a targeting methodology for Baxnaano for FGS endorsement. As a starting point, the WB has developed a Technical Note (via the ASA), presenting an overview of common CT targeting options, strengths, weaknesses, and applicability to the Somali context; and elaborated a potential targeting approach that leverages multiple targeting approaches. This is being further fleshed out by the Bank (via the ASA) through a note on the Targeting Options, which is near finalization for wider consultations in the coming months. In addition, a targeting evaluation of the SNHCP by an international consultancy firm (funded by the ASA and FDCO) is about to start, which will inform the targeting methodology for Baxnaano (discussed below).  


FGS Capacity Building

Conferences, workshops, trainings, and study tours. The WB held a virtual workshop in August 2020 for key stakeholders on the important elements of a CRF to support development of a national USR, following on from the workshop provided in January 2020 on the key aspects of the USR. Participants included: MoLSA; government agencies including the ID task force; members of the Donor Working Group (for example, UK FCDO, EU, ECHO, Italian Development Cooperation, USAID, and so on); the Somalia Cash Consortium; and a multi-GP team from the Bank, among others.

The MoLSA has prepared a Capacity Building and Knowledge Management Plan with TA support from UNICEF (SNHCP Component 2) and input by the WB (via the ASA), and focus on developing the capacity of the MoLSA PIU and relevant government staff at all levels on the elements directly related to the operationalization, management, implementation processes, and administration of Baxnaano and the USR. Nonetheless, the COVID-19 pandemic has continued to impact efforts around training and study tours. For example, the planned South-South Social Protection Community of Practice learning event, in which Somalia was going to be a participant, was canceled. Given the travel restrictions related to COVID-19, online options for relevant training are now being explored.  

(ASA components: Conferences, workshops, training, and study tours. Deliverable—In progress)
## Project Management

### Project supervision and TA.
The WB has been providing ongoing support and TA with regular virtual meetings for progress review and implementation support, and regular technical meetings to support technical activities implemented under SNHCP/SNLRP, as well as ad hoc virtual meetings to discuss and resolve key issues, as needed, on all aspects of the SNHCP, SNLRP, and ASA activities. For example, the Bank provided technical inputs on the ToRs for the MoLSA PIU and the TA firms to be contracted by all implementing partners, as well as the ToRs for the SP policy and governance structures. It also provided inputs to the five-year strategic roadmap for government endorsement; the output agreements with the WFP and UNICEF; and related safeguards instruments; as well as guidance and inputs on all technical and policy reports and operational documents, as discussed above. *(ASA Component 2: Technical and operational implementation support to the safety net project. Deliverable due: September 2020 to February 2022—In progress)*

### Implementation support and review missions.
Two support missions were undertaken in FY19 (March and May 2019); four in FY20 (July 2019, September 2019, January 2020, and June 2020—virtual); two in FY21 (December 2020 and June 2021—virtual), with aides-memoire that highlight the progress of the SNHCP, SNLRP, and ASA activities. The next Implementation Support Mission is tentatively planned for November 2021 (likely virtual depending on the COVID-19 pandemic). *(ASA components 1 and 2: Implementation Support Missions and Aides-Memoire. Deliverable is continuous with three-four missions/year—in progress)*

### Project Operations Manuals (POMs).
The SNHCP and SNLRP POMs have been developed, approved, and published on the MoLSA’s website, in November 2019 and June 2020, respectively. Both are living documents, which are updated from time to time to reflect changes in project implementation approach. *(ASA Component 2: Operations and procedural manual of the SN program. Deliverable due date: July 2020—Completed)*

### PIU.
The MoLSA PIU at the FGS level is now fully established with 11 staff members at federal MoLSA and five Liaison Officers at the FMS level to support implementation of activities on the ground and to coordinate with relevant actors at the FMS and local level; and four GRM Call Center Operators for the newly established GRM Call Center in the MoLSA for labor-related GRM and general inquiries and referrals.

### Communication, coordination, and stakeholder engagement.
The MoLSA’s continuous and in-depth consultations with state and district level authorities have helped to address operational challenges related to the SNHCP and SNLRP, while the WFP’s continued consultations with key local officials ensured full ownership and commitment to the implementation of the projects. The projects have developed culturally sensitive COVID-19 risk prevention guidance and communication messages/tools in local languages that have been widely distributed across project locations.

### Productive Safety Net (PSN) pilot design.
In June 2020, the WB presented potential PSN design options to the MoLSA, outlining various program modalities and experiences from other fragility, conflict, and violence (FCV) affected countries in the region, to facilitate thinking on the design of the Somali PSN pilot. Thereafter, the Bank hired a consultant (via the ASA) to review design models of labor intensive public works (LIPWs) programs focusing on operations in FCV or low-capacity countries in Africa that target youth and skilled and unskilled job seekers, complemented by a MoLSA PIU review of the humanitarian agencies’ designs and experiences in implementing PSN interventions in Somalia. Draft reviews of design models and experience globally and in Somalia are now ready, findings from which are informing the ongoing dialogue on the design of the PSN pilot.

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2 Regular bi-weekly virtual meetings were held until end-December 2020 and changed to monthly meetings from January 2021 due to increased capacity of implementing partners.
**Targeting evaluation.** The WB contracted Samuel Hall and Development Pathway in June 2020 to implement the targeting evaluation. Survey work is about to start and is expected to be finalized by September 2021. The evaluation is co-financed by the ASA and UK FDCO.

**Project completion reports.** Completion reports for the SNHCP, ASA, and SNLRP are not yet due.

**Knowledge Management**

The WB has launched a new knowledge activity under the ASA to analyze and document Somalia’s experience to date on the design and delivery of the national CT program, Baxnaano. The activity includes desk reviews and interviews with key stakeholders and a first draft of a discussion paper with a tentative title, *From Protracted Humanitarian Relief to a State-Led Safety Net System: The Case of Somalia*, is under review. The final report is expected to be finalized by December 2021.

**Opportunities**

- Cabinet’s endorsement of the Somali Social Protection Policy and the five-year roadmap, ‘Social Protection Policy Implementation Framework’, provides the policy and strategic framework necessary for the activities of the ASA, SNHCP, and SNLRP.

- The FGS’ commitment to the SP and human capital agenda, as reflected in the Ninth National Development Plan, is facilitating an enabling environment for longer-term government-led predictable and reliable safety net system in the country.

- The endorsement of the GDWG provides the platform for SP-related dialogue and decisions and to bring them to the attention of the high level SP Steering Committee, exploring options for coordinating and aligning SP programs and technical assistance, and for promoting a shift from humanitarian assistance to a consolidated development approach led by government.

- Approval of the SNHCP and SNLRP AF by the WB’s Board of Executive Directors on June 17, 2021, enabling continued delivery of critically needed CTs to the existing Baxnaano beneficiary HHs to protect the human capital gains made to date and supporting scaling up of ECTs to additional poor and vulnerable locust impacted HHs while strengthening SP systems for response to future shocks, respectively.

- 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.

- 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 completion point of the HIPC Initiative. 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 the opportunity to test various options of delivery systems (supported by the ASA) and learn-by-doing, leading to further enhancement of such systems, as well as to test various options for a productive safety net to support youth employment.

- The SNLRP provides an opportunity to operationalize and demonstrate a government-led shock response to leverage existing cash transfers/humanitarian aid towards a national sustainable social safety net system able to respond to shocks and learn for future responses.

- The SCALED-UP’s national ID activities provide an opportunity to build the foundations for linking beneficiary data from other agencies/development partners (as feasible) to the national registry by using
the foundational ID as the unique identifier for the social registry, as well as facilitating access of the CT beneficiaries to the foundational ID.

- The development of the discussion paper, ‘From Protracted Humanitarian Relief to a State-Led Safety Net System: The Case of Somalia’, provides an opportunity to analyze and document the design and delivery of the Baxnaano program, and share lessons and inform projects in Somalia and other FCV contexts.

### Challenges

- There is a funding gap for Baxnaano cash transfers beyond the fourth quarter payment (March 2021), which will require additional financing and, if delayed, could result in beneficiaries missing one (or more) quarter cycle of payments, risking their food security and posing reputational risk of the FGS and Baxnaano.

- There has been greater than anticipated infestation of locusts, requiring additional financing to respond to the threat to food security and livelihoods.

- Financing will also be required to undertake registration of Baxnaano and SNLRP beneficiaries in the USR using the full USR registration form that provides the basis for the USR database. Beyond the short-term, expanding intake coverage of the USR beyond Baxnaano and SNLRP households will also require financing.

- The upcoming elections pose several challenges with growing unrest on the ground that may impact the targeting evaluation and TPM. Potential changes in leadership and key officials may reduce commitment and increase risks of elite capture for the program.

- Relations between the FGS and member states continue to be complex, which impact on the implementation of the SNHCP and SNLRP. Continuation of MPF funding and Word Bank support as a neutral convening power, in collaboration with UN partners and other donor agencies, are key positive enablers in this process.

- The COVID-19 pandemic has caused implementation challenges and delays due to travel restrictions and the need to shift to mobile money payments, as described above. Under the ASA, the World Bank will continue to closely monitor and provide TA to expedite payment delivery, as appropriate.

- There is a risk of delay in achieving USR functionality to meet the HIPC completion trigger, as the government needs to endorse the data protection policy, which is currently planned under the SCALED-UP project and has been delayed.

- Signing of the data sharing agreement between WFP and the World Bank could delay fielding of the targeting evaluation.

### Contacts:

Afrah Al-Ahmadi: aalahmadi@worldbank.org; Nadia Selim: nselim@worldbank.org
SOMALI INTEGRATED STATISTICS AND ECONOMIC PLANNING CAPACITY BUILDING PROJECT

**Timeframe:** July 2020–August 2025; **Budget:** US$25 million (IDA)

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Strengthen the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities.</th>
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</table>

**Beneficiaries:** Producers of official statistics, decision makers and policy makers in public ministries and agencies as well as those engaged in M&E of public projects and programs. Other beneficiaries of the project will be data users in the public and private sector, civil society users who need statistical information and economic analysis for advocacy and holding governments to account, academia for research and teaching purposes, development partners and multilateral organizations to assess requirements for assistance and/or participation in development initiatives; and the public at large for a variety of purposes. Interested and engaged citizens will also benefit from better access to information.

**Government counterparts:** National Bureau of Statistics, National Economic Council, Ministry of Finance, and M&E Department, Ministry of Planning.

**Implementation arrangements:** Government-executed.

**Geographic coverage:** All of Somalia.

**Component 1: Strengthening coordination, statistical infrastructure, and data development of the national statistical system (US$14.08 million)**

This component provides support to the client’s key official statistics-producing agencies in strengthening the capacity of the country’s National Statistical System (NSS) to collect data for poverty and macroeconomic monitoring (national accounts/GDP/sector growth, inflation, key administrative data).

**Subcomponent 1.1: Ongoing**

**Supporting the development and coordination of the NSS**

This subcomponent will support the strengthening of the recipient’s legal and organizational framework for the NSS as well as statistical infrastructure. The activities will include (a) supporting the transformation of the Directorate of National Statistics (DNS) to a semi-autonomous Bureau of Statistics; (b) improving the governance and accountability of producers of official statistics; (c) facilitating producer-producer cooperation to encourage production and sharing of key administrative data; and (d) strengthening dialogue between official statistics producers and users.

By the end of June 2021, the client has started the selection process for the institution development consultant to review the Somalia National Bureau of Statistics’ (SNBS) organizational structure and assist in reforms for it. The selection process is under way. Moreover, the FGS has established Statistics Sector Working Groups, which are
expected to provide forums where technical and other issues common to statistics in that sector will be discussed and where specific solutions to problems and issues will be identified.

**Subcomponent 1.2: Ongoing**

**Somali Integrated Household Budget Survey (US$6 million equivalent)**

The proposed subcomponent will support the design and implementation of the Somali Integrated Household Budget Survey (SIHBS) for monitoring welfare, providing macroeconomic baselines, and establishing a baseline survey for a frequent data collection system. The primary objective of the SIHBS is to collect detailed information on household expenditures and consumption incurred on goods and services to monitor household welfare and measure poverty.

So far, the SNBS has completed a number of steps for SIHBS preparation, including starting the procurement process for the SIHBS consulting firm, drafting the questionnaire, and organizing a consultation meeting with statistics departments from the FMS.

**Subcomponent 1.3: Ongoing**

**Strengthening sources of business and administrative data needed for the compilation of national accounts and key social statistics**

This will address key data gaps needed to produce quality national accounts statistics that meet the basics of the ‘System of National Accounts, 2008’ (2008 SNA) and other international statistical standards. The specific goal is to enable the production of estimates based on the production approach and make available additional and better-quality data sources for the expenditure approach estimates.

**Subcomponent 1.4: Not yet started**

**Strengthening human capacity in poverty, CPI and national accounts statistics**

This subcomponent will support the training of staff to compile poverty indicators and indexes as well as to draw poverty lines, using new data from the poverty survey and new Consumer Price Index (CPI). This activity will also support the expansion of skills and expertise of professional staff involved in SNA compilation through further training and development on economic statistics and their linkage to the SNA.

**Subcomponent 1.5: Ongoing**

**Development of a compendium of statistical concepts and definitions, data access and information dissemination policy**

This activity will support improvement in data management and dissemination practices to strengthen statistical confidentiality and microdata sharing. In Somalia, most statistical data are being produced with very low dissemination strategies in place. Therefore, it is important to develop a dissemination policy for all statistical information. The selection of a consultant to prepare a statistics compendium is under way.
Component 2: ICT development infrastructure and equipment of the National Statistical System (US$0.92 million)

This component supports the ICT infrastructure in the DNS (headquarters and field offices) and selected key federal level MDAs mentioned in Component 1. This component will provide computers, laptops, and related IT networking equipment. The infrastructure and equipment provided 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. IT equipment will be provided to DNS and statistics units in the selected key federal MDAs mentioned earlier.

The SNBS is conducting selections for the consultant to assess ICT needs at the SNBS.

Component 3: Data utilization for M&E and planning

<table>
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<tr>
<th>Subcomponent 3.1: Not yet started</th>
<th>Strengthening MED capacity</th>
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<td>This subcomponent will strengthen the capacity of the M&amp;E Department of the Ministry of Planning MED to monitor the implementation of public projects and programs of the Ninth Somalia National Development Plan (NDP9). By June 2021, the M&amp;E Department has developed ToRs and started the selection process for consultants to develop a National Integrated M&amp;E Framework.</td>
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<th>Subcomponent 3.2: Not yet started</th>
<th>Supporting economic policy analysis and planning capacity</th>
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<td>This subcomponent seeks to support the FGS authorities in developing economic policies, rebuilding institutions of economic management, and enhancing institutional capacity necessary for policy formulation and implementation. The subcomponent activities will constitute (a) supporting the National Economic Council (NEC) and its Economic Policy Analysis Unit (EPAU) operations; and (b) providing training on macroeconomic-fiscal analysis, forecasting and reporting, particularly in the macroeconomics and revenue departments in the FGS. So far, the NEC has produced a research study titled <em>Health and Economic Impact of Covid-19 in Somalia</em>. A virtual policy forum also took place on June 20, 2021.</td>
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Component 4: Project management (US$3.5 million equivalent)

This component will provide support to the recipient to strengthen its capacity for project planning and budgeting, management, coordination, as well as monitoring and evaluation activities, all through the provision of technical advisory services, training, operating costs, and the acquisition of goods.

The Project Implementation Unit is fully functional.
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<th>Challenges</th>
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<td>COVID-19 has affected the client’s ability to implement project activities according to plan. Activities such as preparation of institutional development plans are facing delays. Travel restrictions also 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 on the SIHBS were not as effective as face-to-face workshops.</td>
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Contacts: Aphichoke Kotikula: akotikula@worldbank.org; John Randa: jranda@worldbank.org
SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE (FGC)

**Timeframe:** 2021–23 (new project code); **Budget:** US$1.7 million (approx.)  
**Status:** Effective

<table>
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<tr>
<th>Objectives</th>
<th>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. In effect since 2015.</th>
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</table>

**Beneficiaries:** Financial governance and oversight institutions of the Federal Government of Somalia (FGS).

**Government counterparts:** The Ministry of Finance (MoF), the Central Bank of Somalia (CBS), Cabinet Inter-Ministerial Economic Committee, the Office of the Prime Minister, the Office of the President, the Office of Auditor General, and the Parliamentary Finance Committee.

**Implementation arrangements:** Bank-executed.

**Geographic coverage:** Federal Government of Somalia with increasing engagement with FMS Ministries of Finance.

The Financial Governance Committee (FGC) plays an important role in assisting the FGS and the international community to strengthen governance within 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 has identified seven strategic issues that the Federal Government needs to address in order to strengthen financial governance in Somalia:

- Agreeing on a coherent way forward on fiscal federalism.
- Managing natural resources transparently and equitably.
- Raising domestic revenues.
- Strengthening the credibility of public procurement and concessions.
- Improving expenditure management.
- Developing the financial sector.
- Increasing access to external financing.

The FGS has made tangible progress on a number of issues that are important for improving sound financial governance, including security sector registration and rations, domestic revenue mobilization, contract renegotiation (with significant support provided to the port renegotiation), tuna licensing, oil and gas licensing, overflight fees, and the development of various aspects of the PFM framework. It has proved pivotal in informing the development of the IMF’s Staff Monitored Programs (SMP), which resulted in Achievement of HIPC Decision Point and clearance of arrears in March 2020.
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.

**Component 1: Facilitating policy dialogue and mutual accountability on financial governance (approx. US$1.3 million)**

Since its inception in 2014, the FGC has published periodic progress reports, prepared assessments of individual government contracts, and produced Advisory Notes on specific topics.

During this reporting period, the FGC published its annual Financial Governance Report (FGR). The report assesses the progress made by the Federal Government of Somalia in strengthening financial governance over the period of July 2019 to June 2020. It also 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 International Financial Institution (IFI) arrears clearance and the HIPC Decision Point.

Key highlights from the FGR 2020 included progress made in the competitive tendering of contracts and concessions, revenue collection and administration, public financial and expenditure management, and mobilization of support from IFIs. The FGR 2020 also highlighted four priority issues that require further attention in the coming 12 months: establish, empower, and build capacity within oversight bodies to undertake procurement and concessions; build stakeholder awareness of the legal and regulatory framework for public procurement; build technical expertise and capacity for conducting, or participating in, procurement processes; and continue to enhance the procurement and concessions framework. The following notes were produced:

- **Advisory Note:** Maintaining competitive tendering for security sector rations (Somali National Army [SNA], Somali Police Force, National Intelligence and Security Agency [NISA], Prisons).
- **Advisory Note:** Guidance to development partners on how to bring their aid to FGS institutions on-budget and on-treasury in accordance with the 2019 PFM Act.
- **Advisory Note:** Advisory Requirements for Renegotiation of Simatech Dry Port Agreement.
- **Advisory Note:** Passport production tender—stocktake, lessons, and next steps.
- **Advisory Note:** Oil and gas licensing.

Of particular note among these is the Advisory Note on Guidance to development partners on how to bring their aid to FGS institutions on-budget and on-treasury in accordance with the 2019 PFM Act. As a result of its development, the World Bank and Donor delegates to the FGC were invited to present the note to the United Nations Country Team (UNCT). This resulted in a commitment by the UNCT to shift support to FGS institutions on-budget and on-treasury for 2021.

To improve communications with the broader FGS, the FGC has also translated key advisory notes and presentations into Somali, including the Executive Summary of the FGR 2020. The FGC website hosted on the MoF website was also reorganized and meeting summaries from the previous year were prepared and published. Moving forward, the FGC is committed to publishing meeting summaries in both English and Somali, as well as developing tweets in both languages to enable further inclusion of the broader public.

The FGC has provided technical advice and facilitated policy dialogue on a variety of financial governance issues, including but not limited to, the following during this reporting period:

- Implementation of 2020 budget and approval of 2021 budget.
- Need for policy on agency creation.
- Enforcement of PFM Act requirement to assess draft bills for fiscal implication prior to submission to Cabinet.
- Bringing aid on budget and integration of MoF and CBS systems.
- Oil and Gas Licensing round.
- Key legislation including the PFM Bill, Revenue Bills, Audit Bill, Procurement Act Amendment Bill, Customs Amendment Bill, and Statistics Bill by the MoF and BFC.

The FGC has also kept abreast of fiscal federalism discussions held between the MoF and the Finance Ministries of the Federal Member States (FMS). During this reporting period, the MoF has commenced holding regular monthly meetings with the FMS MoFs to discuss fiscal performance and share all external support received through the FGS with the FMS. Discussions within the FGC include, but are not limited to, the following during this reporting period:

- Intergovernmental fiscal dialogue and transfers by the MoF.
- Constitutional review and fiscal federalism by the MoF.
- Fisheries revenue sharing, including the 2020 Tuna Licensing Round and preparation for 2021.

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 also ensuring no Production Sharing Agreements (PSAs) are signed before the Extractives Industries Taxation Act has been passed.

Key Results

**Successful restoration of overflight fees (US$15–18 million/year) to government:** After 25 years, the FGS took over responsibility of collection of overflight revenue from the UN. These revenues are estimated to be approximately US$15–18 million per year. The revenues are remitted to the Treasury Single Account (TSA) and are reflected in the Somalia Financial Management Information System (SFMIS). The FGC was instrumental in catalyzing and advising the FGS on the process.

**Bringing donor aid on-budget and on-treasury:** A key area the FGC focuses on is donors’ use of country systems. Following discussions in the FGC, an advisory note was prepared providing guidance to development partners on how to bring their aid to FGS institutions on-budget and on-treasury in accordance with the 2019 PFM Act. In addition, FGC delegates presented the note to the UNCT. As a result, that MoF has agreed with the UN that its funding will be appropriated in the supplementary budget, which will be submitted to the Cabinet in May 2021 for approval.

**Drafting of the PFM chapter of the Constitution:** The FGC has provided advice on the structure and possible content of the Public Finance Chapter to help inform technical discussions between the MoF and Ministry of Constitutional Affairs. Draft revisions of the fiscal chapter of the Constitution have incorporated FGC proposals.
Component 2: Strengthening high value public procurement and concessions (approx. US$0.35 million)

Since its establishment, the FGC has published four reports on FGS contracts and concessions, and issued confidential assessments on contracts, which the FGS has used to inform decision making.

The following reviews were conducted:

- **Contract Assessment:** Renegotiated Concession Agreement for Mogadishu Port.
- **Provisional Assessment:** Technical Assistance Requirements for Mogadishu Port Concession Agreement Implementation.

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 with Albayrak. Compared with the original 2013 agreement, the revised agreement includes improvements such as new provisions on port investment, commercial basis, operating requirements, taxation, monitoring and reporting, and termination.

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 the FGS were adequately protected.

The FGC also provided support for the retendering of security sector rations contracts. As a result, rations tenders for the SNA, Police, NISA and Prisons were issued at the end of 2020.

The FGC has also reviewed and provided advice on a number of other contracts including the airport hotel, dry port, education certificates, and sniffer dogs.

**Key Results**

**The FGC has reviewed 49 government concessions, including for the port and airport:** This review has led to considerable economic impact to the country, in that 10 incorporated FGC amendments were signed, eight did not proceed, seven were canceled, five will be reviewed again by the FGC once tender process or a new contract is available, two are under renegotiation, one was allowed to expire, two partially incorporated recommendations and then expired, and only two did not incorporate recommended amendments. The FGC’s comments on the remaining 12 continue to be addressed. This improved the fiscal terms for the FGS and built confidence of the international community in the FGS.

**Reduction of ration costs by 50 percent (approximately US$6.7 million/year):** As a result of sustained attention from the FGC, the FGS committed to competitive tendering of rations contracts in the security sector—an issue which was not under scrutiny from other international actors despite rations being the government’s largest nonwage recurrent cost—and large fiscal savings have been realized as a result.

**Renegotiation of port concession, a key source of domestic revenue:** The FGC recommended and supported the review and renegotiation of the terms of four concession agreements (port, dry port, airport, and airport taxi). For the port renegotiation, the FGC has continued to provide oversight and technical assistance for the development of a port masterplan. Compared with the original 2013 agreement, the revised agreement includes improvements such as new provisions on port investment, commercial basis, operating requirements, taxation, monitoring and reporting, and termination.

**Renegotiation of airport concession:** The FGC also provided oversight of the completed renegotiation of the airport concession. The revised contract represents a considerable improvement over the initial concession.
agreement signed in 2013. Its terms establish a clear investment plan for the airport and ensure that revenue payments to the government are transparent and fair.

**Component 3: Supporting oversight and transparency of asset recovery (approx. US$0.1 million)**

The 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. The FGC was also briefed on progress towards implementation of mobile money regulations. The CBS has started the process of issuing licenses to mobile money service providers now that the National Communications Agency (NCA) has also started issuing licenses to telecom companies. Finally, the FGC also followed up on financial sector issues arising from the UN Panel of Experts’ Report on Somalia and Global Initiative Against Transnational Organized Crime Report.

**Challenges**

Due to travel restrictions as a result of the COVID-19 pandemic, the FGC has held all meetings virtually in this reporting period. This has resulted in shortening the previous day-long meetings to two- or three-hour calls, which has resulted in limited agendas and progress. To compensate, following meetings, bilateral calls, and emails are used to follow-up on actions identified in the main FGC meeting. Over the previous two years, FGC members have built strong relationships during in-person meetings which have allowed the FGC to continue to function well despite travel restrictions.

**Contact:** Gael Raballand: graballand@worldbank.org
ENABLING ECONOMIC GROWTH PORTFOLIO

This portfolio financed four active projects: two of these are recipient-executed, and two are Bank-executed, investment projects. The MPF provides financing worth US$44 million to this focus area. The portfolio is co-financed with US$297.5 million in IDA resources. This portfolio aligns with the Country Partnership Framework under Focus Area 2: Restoring Economic Resilience and Opportunities, through which the World Bank Group aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth.
SOMALI ELECTRICITY ACCESS PROJECT (SEAP)

Timeframe: 2018–22; Budget: US$7.2 million (IDA and Somalia Multi-Partner Fund)
Status: Effective

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.

Objectives
Expand access to electricity in targeted urban, peri-urban, and rural communities.

Beneficiaries: Households and small businesses in urban, peri-urban, and rural areas are direct beneficiaries; local off-grid solar distributors shall also be beneficiaries of this project.

Government counterparts:
- FGS: Ministry of Finance (MoF) and Ministry of Energy and Water Resources (MoEWR).
- Somaliland: MoF and Ministry of Energy and Minerals (MoEM).

Implementation arrangements: This project is implemented by (a) the MoEWR, FGS; and (b) the MoEM, Somaliland; in close coordination with the Federal Member States (FMS) and regions.

Geographic coverage: The project is being implemented across the entire Somali peninsula, covering Southern Somalia (Benadir, Jubbaland, South West State, Hirshabelle, and Galmudug), Puntland, and Somaliland.

Component 1: Electrification of households and small businesses through standalone solar home systems (US$3 million)

Subcomponents 1.1 and 1.2: Results-based expansion grants and seed grants
This provides results-based grants to off-grid solar distributors, with payments based on the number of new Lighting Global-approved units sold. These grants will be primarily targeted at businesses specializing in solar home systems’ (SHS) distribution, or other institutions looking to enter the solar distribution market. Seed grants will enable small businesses to build up a minimum of inventory and infrastructure to launch sales and access the results-based expansion grants.

The implementation of this component is moderately satisfactory. At the FGS, 11 (out of 36) solar service providers have qualified to receive Results-Based Grants (RBGs) that are being administered by the International Bank of Somalia (IBS) and grant agreements signed between the government and solar service providers for nearly US$709,000. This followed a competitive selection process; submission and review of business plans and due diligence was undertaken for each solar company. The 11 selected companies would be expected to supply 21,094 solar home systems by June 30, 2022, thereby reaching 84,376 people. About
40 percent of advance payments (US$331,000) has been disbursed for the companies to purchase initial stock of Lighting Global SHS and undertaking marketing development activities. In addition, under this component, the FGS awarded the contract for procurement of SHS products as part of its emergency response to flooding in parts of Somalia, under the ‘Emergency solar lanterns disaster relief’ activity, on April 8, 2020. Through this activity, the FGS provided 1,286 lighting global approved plug and play solar home systems to affected households, benefiting 6,430 people. Implementation of this activity was completed, with solar lanterns being distributed.

In Somaliland, 26 solar service providers (firms) have expressed interest in receiving RBFs to expand their operations to underserved areas, out of which 21 were shortlisted to submit business plans that are currently under review by the grant manager (Dahabshiil Bank). It is expected that awarding will be concluded by mid-August 2021.

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<tr>
<th><strong>Subcomponent 1.3: Quality assurance</strong></th>
<th>This subcomponent is an intervention to limit the availability of, and demand for, poor quality and/or counterfeit products, including TA activities for national and regional governments, potentially in preparation for the eventual adoption of Lighting Global quality standards. This component will support the recently established Somali Bureau of Standards as well as quality control initiatives in Somaliland, among others. Discussions have been held with the governments in the FGS and Somaliland on the support of the Bureau of Standards. The MoEM has seconded civil servants (two engineers) to support Somaliland in designing and implementing Quality Assurance (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.</th>
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<td><strong>Subcomponent 1.4: Consumer awareness and citizen engagement</strong></td>
<td>Comprehensive consumer awareness campaigns with the objective of improving household understanding of how off-grid solar technology works, its benefits, how to operate, maintain and dispose of the products, the importance of quality in solar products, and how to identify them. The citizen engagement activities will be based on an understanding of common perceptions of solar products and electricity service, as determined in a series of annual consultations. The implementation of this component is under way. At the FGS level, the consultant has delivered (a) the consumer awareness and communications strategy; (b) Stakeholders Engagement Strategy; and (c) implementation plan and media roll-out plan. These have been approved by the Bank, and implementation is ongoing. In Somaliland, the recruitment of consultant was delayed and the contracted was signed on May 12, 2021. The consultant has embarked on the preparation of the strategy and implementation plan before rolling out actual implementation, ideally by end of July.</td>
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Component 2: Analytic work for enabling electrification through solar powered/hybrid mini-grids (US$1 million)

This component is expected to provide solid ground for sectoral interventions that will be required to devise the appropriate strategies for mini-grid development. All the activities under Component 2 are consolidated under one consultancy work (An Indicative Least Cost Geospatial Electrification Plan to Achieve Universal Access). The implementation of this activity is ‘Moderately satisfactory’.

The consultant has prepared and delivered an Indicative Least Cost Geospatial Electrification Plan to Achieve Universal Access for Somalia. This follows intense data gathering, training of FGS/FMS and ESP personnel, consultations, and validation meetings. The final report was formally submitted to the government on April 27, 2021. This activity also included capacity building of the MoEWR in spatial data infrastructure (SDI) as well as least-cost electricity modeling using Open-Source Spatial Electrification Tool (OnSSET). The model results, as well as GIS data, are available at the platform developed under the project: https://somalia.gep.kartoza.com/.

In Somaliland, the procurement of the consultants for the geospatial least-cost electrification options analysis was completed in October 2020; the consultant (KTH), however, could not sign and opted out of the consultancy without providing reasons. The Bank team discussed with the government regarding options for continuing this analysis without further delays. The Bank team, including ESMAP, supported the government on the development of the geospatial least-cost electrification analysis and modeling. A smaller contract is being issued for the development of the SDI, including an interactive online platform for the visualization of results.

A workshop, including training and stakeholder engagement sessions, was conducted on February 3, 2021, focusing on the ongoing data collection and proper knowledge transfer to the client and other relevant stakeholders. The client has successfully completed a nine-week training of least cost electricity modeling using OnSSET, which will inform the discussions and completion of energy modeling. The results as well as GIS data will become available at the platform developed under the project: https://somaliland.gep.kartoza.com.

Component 3: Technical assistance, capacity building, and project management (US$3.2 million)

The Somalia government 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 to US$7.2 million. This additional financing has been used to increase the funding allocation for implementation of activities under Component 3 from US$1.75 million.

Energy policy and legal framework: The FGS had prioritized the development of energy policies, laws, and regulations to enable investment in Renewable Energy and Rural Electrification. The National Energy Policy and the Electricity Bill was prepared, underwent stakeholder’s consultation, and was approved by the Cabinet of Ministers on December 17, 2020. The electricity bill has been submitted to Parliament and is pending approval.

Capacity-building activities: The progress of capacity-building activities has been moderately satisfactory, majorly affected by COVID-19 measures put in place limiting travel and physical activities. The Bank supported the clients to prepare a capacity-building plan that outlines trainings for the period between December 2020 and end of June 2021, and some of the training has been held (for example, procurement in Bank-financed activities, financial management conducted by the Bank staff). In addition, the MoEWR, MoEM, PIUs, and FMS received trainings on battery energy storage solutions and geospatial electrification planning.

The FGS, with the support of the African Gender and Energy Team, conducted a gender and energy capacity building training on April 6, 2021. The training, which used a hybrid of virtual and in-person in compliance with COVID-19 regulations, had 32 participants from the higher education institutions that offer science, technology,
engineering, and mathematics (STEM) fields, vocational training programs, Ministry of Labor, Ministry of Gender, Ministry of Justice, Ministry of Education, electricity service providers, and women engineers. The training focused on introducing stakeholders to the linkages between gender and energy and the existing gender gaps in the Somalia energy sector in the education and employment sectors which affects women’s engagement in the energy sector, and their potential roles in closing the gaps.

InSomaliland, a gender and energy capacity building training, with the support of the Africa Gender and Energy team, was conducted virtually on April 10, 2021, with 25 participants from higher education institutions that offer STEM fields, electricity service providers, women engineers and nongovernmental organizations that are currently engaged in the energy sector. The training focused on gender and energy linkages and gender gaps that exist with respect to employment in the energy sector. Additional gender and energy capacity-building trainings for Ministry of Energy staff have been planned for August 2021.

**Energy Sector Studies**

- As mentioned above, the Geospatial Least-Cost Option Analysis to inform the access potential through solar powered/hybrid mini-grids has been completed for the FGS. It is still ongoing in Somaliland, to be completed by end-August 2021 with the support of the Bank team.

- The Options Analysis for the Electricity Subtransmission and Distribution Integrated Development Least Cost Investments for major load centers in Somalia has been delayed following delays in the recruitment of the consultant. The negotiations with the first ranked and second ranked consultant failed, and the government and the Bank are discussing how this activity could be implemented.

- The Strategic Environmental and Social Assessment for the energy sector is ongoing following successful recruitment of the consulting firm.

**Challenges**

The capacity of the client has improved in terms of project coordination, procurement and financial management, and proactiveness on technical issues. The Bank team continues to provide support to manage associated risks.

The Bank task team recognizes the ongoing COVID-19 global pandemic and anticipates some delays in implementation as a result of challenges in supply, importation and distribution of SHS products due to risks facing manufacturing in China, restricted freight operations and services globally, and Somali government response measures to the pandemic, such as restrictions on movement and interaction.

Activities being implemented under Component 1 of the project are primarily disbursement of grants to SHS companies operating locally, and the fund managers are locally based. The efficient utilization of disbursed funds by grantees may potentially be affected if the situation worsens, which could affect the supply chain and SHS companies’ ability to purchase and import solar products; and deploy them at scale, particularly to remote areas. Further, activities requiring local travel and mobilization of project beneficiaries, such as consumer awareness creation, may be affected.

Activities being implemented under Component 2 of the project are analytical work which can partially be conducted remotely through desktop review and any additional data collection can be undertaken by locally based staff of the consultants’ teams. However, collection of primary data and validation of outputs will need to be conducted in-country and these plans have been impacted as the pandemic has evolved.

Activities under Component 3, such as training programs, have been affected—delayed and suspended, in some cases—and the client is pursuing online options to address some of its training needs.
The Bank task team, therefore, continues to monitor the ongoing developments and expects to mitigate emerging risks.

In response to the COVID-19 situation, the project has:

- Worked with the government and fund manager to support a call for grant applications and awards process that is responsive to the solar companies’ needs and limitations in the COVID-19 context.
- Delayed implementation of the MTF Electricity Access baseline survey to establish households’ access to electricity. The project will, instead, use available information, including high frequency surveys.
- Increased task team’s support to the government and consultants to ensure effective delivery of activities and studies.

Contact: Patrick Thaddayos Balla: pballa@worldbank.org
SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP, THROUGH DIGITAL UPLIFT PROGRAM (SCALED-UP)

**Timeframe:** March 2019–December 2025

**Budget:** US$31 million (equivalent): IDA US$18 million (equivalent); MPF US$13 million

Additional financing (AF) of US$70 million (equivalent) approved by the World Bank Executive Board of Directors on June 9, 2021: IDA US$50 million (equivalent); MPF US$20 million

**Status:** Parent project effective as of August 2019; AF not yet effective

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<th><strong>Objectives</strong></th>
<th>Support progress towards increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.</th>
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**Beneficiaries:** Direct beneficiaries: residents of Somalia, especially women and female owners of MSMEs, entrepreneurs, financial intermediaries, and various ministries, departments and agencies (MDAs).

**Government counterparts:** Ministry of Finance (MoF), Ministry of Interior, Federal Affairs, and Reconciliation (MoIFAR), Ministry of Commerce and Industry (MoCI), Ministry of Communications and Technology (MoCT), Central Bank of Somalia (CBS), Financial Reporting Center (FRC), National Communications Authority (NCA), Gargaara Company Limited, and a new dedicated ID Authority (once created).

**Implementation arrangements:** The MoF is the executing agency of SCALED-UP and has set up a single Project Steering Committee (PSC) headed by the MoF with representatives from the MoCI, MoCT, MoIFAR, CBS, FRC, NCA, and the new ID Authority. Gargaara Company Limited is the implementing entity of the MSME Financing Facility.

**Geographic coverage:** All of Somalia. SCALED-UP is able to deliver support across the Federal Member States (FMS) depending on the readiness of the states.

On June 9, 2021, the World Bank Executive Board of Directors approved a US$70 million additional financing (AF) project, combined with a restructuring. The AF will aid the FGS in supporting resilient recovery of households and businesses affected by the COVID-19 pandemic and scale up the parent project’s activities to help the FGS provide such support by (a) expanding access to finance for viable micro, small and medium enterprises; and (b) accelerating critical capacity-building initiatives needed to underpin resilient recovery, particularly among women and women-owned businesses. The AF project retains the same component structure as the parent project.

The AF was combined with a restructuring to (a) update the Results Framework (RF); (b) change the disbursement arrangements and projections; (c) update costs pursuant to the AF; (d) reflect new legal covenants; and (e) extend the project closing date by 30 months to December 31, 2025.
**Component 1: Strengthening institutions (US$7 million; AF US$20 million)**

This component is focused on stabilizing core government functions enabling access to services for individuals and businesses. This is a reform area requiring progress across multiple MDAs in several areas.

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<th>Subcomponent 1.1: Support to CBS (US$1.5 million under the parent project; AF of US$10 million)</th>
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| The subcomponent provides technical and financial support to the CBS to strengthen critical systems for financial institutions regulations and supervision, and promoting efficient financial intermediation. This subcomponent builds on the foundations laid under the Somali Core Institutions and Opportunities Project (SCORE), which was the previous World Bank flagship project on financial and private sector development in Somalia from May 2016 to September 2020, for reorienting central banking from a fiscal agent to a policy oriented institution based on independence, responsibility, accountability, and transparency. Plans were developed and adopted on broadening the mission and toolbox of CBS supporting financial sector stability and growth, and monetary policy further down the line. In October 2019, the CBS Board of Directors endorsed the CBS Strategic Plan and Transitional Plan to be implemented during 2020–2024.

As of December 2020: 13 banks, 10 money transfer businesses (MTBs), and one mobile network operator (MNO) 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.

During the period under review, SCALED-UP supported the following activities:

- The Somalia Transaction and Reporting System (STARS)—which consists of an Automated Transfer System (ATS+) solution integrating functionality of a Real Time Gross Settlement System (RTGS) and an Automated Clearing House (ACH) for low value and bulk payment processing in a single system along with Instant Funds Transfer (IFT)—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 resulted in the projects being delivered remotely ahead of the planned November 2020 schedule. Implementation of the telecommunication networks (fiber and microwave) establishes a private secure data exchange network between the CBS and participant financial institutions—with the modular data center providing world class secure housing of core IT assets for the CBS. These digital solutions improve market infrastructure and increase transaction transparency.

- Strong progress was made by the CBS to go live with the Somalia STARS and SPS systems that are installed on the cloud and accessed as a service. Piloting of the STARS ecosystem is currently ongoing in readiness for going live, and preparations are under way for a full launch during July 2021. Five banks are expected to be integrated to the STARS ecosystem upon going live and launch. The other banks that are not participating in the pilot are expected to join the ecosystem in due course; onboarding of member banks will, therefore, continue. System integration testing efforts are currently under way on the SPS with one bank having completed development of application programming interface (API) in...
readiness for system integration testing (SIT). A second bank is finalizing interface
development and is also likely to commence SIT in June 2021. Other banks are
also in the interface development phase and will continue to be integrated to the
SPS ecosystem after the go live event. Stakeholder engagements are at the
highest level with all participating banks engaged for both the STARS and the SPS
ecosystems.

- Work on the governance instruments, National Payment Systems (NPS) Law,
Financial Institutions Law (FIL), and Insurance Law is in the final stages, but
delayed due to the political impasse in Somalia.

Preparations are under way for the AF activities to scale up support to the CBS and provide
strengthened incentives for the achievement of critical financial sector reforms that
safeguard financial stability and integrity and thus secure stable transmittal channels for
international remittances, private capital, and official development assistance (ODA).
Specifically, the AF will introduce three Performance-Based Conditions (PBCs):
(a) strengthened governance and financial reporting of the CBS to enable capitalization;
(b) activation of critical institutional systems within the CBS to enable corresponding
banking arrangements; and (c) improved CBS supervisory oversight, capacity building, and
staff reorganization into a more effective structure to tackle financial integrity and de-
risking.

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<th>Subcomponent 1.2: Support to FRC (US$1.5 million under the parent project; AF of US$0.5 million)</th>
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| This subcomponent provides technical and financial support to the FRC, Somalia’s financial intelligence unit (FIU) established as the central agency for receiving, analyzing, and disseminating financial information concerning suspected proceeds of crime and potential financing of terrorism. This subcomponent builds on the foundations laid under SCORE, aimed at strengthening FRC operational capability and core systems needed for effective analysis and investigation of suspected cases of money laundering or financing of terrorism (AML/CTF).

In the context of some recent high-profile international reports highlighting the gaps in Somalia’s AML/CFT system, the importance to rapidly conclude the preparation of the National Risk Assessment (NRA) has become even more salient. The FRC had earlier committed to December 2020 as an internal deadline to deliver the NRA, which has since been missed. After initial delays, the first draft of the report has been completed. The World Bank team has provided feedback and inputs on the draft report, which are currently being considered by the NRA team to strengthen the report. In addition, the team is seeking additional input from the Somalia National Anti-Money Laundering Committee (NAMLC). The final report is expected by September 2021.

The installation of GoAML, a fully integrated software solution developed for use by financial intelligence units, and which is one of the strategic responses to financial crime by the United Nations Office on Drugs and Crime, has been delayed due to COVID-19. The FRC is planning to launch the system in June 2021. The FRC has also initiated the procurement for a consulting firm to conduct an analysis of technical compliance of the Money Laundering and Terrorism Financing (ML/TF) legal framework with Financial Action Task Force (FATF) recommendations. |

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<th>Subcomponent 1.3: Support to</th>
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<tr>
<td>This subcomponent supports MoCT/NCA activities contributing to enhancing citizens’ access to digital services and maximizing the development impact of ICT, including</td>
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MoCT and NCA (US$2 million under the parent project; AF US$2.5 million)

improving affordability and service quality, as well as enabling efficient, secure, and reliable digital transactions and innovation.

SCALED-UP is supporting institutional strengthening and capacity building in the MoCT, including further policy and operational work related to e-government, cybersecurity, and data protection. The MoCT is being supported to introduce enabling legislation for the digital economy, which is critical to the digital ID initiative such as general data protection legislation, as well as legislation on e-transactions—setting out, inter alia, equivalence of digital authentication, digital documents, and digital contracts—and on cybersecurity. While the legal basis for creating an independent office for data protection (DP) is still pending, practical and strategic planning for its set-up is due to be front-loaded to ensure early readiness under the AF. Equally, work on awareness-raising could be fast-tracked to help gain momentum for the adoption of the DP law.

A final draft of the Cybersecurity Maturity Model (CMM) Assessment has been submitted by the Cyber Capacity Center for Southern Africa (C3SA), which is set to inform scaled work on cybersecurity under the AF, starting with the formulation of an overarching cybersecurity policy, strategy, and national guidelines for the protection of critical information infrastructure (CCI). Work on a new Digital Inclusion Policy and e-government Policy is due to start, financed by the parent project.

SCALED-UP is also supporting institutional strengthening and capacity building in the NCA. Final terms and conditions for the two remaining licensing categories under the Universal Licensing Framework (ULF)—Communications Infrastructure Provider (CIP) and Application and Services Provider (ASP)—were approved by the NCA Board of Directors in May 2021. The NCA is expecting to issue between six to 10 licenses to existing providers under these two categories, including to the two landing station operators and several internet service providers (ISPs), adding to the five Communications Infrastructure and Services Provider (CISP) licenses previously issued to the three members of the Hormuud conglomerate (Hormuud, Golis, and Telesom), as well as Somteland NationLink (which were granted a provisional license, pending further payment). An updated interconnection regulation and a series of spectrum management guidelines are due to be approved at the upcoming Board meeting in June, including spectrum pricing, a spectrum assignment plan for mobile, and updated spectrum regulation.

Work on a consolidated training plan for the NCA has begun, whereas work on a financial sustainability plan is due to be concluded. However, the current political context is proving unconducive to moving forward internal FGS discussion on securing a large standing budget for the industry regulator to enable its financial independence. Provisions for continuing to finance the embedded regulatory specialists in place will, therefore, be made during this political government transition. Moving forward, the NCA will also need to introduce a market observatory function to be able to regularly collect and publish reliable market data and key indicators used to track market development, inform regulation, and enforce licensing obligations that now apply.

| Subcomponent 1.4: Support to new ID Authority (US$2 million) | This subcomponent is supporting the creation of a robust enabling environment and institutional framework for a digital ID system, which is expected to provide at least 3 million people with a biometrically supported unique ID number and will serve as a platform for financial access and digital payments, as well as for the delivery of government, humanitarian, and private sector services. |
The ID Authority has been formally established. An Act to establish an ID Authority was approved by the People’s House of the Somali Parliament on November 2, 2020, and assented to by the President on December 31, 2020. The Act establishes the Somali People’s Registration and Identification Agency, abbreviated as DADSOM, and sets out the agency’s mandate, objectives, powers, operational focus areas, budget, and the requirements and power of the General Manager and Deputy General Manager. DADSOM is still in early days of operations and the core civil servant team is not yet appointed. Work on internal policies and regulations—for example, on financial management and recruitment—is ongoing and DADSOM has initiated consultations on the ID system with the Federal Member States (FMS).

Even with the adoption of the Bill on the ID agency, many important features of the ID system covered in the Digital ID Policy—such as the purpose, technical architecture, and data to be collected by the ID system; criteria and process for enrollment and issuing ID credentials; acceptance/use of ID credentials issued; and grievance redress mechanisms—remain to be set out in legislation.

There is need for enhanced coordination across different FGS entities on matters related to identification. Given the cross-cutting nature of identification as well as the ongoing work to strengthen the broader enabling environment for secure data management, with direct implications for the ID system, regular communication between DADSOM and MoCT, CBS, and the MoF will be crucial.

### Component 2: Enabling financial and digital services (US$20 million equivalent)

*This component focuses on increasing individuals’ and businesses’ access to services that expand economic opportunities and help restore resilience in a gender-sensitive manner. Under this component, SCALED-UP is supporting sustainable mechanisms for service delivery.*

### Subcomponent 2.1: Financial intermediary financing for MSMEs (US$15 million under the parent project; AF US$25 million)

This subcomponent is supporting the establishment and operation of Gargaara Company Limited, the implementing entity for the MSME Financing Facility, initially capitalized with US$15 million to fulfill the project objective of increased access to finance for MSMEs supporting entrepreneurship and employment.

Gargaara Company Limited and the MSME Financing Facility are fully operational on both lending windows, and three Participating Financial Institutions (PFIs) are onboard. As of June 2020, Gargaara disbursement stood at US$3.1 million. However, only 15 percent of loans went to female-owned enterprises (and only 5 percent in terms of value), highlighting the need for increased efforts to reach underserved women business owners. Benadir region (Mogadishu) accounts for 51 percent of all loans in terms of value, with Puntland and Jubbaland accounting for 20 percent each. In terms of sectors, 29 percent of loans went to agriculture, 28 percent to livestock, 12 percent to energy, and 5 percent to fishery sectors. Amal Bank accounts for 59 percent of total portfolio value. However, there has been some slowdown due to increased perceived risk of lending to micro and small businesses in the COVID-19 context. AF support to Gargaara is designed to de-risk lending to MSMEs through supply and demand interventions, including business development services to MSMEs, a risk sharing mechanism, and scaled-up capacity building to PFIs. In addition, to increase the number of PFIs, Gargaara is planning to launch the second round of applications in the immediate future, with a strong pipeline of financial
Institutions interested to join Gargaara already identified. The hiring of the new Gargaara CEO was delayed and is now expected to be completed by July 2021.

Concerted efforts need to be exerted by the Gargaara Board of Directors and management to incorporate operational experience and lessons learnt over the first year to strengthen financial control, governance, and fiduciary arrangements. The Gargaara Board and management have exerted significant efforts to strengthen Gargaara’s internal systems to build it into a strong Somali apex institution. The Early Lending Review was undertaken between December 2020 and March 2021, with support from the independent monitoring agent hired by the World Bank, to provide insights with respect to (a) the conformance of Gargaara operations to prevailing legal obligations and policies; (b) the conformance of the PFI loans process to the PFI legal obligations and obligations enshrined in the Participatory Agreement signed with Gargaara, including know-your-client due diligence; (c) verifying the end beneficiaries of PFI loans; and (d) assessing the progress made by PFIs with respect to their Institutional Development Plans (IDPs). The review complements Gargaara management’s own Fall 2020 ‘Lessons Learned’ exercise aimed to strengthen Gargaara’s performance. While significant progress has been made, further efforts are under way to implement the remaining recommendations.

**Subcomponent 2.2: Digital ID services (US$3 million under the parent project, AF US$15 million)**

This subcomponent is supporting the registration of at least 3 million people to enable greater financial access and lay the groundwork for further scale-up of the digital ID system. Activities under this subcomponent have not yet started.

**Subcomponent 2.3: Government and retail payment services (US$1 million under the parent project, AF US$13 million)**

This subcomponent is financing the integration of the mobile money services into the payment switch, different retail payment service providers using interbank payment mechanisms. The aim is to construct interoperable retail payment services economywide, covering key use cases such as person-to-person (P2P), bill pay, cash-pull from bank account, and cash-push to bank account, as well as to facilitate direct government-to-person (G2P) and government-to-business (G2B) digital payments and vice versa. This subcomponent builds on the foundations laid under SCORE for digital solutions that improve market infrastructure and increase transaction transparency.

SCALED-UP is supporting the deployment of an electronic document management system for accounting documents to aid workflows, data analytics, financial control, and cash management at the OAG. This will enable secure and transparent government-to-person and government-to-business digital government payments and vice versa to, among others, facilitate cash management and planning, internal control and compliance, treasury and payroll management, public sector accounting and reporting, and interoperability between the Somalia Financial Management Information System and the CBS core banking system.

This subcomponent is due to be scaled significantly under the AF approved to operationalize data protection, cybersecurity, and other shared digital government services enablers such as a shared data hosting. Launching the selection for a firm to support the introduction of a Cyber Emergency Response Team (CERT), on a ‘build, operate and transfer’ basis, has been identified as priority. The NCA will house the national CERT until the ecosystem matures and more sectoral CERTs emerge. The MoCT will lead on all legal,
policy, and strategic aspects of the cybersecurity workstream, in close collaboration with government, private sector, and civil society.

**Subcomponent 2.4: e-Registration Services for SMEs (US$1 million under the parent project, AF US$2 million)**

This subcomponent is facilitating unique identification of legal entities through integrated online ‘one-stop shop’ business registration services. The subcomponent builds on the foundations laid under SCORE for digital solutions that improve market infrastructure and increase transaction transparency.

Webmaster, a digital serviced and solutions firm, has been rehired by the MoCI to advance reforms and automation of business registration services in Somalia, including the operationalization of full functionality of the online business registration system (BRS) in Mogadishu. One of the major impediments to full implementation of BRS functionality initiated under SCORE was that the Company Act had not been enacted at the time of the ‘soft launch of the system in April 2019; the MoCI, therefore, could not take full advantage of the BRS technology capabilities. The passage of the Company Act 2019 on December 26, 2019, has paved the way for the completion of the earlier initiated work under SCORE by enabling roll-out of the full functionality of the online business registration system under SCALED-UP.

Over the reporting period, strong progress has been made by the MoCI team to launch the online Business Registration and Licensing System (BRLS) in Mogadishu. This includes the adoption of the Company Law Regulations in March 2021, and the launch of the registration pilot. Rolled out incrementally during the pilot phase during January–May 2021, the online BRS has received over 1,400 applications, with 364 businesses fully registered. The roll-out of the digital BRLS is particularly pertinent in the COVID-19 context, in line with the government’s efforts to limit physical interactions and scale up online service provision. The new regime provides for a simplified process, eliminating the need for name search at a notary and providing for more transparent and efficient digital registration and licensing processes. The Ministry is now working to integrate online payment to the system. The full launch of the system is planned in July/August 2021.

Some of the new features that Webmaster is expected to deliver include introducing digital payment capability; introducing business licensing functionalities; rolling out the system to FMS in a phased manner based on state readiness; supporting the full range of business entity types and complete alignment of the online system with the recently enacted Company Act, especially foreign-owned companies, which are currently not supported; as well as capacity building of the MoCI staff on BRS and sensitizing the business community on the enhanced system.
Component 3: Project management and coordination (US$4 million equivalent)

This component is funding project management and coordination activities.

A functioning PIU has been established to implement the project and is anchored in the MoF in Mogadishu. The PIU is responsible for day-to-day project management and coordination, working closely with the MDAs covering the project target areas. The PIU is currently staffed with a financial management (FM) specialist, a safeguards specialist, a procurement specialist, and an information technology (IT) systems procurement consultant. The recruitment for a new PIU coordinator for the parent project is currently ongoing and expected to be completed by June 2021, with acting arrangements currently in place for the position.

The project also has a well-functioning Project Steering Committee (PSC) comprising representatives of the beneficiary MDAs. The PSC meets regularly to coordinate and oversee the implementation of activities, with attention to sequencing and timing issues, as well as ensuring effective stakeholder consultations and engagements.

A project-level grievance redress mechanism (GRM) has been set up to enable systematic handling of project-related complaints and grievances. Whereas the GRM has been operational, there have been some gaps in its effective and timely uptake, processing, and resolution of project-related complaints and grievances.

A Monitoring Agent has been brought onboard in Somalia, in view of COVID-19 travel restrictions that have limited the task team’s ability to conduct meetings in Mogadishu. The Monitoring Agent is acting as an added layer of capacity to undertake implementation review, monitoring, and reporting on all performance aspects of SCALED-UP in the field, with particular focus on Gargaara.

Under the AF, the project’s management and coordination arrangements will be enhanced to ensure appropriate implementation of the AF. The AF will support the scaling-up of gender-sensitive programming; strengthening M&E systems; promoting compliance with good safeguards practices; improving stakeholder engagement (especially targeting women); and strengthening GRM and citizen engagement mechanisms to enhance feedback loops to shore up early learning, adaptive, and iterative approaches to implementation. Strengthened project management mechanisms will be particularly needed in the constrained COVID-19 environment.

Challenges

- On June 9, 2021, the World Bank Executive Board of Directors approved an AF project, combined with a restructuring. The AF will aid the FGS in supporting resilient recovery of households and businesses affected by the COVID-19 pandemic. It will be critical for the FGS to advance steps needed to meet the effectiveness and disbursement conditions for AF.

- The project has made strong implementation across all components, including (a) the CBS is advancing the implementation of the national payments systems, with the going live and full launch planned for July 2021; (b) despite the initial delays, the Financial Reporting Centre (FRC) is making good progress to finalize the National Risk Assessment on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) risks; (c) final terms and conditions for the two remaining communications licensing categories has been approved by the National Communications Authority’s (NCA) Board in May; (d) Gargaara has activated the large loans window, and the disbursements stand at US$3.1 million at the beginning of June 2021; (e) the Digital ID Authority has been established; and (f) the online BRLS pilot has successfully registered 364 businesses, with the full launch expected before September 2021. The project remains on track on achieving its PDO.
• Overall project disbursements are at US$9.54 million (30.7 percent of the parent project), broadly in line with the projections. With the renewed engagement on the Digital ID side, activities under ID subcomponents are expected to accelerate. Disbursements continue to grow under Subcomponent 2.1 (Gargaara). However, there has been some slowdown due to increased perceived risk of lending to micro and small businesses in the COVID-19 context. AF support to Gargaara is focused on de-risking lending to MSMEs through supply and demand interventions, including business development services to MSMEs, a risk sharing mechanism, and scaled-up capacity building to participating financial institutions (PFIs). In addition, to increase the number of PFIs, Gargaara is planning to launch the second round of applications in the immediate future, with a strong pipeline of financial institutions interested in joining Gargaara already identified.

• Due to the prolonged COVID-19 travel restrictions, the overall implementation support risks remain high. The Monitoring Agent continued to provide an added layer of support, with a particular focus on Gargaara as the operations scale up. Going forward, while the COVID-19 restrictions remain in place, it will remain critical to leverage Monitoring Agent or similar arrangements to monitor and support activities on the ground, also covering activities under other components.

• The World Bank has resumed dialogue with the Digital ID counterparts, but critical implementation steps lie ahead, including completing the implementation of the Digital ID Policy and strengthening DADSOM’s operational capabilities. The adoption of the ID Authority Act and the establishment of DADSOM in December 2020 represent significant first steps in realizing the FGS’ commitments laid out in the Digital ID Policy. Going forward, it will be important to continue the implementation of the Digital ID Policy and adopt supplementary legislation that describes the objectives, features, and processes related to the ID system as well as broader enabling legislation on data protection (which is also a disbursement condition for AF), and also to advance the preparation of an inclusive enrollment strategy whilst putting in place the needed technical infrastructure to begin enrollments.

• Strengthening safeguards function and GRM at all project levels remains a priority. The FGS is making good progress to strengthen PIU safeguards capabilities, with the hiring of a dedicated social specialist and a part-time gender-based violence (GBV) advisor under way. It also remains critical to enhance GRMs at all levels (project level, Gargaara level, and PFI level). The onboarding of the consulting firm to develop GRMs for the Digital ID System and the MSME Financing Facility will help accelerate this work.

Contacts: Thilasoni Benjamin Musuku: tmusuku@worldbank.org; Asta Bareisaite: abareisaite@worldbank.org; Isabella Hayward: ihayward@worldbank.org
## SOMALIA CRISIS RECOVERY PROJECT (SCRP)

<table>
<thead>
<tr>
<th><strong>Timeframe</strong>: 2020–2024; <strong>Budget</strong>: US$137.5 million (IDA)</th>
<th><strong>Status</strong>: Effective</th>
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<tr>
<td><strong>Objectives</strong>: Support the recovery of livelihoods and infrastructure in flood- and drought-affected areas and strengthen capacity for disaster preparedness nationwide.</td>
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<td><strong>Beneficiaries</strong>: The project is supporting people affected by the impacts of floods and drought, as well as by locust infestations. This includes around 300,000 households, including a focus on female-headed households, and nearly 160,000 livestock, as well as rehabilitated assets for over 40 communities. Estimating five individuals per household, this comes to over 1.6 million persons. The most vulnerable populations, farming communities, IDPs, rural and urban communities, and host communities will be supported through multiple interventions.</td>
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<td><strong>Government counterparts</strong>: Office of the Prime Minister (OPM), Ministry of Finance (MoF), Ministry of Humanitarian Affairs and Disaster Management (MoHADM), Ministry of Agriculture and Irrigation (MoAI), Ministry of Health (MoH), Ministry of Planning, Investment, and Economic Development (MoPIED), and other relevant technical Federal Government of Somalia (FGS) and Federal Member State (FMS) ministries, departments, and agencies.</td>
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<td><strong>Implementation arrangements</strong>: The project is being implemented by a Project Implementation Unit (PIU), domiciled in the MoF, and co-managed and staffed with the MoPIED. Project activities are overseen by a Steering Committee chaired by the OPM. The PIU is partnering with, and directly funding, civil society and United Nations technical agencies to support implementation and provide advisory services, particularly for early recovery activities.</td>
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<td><strong>Geographic coverage</strong>: The project responds to multiple ongoing and overlapping crises. The SCRP 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 is also responding to the country’s desert locust infestation and public health crisis, aligned with the FGS’s COVID-19 strategy, as well as strengthening governmental systems and capacity for disaster preparedness. For the locust and coronavirus response and preparedness elements, activities will extend across other FMS, and the self-declared independent territory of Somaliland.</td>
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<td>The World Bank Board approved the SCRP on May 15, 2020, with the Financing Agreement signed in mid-June 2020. The project is effective, with current disbursements standing at US$23.36 million (17 percent of project total), and implementation of early recovery activities ongoing.</td>
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### Component 1: Immediate basic services and livelihood support (US$30 million)

| **Status**: In progress | Rapidly providing support to communities on livelihoods and food insecurity: 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. To date, |
the FAO has contracted and trained three national partners and also contracted 83 local traders in three priority districts to stock fertilizer, seeds, tools, and hermetic storage bags. Under the component, the FAO, together with the MoAI, has thus far provided 7,050 vulnerable agro-pastoral and farming households in south-central districts with quality agricultural inputs.

In total, the FAO has so far treated 4,532 ha. in the three FMS. Ground control has also 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.

**Delivering on early recovery:** The use of NGO consortia as a model for rapid delivery on the project’s early recovery activities is based on a thorough assessment of their capabilities and proven partnership model with government under the previous Special Financing Facility for Local Development (SFF-LD) project. Through a sectoral and geographic mapping of consortia coverage, the PIU is at advanced discussions with three NGO consortia for a total of US$20 million.

This engagement will maintain flexibility to adjust project interventions based on local level needs to be assessed through community consultations and aligned with PIU-led prioritization results with the FMS.

### Component 2: Medium-term flood recovery (US$42 million)

**Status: In progress**

Good progress has been made on the groundwork to enable implementation, 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.

Where possible, the project will rely on preexisting standards designs which meet technical criteria. Many designs, for example, for flood control systems, have been completed by partners and FMS in anticipation of future financing, and using them will enable the project to respond more quickly. Where designs are not available, the PIU may rely on support from the United Nations Office for Project Services (UNOPS) or outsource this to a consulting firm. Throughout, the UNOPS will provide technical support to the PIU for infrastructure feasibility studies, field surveys, investigation and data collection, detailed designs, drawings and specifications, and the preparation of BOQs. The PIU will quickly identify priority “quick win” subprojects with the three FMS and evaluate the possibility of rolling out of physical implementation using MDAs’ designs. The project will also establish systems and protocols for engaging communities in subproject design, monitoring, and operation and maintenance.

The PIU is exploring procurement options to procure a firm 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. The PIU has already conducted assessments to validate the breakages and is in the process of procuring firms for the civil works.

The FMS have been encouraged to find ways to rapidly advance with medium-term infrastructure rehabilitation schemes, such as concurrently preparing engineering designs and site-specific environmental and social safeguards instruments. The PIU/FMS will need to develop a step-by-step breakdown of all activities planned for the next six or 12 months,
and institute processes to monitor and document the execution of works for urgent and priority activities.

Component 3: Longer-term disaster risk preparedness (US$39 million)

**Status: In progress**

**Strengthening flood risk management:** The PIU facilitated setting up a partner group on flood-risk management to ensure coordination and alignment of investments. Through a mapping of current and proposed partner flood investments, the PIU has provided up-to-date information on who is doing what and where the investment gaps are. 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.

**Supporting hydromet and early warning systems:** 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. First, technical specialists from ministries and agencies (that is, the MoEWR, MoHADM, MoA, Somali Civil Aviation Authority [SCAA] at federal and state levels) were engaged in a training program. This program covered topics such as hydromet observation, data management, and the development of services. Secondly, a strategic assessment of hydromet services was undertaken, focused on actions in the short term (within two years), medium term (two to five years), and long term (five years and beyond). The project team is also working with the Hydromet Working Group to identify approaches for coordination between relevant partners to agree on immediate investment needs for hydromet (weather, climate, and water) and early warning services that can be supported by the SCRP, which include capacity and institutional building, infrastructure, data management, and support to dissemination.

**Supporting a gradual transition of SWALIM to government:** The hydromet space in Somalia is populated by other development and regional partners, notably the FAO whose SWALIM investments are intended to be transferred to the FGS in the coming years, and the UNDP which has a four-year program with investments in hydromet monitoring equipment, ICPAC which provides continued capacity building to FGS hydromet institutions. The FAO-SWALIM project has proposed a transition plan which involves the establishment of centralized and decentralized information management centers. The arrangements of these centers will have implications for investments under the SCRP, and the recommendations made through a strategic assessment undertaken by the Bank.

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

The World Bank will soon begin an Emergency Preparedness Assessment of the country that will lead to the preparation of an action plan and investment plan that will guide future SCRP NEC investments. This will include a review of the emergency preparedness and response (EP&R) legal and institutional framework, clarification of the mandates of all MDAs at national and federal governments as well as of public and private stakeholders.
Establishing a locust early warning system: A concept note by the MoAI, with inputs from the FAO and World Bank Agriculture GP, was submitted in June 2020 to the PIU. 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 the FAO.

Strengthening integrated disease response system: The PIU finalized contracting of the Ipsos Group to develop an integrated system for COVID-19 related decision making. This will include the mapping of population flows of hard-to-track nomadic populations, assessment of key infrastructure including hospitals, field surveys of the impact of the COVID-19 pandemic, the utilization of remote sensing techniques to augment this information, and the development of an interactive web platform to synthesize this information for government decision making.

Resilience and Recovery Framework (RRF) Secretariat: An EU-funded and UNOPS-implemented resilience stakeholder mapping in Somalia is currently under way. The aim is to identify, review, and take stock of existing resilience interventions across Somalia. The government is concerned that, despite about one-third of annual official development assistance (ODA) being directed towards resilience programming, sustainable impact appears lacking. It was agreed that the MoPIED will next prepare a joint action plan (which includes donors and partners) to operationalize the RRF Secretariat.

Component 4: Project management (US$6 million)

Signing of Memorandum of Understanding (MoU): 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.

Setting up state project teams: A state-level extension of the PIU, the state project teams (SPT) are a ‘light’ structure in the three project states, to be housed in respective FMS’ MoPIED, to support the implementation of state-level activities. They will be led by a coordinator and include an engineer, safeguards specialist, and financial management/admin specialist (four positions in each state). Recruitment for those positions is under way.

Operationalizing the Project Operations Manual (POM): An SCRP POM was prepared by the PIU and provides details on standard operating procedures, tools and templates for annual and quarterly progress reporting, process compliance, M&E, contract management, environmental and social management, security risk management, fiduciary management, and GRM applied to all participating states. The PIU will maintain and socialize the POM to all participating states and implementing partners and facilitate revision, including through routine compliance reviews, as a living document throughout project implementation.

Security risk management: The project secured the services of a specialist security risk management (SRM) firm to work closely with the PIU on a progressive security risk management approach. This will allow progress to start in secure areas while a more nuanced decision-support SRM framework is operationalized in high-risk areas progressively.
Component 5: Contingency Emergency Response Component (US$20.5 million)

Total CERC support for COVID-19 activities totals US$20.5 million under the SRCP. The CERC was activated on September 20, 2020, with an initial CERIP in the amount of US$4 million, to support the procurement of the urgently needed disease prevention supplies and operational costs. The CERC was topped up with the remaining balance (US$16 million) based upon the agreement reached between the FGS and the Bank on the expansion of CERIP’s work plan in March 2020.

Progress on CERC activation was significantly delayed, but the PIU has finalized the recruitment of a health consultant and service agreements now been put in place for the agreed CERC implementing partners—the United Nations Children's Fund (UNICEF) and World Health Organization (WHO)—which will deliver on the initial activities, while the service agreement with the International Organization for Migration is still pending.

Because the management of the pandemic is now moving towards the deployment of the COVID-19 vaccine, some of these resources will be channeled towards supporting (not including procurement of the vaccine) the roll-out of COVAX as a complement to the initial support that Somalia will receive from the global COVAX financing facility. This would form part of the Bank’s global support for COVID-19 vaccine roll-out which seeks to repurpose existing Bank funds.

Additional Financing (US$50 million)—Pending Board Approval

Based on severe and worsening food insecurity and activation of the IDA Crisis Response Window Early Response Financing mechanism for Somalia, additional financing of US$50 million is being processed with a Board date of June 25, 2021.

The SCRP offers the closest possible design elements, implementation arrangements, and partnerships across partners to enable a quick and effective Bank response. The AF entails the inclusion of a food insecurity–specific project component that includes both anticipatory action and immediate response activities to address the food insecurity crisis, as well as medium term recovery and resilience-building activities.

Contacts: Ayaz Parvez: aparvez@worldbank.org; Andrew Roberts: aroberts@worldbank.org
WATER FOR AGRO-PASTORAL PRODUCTIVITY AND RESILIENCE, OR ‘BIYOOLE’, PROJECT

| **Timeframe:** 2019–2023; **Budget:** US$42 million (IDA) |
| **Status:** Effective |

**Objectives**

Develop water and agricultural services among agro-pastoralist communities in dryland areas of Somalia. The Biyoole project aims to deliver improved water and agriculture services to agro-pastoral communities in drought-prone dryland areas of Somalia and improve their productivity and resilience to climate-induced shocks. The project will achieve its development objectives by strengthening community-level watershed management and promoting the uptake of sustainable land management and productivity-enhancing technologies and practices. The Biyoole project focuses primarily on (a) improving access to multiple-use water resources (for human consumption, livestock, small-scale irrigation, and environmental services) in drylands of Somalia; (b) increasing land area (number of hectares) under sustainable landscape management practices; (c) target beneficiaries, including female beneficiaries, reached with agricultural services; (d) promoting the uptake of productivity-enhancing innovations among target rural communities; and (e) strengthening the adaptive capacity of rural communities in Somalia and their resilience to the impacts of climate change. The project was declared effective in December 2019.

**Beneficiaries:** The primary project beneficiaries are more than 250,000 agro-pastoralists (of which 140,000 are women) in Galmudug, Puntland, South West State, and Somaliland. The project will provide benefits in the form of access to improved water sources for multiple uses (domestic, livestock, agriculture, and horticulture); agricultural extension services (livestock and crops); improved livelihood resilience; and adaptive know-how.

**Government counterparts:** Among government institutions supporting implementation of the project are the Ministry of Water and Energy Resources; Ministry of Agriculture and Irrigation; Ministry of Livestock, Forestry, and Range; the Environment Directorate in the Office of the Prime Minister (OPM); and the Ministry of Planning Investment and Economic Development (MoPIED). The Ministry of Finance oversees all project disbursements to line ministries at the federal and member state level and coordinates all financial reporting. The above-mentioned ministries are replicated in each operating Federal Member State (FMS).

**Implementation arrangements:** All project interventions are led by state-level ministries, while tracking and reporting of project progress happens at the federal level. A federal interministerial steering committee chaired on a rotational basis and with representation from each participating line ministry ensures cross-sectoral collaboration in planning and implementation activities. The project management units (PIUs) are staffed by a project management specialist and relevant fiduciary and safeguards specialists, in addition to the seconded sectoral specialists, to ensure high quality throughout implementation. At the community level, the project works through representative community institutions to provide leadership of the implementation process, including organizing the village for participation in the project, identifying and agreeing on investment priorities, and organizing the community to deliver those investments in collaboration with the government and other service providers.
**Geographic coverage:** The project currently operates in three FMS. These include Puntland, Galmudug, and South West State. The project is expected to expand into Somaliland later.

**Component 1: Support the development of multiple use water sources (US$15 million)**

The Backstopping Engineering Firm procurement process was completed for all the participating FMS and consultants are on board. Hydro Nova was awarded the contract to make site selections in all participating FMS and is currently providing support for new water point site selection and in identifying rehabilitation opportunities of existing water points.

<table>
<thead>
<tr>
<th><strong>Subcomponent 1.1: In progress</strong></th>
<th><strong>Construction of new community water points</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Puntland:</strong> Six sites (Rabaable, Boocaame, Ceel-Dahir, Xaragodhere, Barokhle, and Sinujiif) were selected. Hydro Nova prepared the Construction Investment Reports of these sites and submitted them to the Puntland Water Development Agency (PWDA) for approval. Detailed designs, BOQs, and bidding documents, as well as community engagement reports and environment and social management plans were then prepared and the procurement process of the first site (Rabaable) finalized. The construction contract of the Rabaable site was awarded to a local private contractor; construction is under way and will be completed in August 2021. Realizing the importance of prefeasibilities, the PWDA carried out prefeasibility studies for the next batch of 14 sites to determine their potential. As a result of those assessments, six sites were shortlisted to be technically assessed. The shortlisted sites are Baragah-qol, Carmoyin, and Malaasle for improved hafir dams; and Lasa Curdin, Ciradhame, and Calula for sand dams. The Puntland PIU supported other FMS PIUs with the preparation of the second trip mission to the selected sites in Rabaable, Ceel-Dahir, and Boocaame in February 2021. The delegations from Galmudug and South West PIUs, sector specialists, and focal points as well as PCU and project staff from federal line ministries had the opportunity to visit existing hafir dams in Farjano (Burtinle) and Waaciye in Puntland. During the second mission, the Biyoole teams in Galmudug and South West had the opportunity to learn from the Puntland implementing institutions.</td>
<td></td>
</tr>
</tbody>
</table>

**Galmudug:** The procurement process of the Backstopping Engineering Firm was completed and commenced with the Wadi Evaluation Tool (WET) refresher training for the engineers working on the project and is now supporting the development construction investment reports for four sites. Prior to the recruitment of the Backstopping Engineering Firm, Galmudug’s Ministry of Energy and Water Resources and PIU carried out a preassessment of the previously identified potential sites and added 12 new locations which are feasible.

**South West:** The procurement process of the Backstopping Engineering Firm has also been completed and the WET training and Construction Investment Reports for four sites will be completed by July 2021. As in Galmudug, changes were made to the initial prefeasibility studies and, prior to the engagement of the backstopping engineers, the Ministry of Energy and Water Resources carried out initial site identification assessments in South West. According to the report assessment, nine sites (three each in Baidoa area and Hudur areas, and one each in Dinsor and Wanlaweyn) were identified for further investigation. Prefeasibility studies are scheduled for June 2021 and Construction Investment Reports will be prepared for four new sites and two sites for rehabilitation.
**Subcomponent 1.2: In progress**
Rehabilitation of community water points

**Puntland**: Rehabilitation surveys were conducted in four water point rehabilitation sites (Xam Xama, Lasa Dawaco, Waaciye, and Mindigale). Of these, three were selected by the PWDA to be rehabilitated (Xam Xama, Lasa Dawaco and Waaciye). The designs and BOQs bidding documents were prepared, and procurement is under way.

**South West**: Stakeholders’ engagement consultations at the district level for Biyoole initial site assessments were conducted, as well as the target location of rural infrastructures of Baidoa and Dinsor in the Bay Region; Hudur in the Bakol Region, and Wanlaweyn district in the Lower Shabelle Region.

**Galmudug**: The Galmudug Ministry of Energy and Water Resources has done a survey in which several existing water points were identified. Currently, the existing water point that was preliminarily selected is Higlaale Yare outside Samareed district.

The table below summarizes Component 1 status.

### Biyoole site details’ summary:

<table>
<thead>
<tr>
<th>New Constructions</th>
<th>Puntland</th>
<th>South West</th>
<th>Galmudug</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of preassessments done</td>
<td>28</td>
<td>9</td>
<td>25</td>
<td>62</td>
</tr>
<tr>
<td>Number of sites preselected</td>
<td>14</td>
<td>3</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Selected sites (in process)</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Number of Construction Investment Reports produced</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Number of contracting procurements in STEP</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Number of constructions started</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rehabilitations</th>
<th>Puntland</th>
<th>South West</th>
<th>Galmudug</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of preassessments done</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Number of sites selected</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Number of Construction Investment Reports produced</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Number of contracting procurements in STEP</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of constructions started</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>

### Component 2: Institutional and capacity development (US$6 million)

This component acknowledges the need for strengthening the capacity of the Federal Government of Somalia (FGS) and FMS to deliver essential services and optimize the usage of the country’s natural resources. Therefore, the project implementation teams will oversee the building of a strong institutional foundation for a gradual transition to more integrated and sustainable agriculture and water development.
<table>
<thead>
<tr>
<th>Subcomponent 2.1: In progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and state institutional capacity building</td>
</tr>
<tr>
<td>This subcomponent has three key thrust areas: basic infrastructure development and supportive facilities for conducive operations of federal and state line ministries; development of policies and laws to regulate the water and agriculture sectors to ensure that investments made remain sustainable; and training and capacity building of implementing agencies. The project has made good progress across the three areas.</td>
</tr>
</tbody>
</table>

**Infrastructure development:** Rehabilitation and construction of new office blocks and other essential facilities are well under way in the three states. In Puntland, a new office building for the MoPIC, a conference hall for the MoLAH, and rehabilitation of MoEACC offices are either completed or are well under way; in Galmudug a new building for the MoPIC in Garowe has commenced; in South West, new offices for the MoPIC, and rehabilitation of office blocks for the MoA, MoEW, MoLFR, and a livestock laboratory have begun. The three states have also received two 4x4 vehicles each to facilitate implementation of project activities. In addition, Puntland has already received two mobile veterinary clinic vehicles to support effective delivery of animal health services to pastoral communities targeted under the project. The key agreed actions in this area are to fast-track completion of all infrastructure developments and monitor effective deployment of the mobile vet clinics in Puntland in the next two months to determine whether a similar investment should be replicated in Galmudug and South West States.

**Policies and regulations:** All the federal line ministries involved in the implementation of the project have identified key policy and regulatory areas requiring support within the allocated budget under the project. For the Ministry of Agriculture and Irrigation (MoAI), identified areas include development of Extension Services Manual for use under the project and possible scale up to national level, preparation of Agricultural Land Policy and capacity development of the Ministry. ToRs for these technical support areas have been cleared and the recruitment process is under way. Progress is at a similar stage for other federal line ministries. Key agreed actions in this area are to fast-track completion of the recruitment process of technical service providers for all identified areas by July 31, 2021.

**Training and capacity building:** A key milestone achieved under this activity area is the completion of a Capacity Needs Assessment (CNA) for all project implementing entities which will form the basis for targeted training and capacity building for all implementing agencies. The project is also at an advanced stage of contracting a Technical Assistance Agency (SomRep) to provide quality enhancement and M&E support to implementation of the project. In addition, the National Project Coordination Unit (NPCU) has also organized various capacity-building trainings and exchange visits for state PIUs. What is now pending is finalization of the contracting of SomRep (by June 31, 2021), and preparation and roll-out of the capacity-building plan arising from the recently concluded CNA. It has also been agreed that the project will assess whether the scope of SomRep engagement will be expanded to cover technical assistance in implementation of agriculture and livestock development investments under Component 3 or an additional agency would be required for this purpose.

<table>
<thead>
<tr>
<th>Subcomponent 2.2: In progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development and demand mobilization</td>
</tr>
<tr>
<td>There are three key milestones which are supposed to have been achieved under this subcomponent to date: (a) finalization of Community Engagement Operational Guidelines; (b) recruitment of Technical Assistance Contractors/SPs in each participating state to support community mobilization, planning, and capacity building of state technical teams; and (c) actual commencement of community mobilization and planning activities in existing WALP and newly identified sites—covering sensitization and mobilization of communities;</td>
</tr>
</tbody>
</table>
establishment of district, local and community/village level development committees; and participatory preparation of Community Investment Plans (CIPs).

A review of the progress made by the project in these three core areas shows mixed performance. Two remarkable milestones achieved so far include finalization of the Community Engagement Operational Guidelines which have now been translated into Somali language in readiness to use and the engagement of a Technical Assistance Contractor in Puntland to support community mobilization and preparation of CIPs for 10 sites. In addition, various community sensitization field visits and meetings have been made to WALP and selected sites by the federal NPCU and state PIU teams. To speed up implementation progress under this subcomponent, the key agreed actions are:

(i) Print and distribute finalized Community Engagement Operation Guidelines by July 31, 2021.

(ii) Formulate and adopt a Marshal Plan for site identification and selection of all remaining sites (for a total of 60—Puntland: 40; South West: 10; and Galmudug: 10) by August 31, 2021, to pave the way for the commencement of full-scale community mobilization and planning activities for all sites by October 31, 2021.

(iii) Fast-track recruitment of Technical Assistance Contractors for community mobilization and planning for Galmudug and South West by July 31, 2021.

(iv) Finalize preparation of 35 CIPs (Puntland: 25; South West: 5; and Galmudug: 5) by October 31, 2021.

(v) Establish community and village development committees for 35 sites by October 31, 2021.

(vi) Start tracking and reporting the number of stakeholders reached in the community mobilization efforts: immediate (June 2021).

Component 3: Supporting sustainable land management (SLM) and livelihoods development around water points (US$9.5 million)

Implementation progress under this component is slightly behind schedule largely because of delays in site identification and selection under Component 1, and community mobilization and preparation of CIPs under Component 2, which are prerequisite steps before the full roll-out of investments under this component can substantially commence. This is except for WALP sites in Puntland, where water assets and CIPs were already developed during the pilot phase and it was anticipated that Component 3 investments would begin in these sites during the first year of implementation.

Subcomponent 3.1: In progress

Integrated landscape management

The implementation of activities under this subcomponent has begun in earnest in Puntland, starting with WALP sites. Activities so far undertaken include:

- Preparation of rangelands rehabilitation assessment tool.
- Rangelands rehabilitations assessments of eight microcatchments, four of which have been completed.
- Identification of four community centers for rehabilitation.
- Procurement of rehabilitation assets commenced for four microcatchments and four community centers.
- Exposure training of Galmudug and South West PIUs in rangelands rehabilitation assessments conducted in Puntland for replication in their respective states.

For Puntland, the key immediate actions required include (a) finalization of rangelands rehabilitation assessment and implementation manual to guide standardized roll-out of rangelands rehabilitation investments across all targeted sites; (a) identification and training of core technical staff and community-based facilitators in the roll-out of catchment rehabilitation activities; (c) establishment of community structures necessary for the operation and maintenance of the targeted investments in rangelands management; and (d) fast-tracking of procurement and delivery of targeted rangelands rehabilitation assets for the eight sites.

The commencement of activities under this subcomponent in Galmudug and South West States is closely tied to the finalization of site selection and preparation of CIPs. In the meantime, it is, however, necessary for the two PIUs to finalize preparation of state-specific rangelands rehabilitation assessment and implementation manuals building on the one developed for Puntland. Once the sites are identified, then the states should move quickly to undertake the assessments and commence rehabilitation activities.

<table>
<thead>
<tr>
<th><strong>Subcomponent 3.2: In progress</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Agriculture and livestock livelihoods support</strong></td>
</tr>
</tbody>
</table>

A key accomplishment under this subcomponent has been the recruitment of senior consultants in the federal ministries of Agriculture (MoAI) and Livestock (MoLFR) to develop crop and livestock extension manuals and support states in the establishment of an extension architecture which is capable of providing effective extension services to targeted farmers and pastoralists. Other key achievements include:

- Community mobilization and engagement on fodder production potential sites completed in Puntland.
- Procurement of fodder production contractor finalized in Puntland.
- Equipping of two mobile veterinary clinics completed in Puntland.
- Preparations made by South West and Galmudug ministries of livestock on fodder production and possible purchase of mobile veterinary clinics.

The key agreed actions required to fast-track successful implementation of activities under this subcomponent are:

(i) Finalize preparation of crop and livestock extension manuals for use by states by July 31, 2021.

(ii) Recruit envisaged Technical Assistance Contractors for each state to support roll-out of extensions services by July 31, 2021.

(iii) Conduct farmer mobilization and establishment of envisaged farmer groups in all selected sites.

(iv) Commence delivery of farm inputs and extension services to targeted farming communities in identified sites by the deyr season in October.
## Component 4: Project management, M&E, knowledge management, and learning (US$9 million)

This component will finance the operational costs of the PIUs in participating FMS and Somaliland, as well as project coordination and fiduciary support at the FRS level. The component would also be responsible for M&E, knowledge management and learning, and evidence-based policy input. This component also covers the Contingent Emergency Response (CERC) subcomponent of the project that will support immediate and rapid response emergency needs.

<table>
<thead>
<tr>
<th>Subcomponent 4.1: In progress</th>
<th>Project management</th>
</tr>
</thead>
<tbody>
<tr>
<td>In addition to the foundational work completed under Component 1, most project implementation achievements in the period discussed during the mission fell under Component 4. The project completed the staffing of all PIUs, and seconded and contracted specialist staff for implementing institutions. Fostering healthy intergovernmental coordination and building relationships, the NPCU travelled to the participating states to provide guidance and support for better implementation of the project. The project delivered vehicles to the federal line ministries and all participating FMSs. The PCU is in the process of hiring a communications, monitoring and evaluation specialist (C-MES) who will be responsible for the overall monitoring and evaluation of, and learning from, the project.</td>
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</table>

<table>
<thead>
<tr>
<th>Subcomponent 4.2: In progress</th>
<th>M&amp;E, knowledge management, and learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Biyoole NPCU has, in close collaboration with state PIUs planned, prepared, and undertook a mission to Puntland in February. The objectives of the mission were (a) to visit the selected sites; (b) to visit communities nearby selected sites to discuss community engagement; (c) to conduct a two-day knowledge sharing and learning exchange in water technology, community development, safeguards, procurement, environment and issues; (d) to encourage the Biyoole PIU teams to develop a uniform system of data and information recording for project documentation; and (e) to facilitate coordination and harmonization of project implementation.</td>
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</table>

The Federal Government of Somalia (FGS) is in the final stages of engaging a suitably qualified international firm to provide quality enhancement and implementation support to the project. Despite this firm not yet being on board, project M&E is ongoing with substantial achievements. The M&E team is closely following up project progress and plans, as well as measuring individual project performance according to results framework targets, collecting monthly and quarterly reports, targeting both the management of contractors and external stakeholders. Project M&E provided constant monitoring of all project activities such as constructed buildings, contracted services, and field activities.

The PCU is currently in the process of hiring a C-MES who will be responsible for the overall M&E of, and learning from, the project. This will include monitoring the physical and financial progress of the project. Galmudug State and South West State M&E specialists have been recruited.

The FGS hired a CNA consultant to identify the gaps in the FGS and FMS project implementing institution. The consultant submitted the CNA Report to the FGS. This report provides a synthesis and summary of the findings from a CNA data collection exercise that took place at the NPCU at the FGS and the three PIUs from Puntland, Galmudug, and South West States in March 2021. The institutions that needed to be included in the CNA included the NPCU, FGS participating line MDAs, state PIUs, and FMS’ participating line MDAs. The CNA levels include the enabling environment, institutional level, and individual level. The PCU
submitted monthly progress reports—detailing how much progress is being made on the Biyoole project vis-à-vis the activities previously planned—to the World Bank.

## Coordination of project activities

The Biyoole NPCU undertook recurring meetings with federal line institutions including the MoF, MoP, MoEWR, MoAI, MoLFR, and DECC-OPM, Office of Accountant General, Central Bank of Somalia (CBS), and Office of Auditor General. These meetings relate to project coordination and provide guidance to line ministries regarding using their limited budget allocations as “trigger” funding for future standalone projects.

There were also supportive supervision missions and experience sharing and learning within the Member States.

## Challenges

Given the nascent capacity in safeguards instruments preparation in Somalia, the project experienced significant challenges in developing the first full safeguards package for clearance. Following a vertical learning process in developing bidding documents and contracting, construction has commenced in the Rabaable site in Puntland.

**Contacts:** Chantal Richey: crichey@worldbank.org; James Muli Musinga: imusinga@worldbank.org
URBAN INFRASTRUCTURE PORTFOLIO

This portfolio financed four active investment projects. Of these, three are recipient-executed, and one is a Bank-executed project. The MPF provides financing worth US$81.6 million. The portfolio is co-financed with US$50 million in IDA resources. This portfolio aligns with the Country Partnership Framework under Focus Area 1: Strengthening Institutions to Deliver Services, specifically Objective 1.4: Build the capacity of Somali municipalities for urban resilience.
SOMALI URBAN INVESTMENT PLANNING PROJECT (SUIPP)

**Timeframe:** 2016–2021; **Budget:** US$9.77 million (original: US$6.77 million; additional: US$3 million)

**Status:** Effective

| Objectives | Provide (a) an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities in targeted cities; and (b) enhanced project preparation and implementation capacity of participating agencies. |
| Beneficiaries: | Residents of Kismayo and Baidoa. |
| Government counterparts: | Municipalities of Kismayo and Baidoa. |

**Implementation arrangements:** These activities are government-executed or partly executed by the World Bank on behalf of the government. The United Nations Office for Project Services (UNOPS) has been contracted to carry out feasibility and design studies. Altai has been contracted to undertake institutional assessments and socioeconomic analysis in Kismayo and Baidoa.

**Past achievements**

Under the original 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 fully disbursed, and all planned activities have been carried out. All feasibility studies, detailed engineering designs and bidding documents for prioritized road and drainage investments are already prepared and are ready to be financed under the second phase of the SURP (SURP II).

**Component 1: Kismayo (US$1.47 million)**

**Subcomponent 1:** Institutional assessment and capacity building

This subcomponent consists of an assessment of Kismayo municipality/district government’s technical, financial, and administrative capacity to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities to be undertaken under SURP II. The assessment was completed in March 2020 by Altai and focused on the regulatory framework for functional assignment; current status of the municipality’s roles in urban planning, land management, infrastructure and service delivery; own-source revenue generation; skills levels; and accountability mechanisms in place for public financial management. The assessment also identified key gaps and recommendations for areas for capacity building, including financial management, procurement, engineering, monitoring and evaluation, and safeguards.
### Subcomponent 2: Feasibility and preliminary design studies for priority investments

Based on the preliminary consultations with the government and findings of the rapid urban assessment undertaken in Kismayo, investments that have been prioritized include urban roads, along with corresponding drainage systems, sidewalks, and streetlights. UNOPS completed the safeguards assessments, feasibility studies, detailed engineering designs and bidding documents for 18 priority roads (31.1 km). Priority investments to be financed under the first tranche allocation of SURP II are organized into two packages of eight roads totaling 10.5 km with associated side drainage and streetlights, two priority trunk drainage outfalls, an office block that will house the PIU and supervision consultants, a materials testing laboratory building, and survey and laboratory equipment. Bidding documents for another three packages for 10 roads (19.5 km) were also prepared for possible funding under the second tranche of SURP II.

### Component 2: Baidoa (US$1.47 million)

#### Subcomponent 1: Institutional assessment and capacity building

This subcomponent consists of an assessment of Baidoa municipality/district government’s technical, financial, and administrative capacity to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities to be undertaken under SURP II. The assessment was completed in March 2020 by Altai and focused on the regulatory framework for functional assignment; current status of the municipality’s roles in urban planning, land management, infrastructure and service delivery; own-source revenue generation; skills levels; and accountability mechanisms in place for public financial management. The assessment also identified key gaps and recommendations for areas for capacity building, including financial management, procurement, engineering, monitoring and evaluation, and safeguards.

#### Subcomponent 2: Feasibility and preliminary design studies for priority investments

Based on the preliminary consultations with the government and findings of the rapid urban assessment undertaken in Baidoa, investments that have been prioritized include urban roads, along with corresponding drainage systems, sidewalks, and streetlights. UNOPS completed the safeguards assessments, feasibility studies, detailed engineering designs and bidding documents for nine priority roads (22.1 km) and a laboratory building. Roads contracts are organized into three packages, two of which will be funded under the first tranche of SURP II. The two packages consist of four roads (13.5 km) with associated side drainage, walkways, streetlights and culvert bridges, rehabilitation of the PIU office, a materials testing laboratory, as well as survey and lab equipment. Designs and bidding documents for another package consisting of four roads (8.4 km) were also prepared for possible funding under the second tranche of SURP II.

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3 The reduction from the earlier four to the current three packages has been made because the PIU decided to combine Packages 2 and 3 into one.
<table>
<thead>
<tr>
<th>Component 3: Cross-cutting activities (US$0.6 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program management</strong></td>
</tr>
<tr>
<td><strong>Contact:</strong> Makiko Watanabe: <a href="mailto:mwatanabe1@worldbank.org">mwatanabe1@worldbank.org</a></td>
</tr>
</tbody>
</table>
**SOMALIA URBAN RESILIENCE PROJECT (SURP)**

<table>
<thead>
<tr>
<th><strong>Timeframe</strong>: 2018–21 (Phase I); <strong>Budget</strong>: US$9 million (MPF Grant)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status</strong>: Effective</td>
<td></td>
</tr>
</tbody>
</table>

**Objectives**

Strengthen public service delivery capacity at the subnational level and support the reconstruction of key urban infrastructure in targeted areas.

**Beneficiaries**: (a) Residents of the seven districts of Mogadishu and the city of Garowe, including those affected by forced displacement (that is, IDPs, returnees, and host communities) where the secondary road rehabilitation and construction is being carried out; (b) Approximately 330 people in Mogadishu and 250 people in Garowe will benefit from short-term income generation opportunities resulting from the civil works of these secondary roads; and (c) Benadir Regional Administration (BRA) and Garowe Municipality staff benefitting from capacity-building initiatives in this project.

**Government counterparts**: Municipalities of Mogadishu and Garowe.

**Implementation arrangements**: Government-executed through the municipalities of Mogadishu and Garowe.

**Geographic coverage**: Cities of Mogadishu and Garowe.

**Component 1: Mogadishu Municipality (US$6.5 million)**

<table>
<thead>
<tr>
<th><strong>Ongoing</strong></th>
<th><strong>Implementation of civil works</strong>: The scope of works involves the construction of 11 community roads (7.96 km) in six districts, which is a variation from the original scope. The changes were made following community consultations conducted by the BRA in Boondhere, Warta-Nabada, and Shangani districts. As of end-June 2021, overall works progress is estimated to be 92 percent with 10 roads (7.244 km) and 200 streetlights completed, while two roads (2.34 km) were in progress at 98 percent and 88 percent, respectively. The contract period has been extended to August 31, 2021, to complete all outstanding works before the project closing date on September 30, 2021.</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Rehabilitation of 14 roads across seven districts of Mogadishu; setting up and capacity-building support to the Project Implementation Unit (PIU)</strong></td>
<td><strong>Community engagement</strong>: As of June 2, 2021, around 58,589 labor days have been created in the overall project. In addition, Maintenance Committees (MCs) 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. Each MC comprises seven members, including representatives from the district administration, community elders, women and youth groups, and one BRA staff from the Engineering Department.</td>
<td></td>
</tr>
</tbody>
</table>

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4 The original scope consisted of 19 roads (7.6 km) across seven districts.
Component 2: Garowe Municipality (US$2.5 million)

| Ongoing | Implementation of civil works: All civil works in Garowe were completed on June 30, 2020, which includes the construction of four urban roads (4.93 km) and associated side drains. The works completion and handover certificates were issued on June 23 and June 30, 2020, respectively. The final inspection during the defects liability period was jointly carried out by the PIU and the United Nations Office for Project Services (UNOPS) on May 30, 2021, with only minor defects reported, which the contractor has rectified. The defects liability certificate was issued on June 22, 2021. The project piloted the use of Otta seal\(^5\) in Garowe for the first time where previous road surfacing was asphalt concrete. |
| Rehabilitation of four roads in Garowe; setting up and capacity-building support to the Project Implementation Unit (PIU) | Community engagement: 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 MC comprising seven representatives from the Department of Public Works and Public Relations, community elders, women and youth groups and IDPs. The committee is responsible for supervising the routine cleaning of roads contracted by the municipality. A road operation and maintenance manual has also been prepared by UNOPS. |
|  | Monitoring and evaluation: Garowe contracted a firm to carry out a baseline survey for both Mogadishu and Garowe and the baseline report was completed in October 2019. The same firm has been contracted to carry out an end line survey in both cities. The survey has been completed in Garowe. In Mogadishu, the end line survey commenced in early June and field survey has started along the nine roads that have been completed. The survey is expected to be completed by August 31, 2021. |

Component 3: Contingency Emergency Response (US$0 million)

| Not yet triggered | This contingency emergency response component is included under the project for situations of urgent need of assistance. This will allow for rapid reallocation of project funds in the event of a natural or man-made crisis in the future, during the implementation of the project, to address eligible emergency needs under the conditions established in its operations manual. This component will have no funding allocation initially and will draw resources from the other expenditure category in the case of activation. If an Immediate Response Mechanism is established, this component will allow the reallocation of uncommitted funds from the project portfolio to address emergency response and recovery costs, if approved by the World Bank. |
|  | To date, this component has not been triggered. |

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\(^5\) In comparison to other surface treatments, Otta seal material and construction specifications are not as strict, and local aggregates that would not meet the requirements for high quality paving aggregate can be used.
### Other updates

**Somalia Urban Resilience Project II**: The US$112-million SURP II was approved by the IDA Board of Directors on December 9, 2019, and declared effective on February 24, 2020. For details, see project brief on ‘Somalia Urban Resilience Project II (SURP II)’ on page 89.

### Challenges

**Need for enhanced security risk management**: Security risks continue to be a significant challenge for the implementation of SURP, particularly in Mogadishu. One candidate road was dropped due to high security risks. Tightened security measures in the city (such as new checkpoints) also led to the delay of ongoing civil work. To address worsened security risks, security personnel have been deployed to strengthen the protection of SURP staff.

**Project closure**: The project is expected to close on September 30, 2021. Both PIUs have been advised to complete all project activities by the project closing date and all funds need to be fully disbursed within four months after the closing date to be considered eligible for SURP financing. UNOPS is working closely with both BRA management and the PIU to ensure that all outstanding works are completed on time.

**Contacts**: Makiko Watanabe: mwatanabe1@worldbank.org; Marga Cantada: icantada@worldbank.org
SOMALIA URBAN RESILIENCE PROJECT II (SURP II)

**Timeframe:** 2019–24; **Budget:** US$112 million (IDA: US$50 million; MPF: US$62 million)

**Status:** Effective

**Objectives**

Strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

**Beneficiaries:** The immediate project beneficiaries will be the residents of Mogadishu, Garowe, Kismayo, and Baidoa where the prioritized investments will be constructed or rehabilitated under SURP II. The project will also benefit staff from the municipalities of Mogadishu, Garowe, Kismayo, Baidoa, newly selected cities in Hirshabelle and Galmudug states, and the Ministry of Public Works through capacity-building support.

**Government counterparts:** The project is implemented on behalf of the Federal Government of Somalia (FGS) by the municipalities of Mogadishu, Garowe, Kismayo and Baidoa. Dhusamareb (Galmudug) and Beledweyne (Hirshabelle) have recently been selected to join SURP II and have started on preparatory works. A Project Coordination Unit (PCU) at the Federal Ministry of Public Works is providing coordination and technical support to municipalities as needed.

**Implementation arrangements:** This project is implemented through the FGS. A Grant Agreement was signed between the World Bank and the Federal Ministry of Finance. Sub-Grant Agreements between the Federal Ministry of Finance and state governments outline the respective roles and responsibilities of these entities in the project. A federal interministerial steering committee has been set up for providing strategic guidance to the project, approving the inclusion of additional cities into the project and deciding on the funding allocations across cities.

State level interministerial committees have been set up in each state to provide a platform for coordination, information dissemination, and consultation. Day-to-day project implementation of the project will be carried out by the Mogadishu, Garowe, Kismayo, Baidoa, Dhusamareb and Beledweyne municipalities with support from an engineering supervision consultant.

In addition, a PCU has been set up at the Federal Ministry of Public Works to provide technical support and guidance to the municipalities, setting technical standards, and project monitoring and evaluation.

**Geographic coverage:** 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).
Links to past/ongoing projects

SURP II builds on the ongoing Somali Urban Investment Planning Project (SUIPP) and Somalia Urban Resilience Project (SURP)—both of which are delivered through local governments and have proven effective. The original SUIPP (US$6 million) supported municipalities in the preparation of feasibility studies and preliminary design studies for prioritized infrastructure investments, while the SURP financed these investments in Mogadishu and Garowe.

Additional financing from the German government through the MPF in the amount of US$3 million (SUIPP AF) expanded project preparation support to Kismayo and Baidoa. SURP II will, therefore, scale up investments in Mogadishu, Garowe, Kismayo, and Baidoa, and lay the groundwork for expansion to cities in the states of Galmudug and Hirshabelle.

SURP II aims to 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. This will be achieved through the following project components: (a) Urban Infrastructure and Services; (b) Institutional Strengthening and Analytics; (c) Project Management and Capacity Building; and (d) Contingency Emergency Response.

Component 1: Urban infrastructure and services (US$89 million)

<table>
<thead>
<tr>
<th>Ongoing Preparation and implementation of infrastructure investments across six cities (Kismayo, Baidoa, Garowe, Mogadishu, Dhusamareb, and Beledweyne)</th>
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</thead>
<tbody>
<tr>
<td>The four PIUs (Kismayo, Baidoa, Mogadishu, and Garowe) have agreed to engage the United Nations Office for Project Services (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 between June and September 2021 based on cities’ readiness to start construction.</td>
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**Mogadishu**:
The designs for priority urban investments are delayed, while investments were previously split into two packages. Mogadishu requires a strategic rethinking on priority investments. Discussions within BRA management are under way; they are expected to inform the Bank of their priority investments for tranche 1 and those for possible funding under tranche 2 of SURP II. Meanwhile, Terms of Reference (ToR) for the feasibility studies and designs of other priority investments to be financed under the second tranche are ready. These include: (a) TOR for the detailed engineering designs (DEDs) of 10 community roads (11 km); (b) ToR for the DED of the first phase of priority stormwater/trunk drainage (12 km, including a 1.9 km tunnel); and (c) ToR for the DED of interconnectivity roads (15.2 km).

**Garowe**:
Priority urban investments are organized into two packages. Package 1 includes four urban roads (6.3 km) estimated to cost US$3.8 million. Civil works commenced on July 1, 2021, for a period of 15 months. Package 2 includes the rehabilitation of Gambol Road (1.22 km) and an associated bridge (0.14 km), which is estimated to cost US$3.86 million. A combined Resettlement Action Plan and Environmental and Social Impact Assessment for the Gambol bridge is almost finalized. The PIU intends to complete the detailed designs and bidding documents shortly thereafter to commence works before August 2021. Meanwhile, the procurement of consulting services for the stormwater drainage assessment and design

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6 Package 1 comprised 10 community roads (12 km) across 10 districts, while Package 2 included the rehabilitation of one primary road with a combined cost estimate of US$14.6 million.
has been delayed due to contract negotiations. The Bank team is exploring other options to contract the study through direct selection.

Kismayo: Priority urban investments are organized into two packages. Package 1 includes seven roads with two drainage outfalls. Construction will commence by September 1, 2021, for a period of 12 months. For Package 2, UNOPS is currently revising the bidding documents to reduce the scope of one (from 3.9 km to 2.3 km) to accommodate the budget shortfall under the first tranche. The PIU signed a 12-month no-cost extension (through August 2021) for the construction of an office block and materials testing lab. The survey equipment was delivered in early June, while the Request for Quotation (RFQ) for the materials testing equipment was readvertised (closing June 20) and is anticipated to be delivered by mid-August. Meanwhile, the feasibility study and detailed engineering designs for the Airport Road have been finalized and Bill of Quantities prepared by UNOPS. In addition, a drainage prefeasibility assessment for Kismayo was completed by UNOPS in October 2020. Additional resources were secured by the Bank for a citywide flood risk and stormwater drainage assessment. The assessment is expected to help identify, prioritize, and prepare investment options for urban flood risk reduction and stormwater drainage solutions. The ToR is being finalized and a consultancy firm will be contracted by the Bank.

Baidoa: The procurement of works is progressing well in Baidoa. Priority urban investments are organized into three packages. Package 1 includes the construction of one asphalt road (3.9 km) with side drains, walkways, streetlights, and two culvert bridges. Civil works are expected to commence in July for a period of 15 months. Meanwhile, bids for the combined Package 2 and 3, which includes three asphalt roads (9.6 km) with side drains, walkways, streetlights, and existing bridges totaling US$6.5 million, were opened on June 15, 2021. Works are expected to commence in November 2021 for a period of 18 months.

Dhusamareb and Beledweyne: The PCU mobilized core staff of the two PIUs in early June and an initial induction training was held for the newly established PIUs. The PCU is supporting the municipalities to fast-track work plan preparation, budget planning, and the establishment of PIU offices. State level interministerial committees still need to be set up and kick-off meetings are anticipated in the coming weeks. Furthermore, the PCU is at an advanced stage of procuring survey firms to conduct institutional and urban infrastructure needs assessments of both municipalities. The institutional study will identify gaps in technical staffing and skillsets among civil servants, such as financial management, procurement, engineering, M&E and safeguards, and inform strategic and organizational change management and capacity building for effective project implementation. The urban infrastructure needs assessment will evaluate urban infrastructure and service needs in the two cities to help government prioritize investments under SURP II.

Component 2: Institutional strengthening and analytics (US$5 million)

<table>
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<tr>
<th>Under preparation</th>
<th>Technical assistance and related analytics for informal settlements,</th>
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<tr>
<td>This component supports four TAs: (a) TA on informal settlements to explore a range of interim tenure options to identify pathways to formalize informal settlements in Mogadishu; (b) TA on urban infrastructure O&amp;M examines technical and financial means to ensure sustainable O&amp;M of both primary and secondary roads in Mogadishu; (c) TA on urban governance and services that analyzes bottlenecks of solid waste management in Mogadishu and identifies means for the BRA to hold the service provider accountable; and (d) TA on digital jobs creation that aims to engage the youth in Mogadishu to prepare a “heatmap” of solid waste in the city, while contributing to digital job creation. Good progress</td>
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urban infrastructure operation and maintenance, and urban governance service delivery had been made to date in all four TAs. Final outputs from the TA on road operations and maintenance are almost complete and the study is expected to be completed by August 31, 2021. A draft synthesis report for the TA on informal settlement upgrading is currently under review, while implementation of the two related TAs is under way and is expected to be completed by December 2021 and January 2022, respectively. Results of the TA on digital jobs will feed into the TA on municipal solid waste management.

### Component 3: Project management and capacity building (US$18 million)

**Ongoing**

**Project staff recruitment**: This component is financing overall project management costs as well as the capacity building of both the project and municipal staff responsible for implementing and managing the project. Project Implementation Units (PIUs) have already been established in Mogadishu, Garowe, Kismayo, and Baidoa under the SUIPP/SURP. A PCU has been established at the Federal level within the Ministry of Public Works to help coordinate and support the PIUs.

### Component 4: Contingent Emergency Response (US$0 million)

**Not yet triggered**

This will allow for rapid reallocation of project funds in the event of a natural or man-made crisis in the future, during the implementation of the project, to address eligible emergency needs under the conditions established in its operations manual.

### Alignment to NDP

The project will support 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”.

Specific infrastructure goals from NDP to be supported include: (a) Strengthening institutional and technical capacities of different infrastructure subsectors to be able to plan, implement, operate, maintain, and monitor sector specific infrastructure development; and (b) improving mobility and connectivity throughout Somalia and to the neighboring region with a strong focus on rehabilitation and maintenance of existing transport infrastructure.

The project will also contribute to the Resilience Pillar that aims to “systematically enhance the absorption capacity of basic services for IDPs and returning refugees”.

### Challenges

**Delays experienced in Mogadishu**: Mogadishu continues to experience delays due to technical, resettlement, and security challenges. There is a need for BRA management to reconsider priority investments to be financed under SURP II, between the currently planned small and quick disbursing investments against large-scale transformative investments such as citywide drainage, which are slow disbursing and require a longer time to implement but will result in greater impact and visibility. Discussions within BRA management are under way and they are expected to inform the Bank of their priority investments for tranche 1 and those for possible funding under tranche 2 of SURP II.
Need to enhance security risk management: Subprojects under SURP II—particularly in Mogadishu—will include areas with high security risks. The project encountered security incidents in July 2020 and November 2020 that affected PIU/PCU consultants. Both incidents demonstrate that the nature of SURP II (that is, visible and significantly large urban infrastructure projects, government-managed and World Bank-funded) may potentially attract al-Shabaab attacks. While a Security Management Plan is being prepared and implemented in each municipality, the security risks need to continue to be carefully managed with enhanced measures throughout project implementation.

Contacts: Makiko Watanabe: mwatanabe1@worldbank.org; Marga Cantada: icantada@worldbank.org