



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 14-Dec-2020 | Report No: PIDC230762



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P174875		Moderate	Somaliland Civil Service Strengthening Project II
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA EAST	Somalia	14-Dec-2020	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Finance	Somaliland Civil Service Commission	

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**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	4.35
<b>Total Financing</b>	4.35
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	4.35
Somalia Multi-Partner Fund	4.35

**B. Introduction and Context**

Country Context

- Somaliland declared independence in 1993 during the civil war but this has not been recognized internationally.** Following the split from Somalia, Somaliland’s political leaders worked with community elders and diaspora entrepreneurs on local level reconciliation, demobilization, and democratization. These homegrown efforts established the basis for Somaliland’s stable development and provided momentum for subsequent institutional reforms. While Somalilanders fill positions in Somalia’s Federal Government and Parliament, and Somali businesses operate flexibly across and between the two areas, the division of jurisdictions creates complications and frictions in important



regulatory and economic governance areas. In this context, development partners seek to ensure that Somaliland benefits from continued external support, while the dialogue between the two entities continues.

2. **Somaliland’s unique development trajectory has evolved for almost three decades around grassroots peacebuilding and institution building.** Its aspiration for state recognition has shaped its political and economic landscape, forging a separate, more self-reliant identity through locally driven reconciliation and state building.[1] Hybrid institutions and rules, integrating modern and traditional forms of political organization, have evolved as pragmatic forms of compromise to enable the government to work and provide basic services to citizens, ensuring buy-in of large parts of Somaliland society. Nevertheless, given the minimal capacity of the government and fiscal constraints to deliver public services, the private sector and non-governmental organizations (NGOs) have been left to provide most social services. The result has been largely unregulated service provision and substandard service delivery for most of the population. Only recently has some progress been made on the regulatory side, with both the Ministries of Health and Education establishing sector strategies with technical assistance (TA) from the donor community.
3. **While progress has been made, the Somaliland population is one of the poorest in the world** with over sixty percent of the population living on less than US\$1.90 per day per capita, in 2011 purchasing power parity. Poverty is even more prevalent and deeper among hard-to-reach populations such as rural residents and nomads. Given their remoteness and mobility, their poverty is also multidimensional due to lower access to basic services such as education and improved water and sanitation. The levels of achievement in the country remain low in many domains. For instance, only half of the population is literate, and women have less educational attainment than men across virtually all age-groups. Natural disasters, conflict and displacement continue to affect large fractions of the population, leaving internally displaced persons to face unique challenges beyond poverty.
4. **Somaliland dramatically lags other low-income economies with regard to social and developmental achievements, as evidenced by poor health and education indicators.**[2] Somaliland’s maternal mortality ratio is among the highest in the world and 1 in every 14 babies in Somaliland dies before their first birthday. Severe shortage of qualified health professionals in Somaliland is one of the causes of the high infant mortality. The education system faces significant challenges related to access, quality, resources, and management. The relatively large semi-nomadic population in Somaliland presents a challenge for keeping children in school, particularly at the secondary school stage. Only about a half of all 6–13-year-olds receive primary education, and only 20 percent of teenagers, on average, go to secondary school, with percentage being significantly lower for girls.
5. **Somaliland’s revenue base is very low but has shown marked improvements in recent years.** In 2018, total revenue, excluding grants, reached about US\$223.7 million (at the exchange rate of 583.5 Somaliland Shillings to \$1). However, the government’s revenue remains significantly lower than other economies in the region and is based on a narrow set of import taxes (e.g., in 2018 international trade-import taxes constituted 47.6% of revenues, excluding grants). Half of all government expenditure is channeled to the security sector with minimal allocations to the social and economic sectors. In the past, the government has only been able to fund core recurrent expenditures but recent increases in revenue have provided the government with fiscal space for increasing investment and social spending. This provides a stark contrast to the Federal Government



of Somalia (FGS), which is heavily reliant on external financing. International development assistance nevertheless plays an important role in providing the much-needed additional resources for the socioeconomic sectors. As part of its public financial management (PFM) strategy the GoSL aims to increase domestic revenue generation and the tax base to a sustainable level and plans to establish a new Somaliland Revenue Authority through which to do this.[3]

6. **The bulk of Somaliland’s economic activity has remained concentrated in a small number of sectors**, namely livestock production, khat trade, import and export businesses, telecommunication, and remittances. While these sectors have in part been extremely profitable, they have remained dominated by a few large entrepreneurs. Opening these sectors to competition and establishing regulatory measures, in particular on taxation in the telecommunications and financial sectors, will spur higher growth and increase domestic revenue generation.
7. **Despite these challenges, Somaliland’s achievements have been relatively impressive**, especially in contrast to the level of conflict, poverty, and institutional instability witnessed in southern Somalia.[4] Somaliland’s most important achievement remains the restoration and maintenance of peace. While Somaliland is not immune to the threat of armed conflict and political violence, especially in the disputed eastern regions of Sool and Sanaag and in the run-up to presidential elections in March 2017, it also possesses greater societal resilience and capacities for peace.

[1] Although it claimed independence from Somalia in 1993, Somaliland is not a member country of the World Bank. This operation is to be funded through a grant from the multi-partner fund that supports, among other things, civil service reform and capacity development in Somalia.

[2] Reliable comparative data is difficult to obtain but key socioeconomic indicators in Somaliland are above the average in Somalia.

[3] The DFID-funded ‘Strengthening Revenue and Policy and Administration in Somaliland’ program will support GoSL to strengthen its domestic revenue raising capabilities.

[4] For a recent study examining how Somaliland was able to take a different path from Somalia, see; Phillips, Sarah. 2013. “Political Settlements and State Formation: The Case of Somaliland.” Research Paper 23, Development Leadership Forum, Sydney.

## Sectoral and Institutional Context

### 1. Overall context:

- o **While it has remained peaceful to date, a number of factors make Somaliland vulnerable to conflict and fragility.** These include high poverty and unemployment, the oligopolistic nature of key sectors of the economy, rapid urbanization, pressure on key natural resources (especially water and rangeland), and the threat of spillover of violent extremism. Managing



these stresses effectively require functioning and accountable institutions that are able to manage resources, deliver basic services and facilitate economic development.

- **With the support of international partners, the GoSL works on reducing social tensions and advancing political and institutional reform agenda**, therefore, in the medium-term, stability will depend on GoSL's ability to deliver key functions in the socio-economic field: poor public services and high unemployment leave the overwhelmingly young population vulnerable to religious extremism and criminality. Improving public service delivery and economic management in Somaliland requires the support of an effective civil service, alongside a functioning PFM system. As the government increases its domestic revenue, it will not only need to establish a functioning PFM system but also improve the capacity of its civil service for managing resources effectively and transparently for service delivery. Conclusions of the World Bank's 2014 Somaliland Public Expenditure Review remain relevant, i.e. while many of the necessary structures are in place, weak management and poor capacity in Somaliland's civil service have become bottlenecks for the delivery of public services and improved economic management.
- **Weak establishment and payroll controls and the absence of a pension system have limited Somaliland's fiscal space** to increase investments in the social and development sectors and to recruit fresh talent in the civil service. Moreover, lack of a pension system and procedures to terminate civil servants limits the government from hiring or promoting replacement employees and distorts the wage bill (since employees are not removed from the payroll).
- **The absence of pay and grading system** that allows for career and salary progression also contributes to payroll inflation and prevents acquisition and retention of skilled personnel. The current grading structure and compressed pay scale limit career development opportunities and contribute to high attrition of qualified staff, leaving the remaining workforce demotivated with weak attendance in the office.
- **Weakness of the government human resource management (HRM) capacity and the lack of effective procedures and systems for human resource planning, recruitment, and personnel development** usually combined under an umbrella of human resource management information system (HRMIS) handicap MDAs' capacity to carry out their functions with existing staff and to attract, motivate, and retain qualified individuals. While reliable data on the size and composition of the civil service and parts of other public sector employment have been collected through the Somaliland Civil Service Strengthening Project (CSSP-P155123)-funded HR audit, keeping this information up to-date requires a functioning HRMIS; moreover, the HR audit did not include approximately 8,500 public sector workers. These limits the ability of the government to manage its most costly resource—employee salaries and allowances—and to analyze and implement reform options. Manual payroll system is only further complicating work of the Civil Service Commission (CSC).
- **At the center of government, capacities for policy implementation are inadequate and limit the government's effectiveness and accountability for results.** Weak policy implementation capacity contributes to poor quality of services, lagging work discipline and therefore not only create bottlenecks for decision-making, but also negatively affect population perception of legitimacy of, and trust in the government. Similarly, there is no effective monitoring or



reporting on key policy initiatives and service delivery, leading to a lack of accountability for government performance.

2. **The ongoing Somaliland Civil Service Strengthening Project was designed, approved on June 30, and became effective on October 26, 2016.** It was appraised for \$10 million and funded from the Somalia Multi-Partner Fund (SOMPF). Initial delays and on-going difficulties common across FCV capacity and institution-building projects, made original implementation timetable unattainable. This was recognized by the Mid-Term Review that took place in September 2019. The project closing date has been extended from June 30, 2021 till December 31, 2022. After a slow start, disbursements picked-up in 2018 and currently stands at \$5.62 million, i.e. 56% of the appraised project value (or 80.4% of \$7 million net commitment from the SOMPF). Another \$2.5 million are either committed or allocated to activities for which procurement is on-going as well as for disbursements on TMP staff salaries.
3. **Use of performance-based conditions (PBCs, formerly disbursement-linked indicators (DLIs)).** The CSSP used several PBCs, of which:
  - PBC 5 (talent management program manual) has been achieved, verified and funds disbursed against achievement of the PBC;
  - PBC 2 (payroll audits to identify control weaknesses and ghost workers”) has also been achieved and the Bank has accepted the documentary evidence on achievement of the PBC;
  - The GoSL is working on submitting documentary evidence on the achievement of PBC 1 (Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality), PBC 3 (Number of improved HR procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet); and PBC 4 (newly established or reorganized HR units in targeted MDAs adequately staffed).
4. **The CSSP supports several areas of institutions strengthening with TA and capacity building activities** that are at different stages of implementation:
  1. **Strengthening Policies, Procedures and Systems for Civil Service, including strengthening digital government** (component 1 of the CSSP)
    - Payroll audits and new payroll lists from the payroll cleaning continue to be uploaded in SLFMIS whose payroll module has been activated. A further HR audit covering additional agencies that will now fall under the Civil Service Commission is underway, and to be followed by payroll cleaning and uploading the cleaned payroll lists into SLFMIS. Hard copy and electronic personnel records are being developed across the MDAs. These will provide content for the HRMIS that will also be supported by the project.
    - HR Policies: critical for sound HR management were endorsed by the cabinet. Dissemination to MDAs has begun.
    - Civil Service Law: The revised Law has been approved by the Public Sector Reform Steering Committee and submitted to the Cabinet.
    - Draft National Employment Policy: The draft National Employment Policy, which supports the implementation of the Somaliland Vision 2030 goal to achieve full and productive employment for all citizens, has been developed.
    - Pay and Grading policy and system: Contract negotiation for this assignment is ongoing.



- Public Sector Pension Reform: The GoSL and the Bank completed the review of the pension policy and the draft Bill that is now with the Government for the final review and decision; expert advice for design of civil service pension systems provided by the World Bank team is consistent across jurisdictions in Somalia (supported through the Capacity Injection Project) and Somaliland in approach and implementation would be easy to integrate should the situation permit/need arise.
  - Moreover, these pension systems include a provision for mandatory retirement age and, therefore, pension enrollment of retirement age civil servants will be restricted to civil servants who have already attained retirement age, enrolled in the pension system once it is established and guaranteed a pension in line with the ILO standards.
2. **Strengthening Core Capacity of Targeted Ministries** (component 2)
- Reorganization of MDAs: Reorganization of 18 MDAs has been undertaken. Organizational review of the remaining MDAs is
  - planned under the project.
  - Civil Service Talent Management Program: 27 TMP positions (35% female) have been filled and staff have undergone induction training. The Government proposed to reduce the end-target number for the TMP staff to 80, therefore sending a powerful signal of willingness and ability to fill at least some of critical positions outside the TMP.
  - Management and Common Service Training: Ghana Institute of Management and Public Administration will provide TA to the CSI in designing and delivering training programs for civil servants, curriculum development and train CSI staff.
3. **Strengthening policy management capabilities at the center of government** (component 3):
- Following an assessment of the existing policy management capacities of the Office of the President, an action plan for strengthening this function has been developed and procurement of TA to support this activity will begin once policy and legal staff attached to the cabinet secretariat office are recruited.

#### Relationship to CPF

**The project is consistent with the Federal Republic of Somalia CPF for FY19-22** (including Somaliland) and ensures alignment with national priorities such as institution-building, support to channeling funds through government systems, helping to strengthen ownership, accountability and capacity, and therefore, support building trust in institutions. The project activities, therefore, will support the WBG and GoSL work in support of delivery of strategic objective 1.1: Improve public finance management and institutional effectiveness within Focus Area 1: Strengthening Institutions to Deliver Services.

### C. Project Development Objective(s)



#### Proposed Development Objective(s)

The project development objective is to strengthen basic functions for payroll, human resources and policy management in selected central government agencies and line ministries, and to establish a pension system for civil servants.

#### Key Results

The key results are to: (i) improve effectiveness of payroll controls; (ii) improve HR development functionality in targeted MDAs; (iii) provide Somaliland with fiscally affordable pension system; (iv) provide Somaliland civil servants with livable (according to the ILO standards) retirement benefits; and (v) improve policy development functionality in targeted MDAs.

### D. Preliminary Description

#### Activities/Components

The CSSP II project will fund technical assistance and capacity building in support of continuation and completion of reforms initiated under the original CSSP (P155123); limited expansion of these reforms (e.g. support to implementation of the public sector pension reform); few new activities, in response to COVID-19 pandemic; and closing the financing gap resulted from the CSSP design stage underestimated cost of doing business in Somaliland.

The CSSP II design will emphasize creation of incentives for policy makers to support reforms and, therefore, as a continuation of practices successfully implemented in the original CSSP, will incorporate in its design, where feasible, performance-based conditions. One of most likely PBCs, will be progress with implementation of policies designed under the CSSP I.

The structure of the CSSP II will follow the structure of the original CSSP project, i.e.:

**Component 1:** Strengthening the Policies, Procedures, and Systems for Civil Service Management. This component will support the GoSL to strengthen the foundations for managing its workforce and reduce development risks that an unrestrained civil service presents. The main implementing agency for Component 1 is the CSC working in close collaboration with the MoF (on payroll reform) and the Ministry of Employment, Social Affairs and Family-MESAF (on pension policy).

**Component 2:** Strengthening Core Capacity of Targeted Ministries. This component will improve core HR and policy functionality. The main central implementing agencies for this component will be the CSC and the Civil Service Institute (CSI), with targeted MDAs as main beneficiaries and implementing partners.

**Component 3:** Strengthening Policy Management Capabilities at the Center of Government. This component seeks to build basic processes and standards for policy management at the center of the Somaliland government. Importantly, it will provide the framework for improving basic policy development functions and capacities in pilot line ministries targeted under Component 2.





**Component 4:** Project Management and Support in Delivery. This component will support the management, coordination, and M&E of project activities. It will also pilot innovative approaches on mobilizing teams to support implementation and delivery of project activities under Components 1–3.

More specifically, the CSSP II funds will mostly support the following activities:

**Within Component 1,**

- support further headcount activities, i.e. an HR audit, biometric registration and subsequent payroll cleaning of ~8,500 public sector workers not covered by the previous HR audit;
- implementation of the HRMIS, including further strengthening digital governance capabilities through interfacing/integrating the HRMIS to the SLFMIS, pay and grading and pension system, relevant payroll cleaning and entering results of the additional HR audit in the SLFMIS and bringing more workers under the HRMIS;
- design and implementation of the new Pay and Grading system, including consultations and public awareness campaign, transitioning of Talent Management Program staff into the new pay and grade system, and improving wage bill control and sustainability; and
- establishment of the public service pension system, which is fiscally sustainable and affordable and provides livable income (according to the ILO standards) to retired civil servants, will be one of the most important areas where the CSSP II will expand on the work done under the CSSP I (as reflected in the expanded PDO) and will include support to TA for setting-up pension unit, including setting up the institutional and technical side of operations, setting up the Pension Management Information System (PMIS) (within HRMIS or as a standalone system, including setting-up a framework for interoperability of the PMIS with the HRMIS/SLFMIS); training staff and hiring on-site advisors; and providing on-going capacity building.

**Within Component 2,** the project will address increased needs for distance, web-based and e-learning for Civil Servants, including a response to COVID-19 pandemic by expansion of; and need to reduce costs on logistics expenses incurred in face-to-face learning.

**Within Component 3,** support implementation of policies developed and adopted under the original CSSP-P155123.



**Within Component 4**, support project management and support to other components during the extended period of project implementation.

**Environmental and Social Standards Relevance**

**E. Relevant Standards**

**ESS Standards**

**Relevance**

ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

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**Legal Operational Policies**

**Safeguard Policies**

**Triggered**

**Explanation (Optional)**

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

**Summary of Screening of Environmental and Social Risks and Impacts**

The primary beneficiaries would be civil servants working in the targetted ministries, departments and agencies who will benefit from civil service reforms and the Somaliland citizenry that will equally benefit from improved processes and standards for policy management. Under component 1, key social risks are associated with implementation of human resource audits and headcount, the roll-out of the new Pay and Grading system and establishment of the public service pension system. The overarching risk is the exclusion of vulnerable, marginalized and minority members of the civil servants from human resource audits and headcounts, Pay and Grading system and pension. There is similarly the risk of challenges in access to beneficiaries for meaningful stakeholder engagements as well as grievance redress and monitoring where



civil servants have been systematically or inadvertently left out of the HR audits and headcount, new Pay and Grading system and the public service pension system. In addition, perpetuation, and or exacerbation of sexual exploitation and abuse, sexual harassment (SEA/H) and other forms for gender-based violence could arise from the interaction of civil servants with personnel conducting HR audits and headcount activities as well as enrollment for pay, grading and pension activities. In addition, limited number of staff may potentially see their pay reduced as a result of the pay & grading reforms. Other risks relate to the unauthorised access, leakage and corruption of personal data as project activities will see the collection, processing, storage and reproduction of large amounts of personal data. Data breaches and hacks can lead to unauthorised access, exposure to harm and loss of personal data. Under component 2, the social risks are associated with the expansion of web based and e-learning. Through weak or undefined and poorly implemented selection criterion, the roll-out of these activities may end up excluding civil servants from poor and marginalized areas as well as those without the requisite ICT skills. In addition, civil servants with key disabilities may be systematically excluded from project benefits where digital modes of learning do not take advantage of universal design and inclusivity principles. There are also risks of perpetuation, and or exacerbation of sexual exploitation and abuse, sexual harassment (SEA/H) and other forms for gender-based violence by implementors of the Head Count and web based and e-learning interventions. Whereas the web based mode of delivery significantly reduces the risks of SEA-H, the risk of demands for and or exchange of sexual favours for head count or enrollemnt in learning opportunities is coceivable. There is no risk of downstream impacts from retrenchment as the audit?s main goal is to count, collect information and identification of ghost workers and will exclude retrenchment. The risks of collective union, and or industrial action is minimal. Nevertheless, the project will take deliberate measures to identify and meaningfully consult labor relations groups, labor unions and collective bargaining organizations. The SEP will detail targeted mechanisms by which these organizations will be consulted and their views incorporated in the project design and how information on project activities, risks and impacts will be disseminated. Under component 3, key social risks arising from policy implementation relate to the exclusion of poor, vulnerable and marginalised members of the civil servants and ensuring security for project operations including the protection of project workers, beneficiaries and affected persons during policy implementation activities. These risks and impacts will be mitigated by the preparation of a Social Management Plan (SMP) which will; i) provide the criteria and procedures for screening sub-projects, assessing institutional capacity and outlining risk mitigation strategies commensurate with the risks; ii) review the mapping process for the HR audits and headcount activities and the roll-out of the web based and e-learning interventions to ensure that they are disability inclusive, and ; iii) elaborate measures to ensure that standards on handling and processing a large amount of information, including personal data of its beneficiaries and prospective beneficiaries are robust. In addition, Labor Management Procedures (LMP) for PIU (direct workers) and contracted workers will be prepared, consulted upon and disclosed. Government civil servants working in connection with the project, whether full-time or part-time, will remain subject to the terms and conditions of their existing public sector employment arrangements. The LMP will detail occupational health and safety (OHS) requirements for project workers and set about provisions to ensure proper working conditions and management of worker relationships, Codes of Conduct and occupational health and safety; and prevention of Sexual Exploitation and Abuse/Sexual harassment. The LMP will also detail procedures for protetction of workers against discrimination and forced labor while setting a mechanism for a project workers grievance mechanism. The SEP, LMP, SMP and Security Management Plan (as required) will be prepared prior to project approval. Security risks in



Somaliland is considered lower compared to other regions in Somalia. However as the specific risk of the project to the local context is not known, a security risk assessment will be conducted to inform the preparation of a Security Management Plan as required to support the mitigation of security threats to project operations.

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