

# MPF Project Briefs

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
ASA	Advisory Services and Analytics
BOQ	Bill of Quantities
BRA	Benadir Regional Administration
CBS	Central Bank of Somalia
CHW	Community Health Worker
CIP	Capacity Injection Project
COVID-19	Coronavirus Disease
CPF	Country Partnership Framework
CSSP	Somaliland Civil Service Strengthening Project
DFID	Department for International Development
DLI	Disbursement-Linked Indicator
DP	Development Partner
DRM/PFM	Domestic Revenue Mobilization and PFM Capacity Strengthening Project
EU	European Union
ESF	Environmental and Social Framework
FAO	Food and Agriculture Organization
FCV	Fragility, Conflict, and Violence
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
FHW	Female Health Worker
FM	Financial Management
FMIS	Financial Management Information System
FMS	Federal Member States
GAVI	Global Alliance for Vaccines and Immunisation
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GFF	Global Financing Facility
GRM	Grievance Redress Mechanism
GoSL	Government of Somaliland
HH	Household
HIPC	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IDP	Internally Displaced Person
IFI	International Financial Institution
IGFF	Inter-Governmental Fiscal Forum
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	International Nongovernmental Organization
iPRSP	Interim Poverty Reduction Strategy Paper
JSS	Jubbaland State of Somalia
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments, and Agencies
MIS	Management Information System
MoCI	Ministry of Commerce and Industry

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
SNHCP	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
TA	Technical Assistance
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WBG	World Bank Group
WFP	World Food Programme

## EFFECTIVE, ACCOUNTABLE GOVERNMENT PORTFOLIO

This portfolio finances eight active projects. Of these, four are recipient-executed investment projects and four are analytical/advisory projects. The MPF provides financing worth US\$179.7 million. The portfolio is co-financed with US\$145 million in PAC Grants and US\$108 million in IDA FY20 resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. 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)

<p><b>Timeframe:</b> 2015–21; <b>Budget:</b> Appraised at US\$40 million, currently allocated US\$26.25 million  <b>Status:</b> Effective</p>	
<p><b>Objectives</b></p>	<p>Strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core government functions.</p>
<p><b>Beneficiaries:</b> <i>Direct beneficiaries:</i> FGS and PSS governments; <i>Indirect beneficiaries:</i> citizens.</p>	
<p><b>Government counterparts:</b> <i>Federal level:</i> 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; <i>Puntland:</i> Office of the President, Ministry of Finance, Ministry of Labor, Youth and Sports, Ministry of Planning, Civil Service Commission, and selected line ministries.</p>	
<p><b>Implementation arrangements:</b> The project is government-executed. It is complemented by a separate UNDP project (Somalia Institutional Development Performance–SIP) using common governance arrangements, harmonized results frameworks, and based on agreed division of labor.</p>	
<p><b>Geographic coverage:</b> Initial focus on Federal Government and Puntland State Government. This is the first in a series of projects.</p>	
<p><b>Component 1: Developing capacity for key cross-cutting government functions (US\$13 million at appraisal)</b>  <i>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.</i></p>	
<p><b>Subcomponent 1.1:</b>  <b>Ongoing</b>  <b>Supporting harmonized and government-led capacity injection in priority institutions</b></p>	<p>Contracts for CIM staff in the Federal Government of Somalia (FGS) and Puntland State of Somalia (PSS) have been renewed to run from January to December 2020. CIM salaries continue to be funded by the RCRF project.</p>
<p><b>Subcomponent 1.2:</b>  <b>Ongoing</b>  <b>Providing specialized training and coaching support for new recruits and their teams</b></p>	<p>Negotiations between the <b>FGS’s</b> School of Management and Public Administration (SOMPA) and the Kenya School of Government (KSG), as well as between <b>Puntland’s</b> Institute of Public Administration and Management (IPAM) and the Kenya School of Government (KSG) are being concluded; KSG will provide capacity building to SOMPA and IPAM in designing and delivering training programs for civil servants as well as in curriculum development.  PSS is finalizing the recruitment of the Director of IPAM who will be involved in the final contract negotiations with the KSG.</p>
<p><b>Component 2: Strengthening the policies and procedures for civil service management (US\$12.25 million at appraisal)</b>  <i>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.</i></p>	
<p><b>Subcomponent 2.1:</b>  <b>Ongoing</b>  <b>Supporting priority ministries in</b></p>	<p>All MDAs in the <b>FGS</b> have been reviewed and the reports and recommendations will be undergoing a further review to facilitate the development of an organizational ordinance and submission for cabinet endorsement. All MDAs in the <b>PSS</b> have been reviewed and a Government Organizational Ordinance providing more clarity on mandates, vision, mission,</p>

<p><b>reorganization and change management</b></p>	<p>functions, accountabilities, structures, staff complement, and establishment ceilings for its MDAs has been developed and will be submitted to the Bank for review.</p>
<p><b>Subcomponent 2.2:</b> <i>Ongoing</i> <b>Strengthening basic policies for civil service management</b></p>	<p><b>Civil service management subsidiary legislation:</b> In the <b>FGS</b>, TA has been provided under the project to draft administrative regulations and procedures out of the HR policies that were developed. The FGS is currently reviewing the drafts. <b>PSS'</b> administrative regulations and procedures out of the HR policies have been endorsed by the Cabinet.</p> <p><b>Pay and grading policy and system:</b> In the <b>FGS</b>, evaluation of Technical and Financial proposals for this assignment is under way. The FGS has been advised on the importance of ensuring that this activity addresses the issue of Capacity Injection Mechanism (CIM) staff and civil service salaries over a well-defined period of time in a way that ensures fiscal sustainability within the government's own resource envelope.</p> <p>In the <b>PSS</b>, policy and proposed pay and grading structures have been developed, with the Bank providing quality assurance to the outputs. The Bank is working closely with the PSS to ensure that it develops an implementation plan that addresses the inter-related issues of (a) ensuring fiscal sustainability throughout the implementation period; (b) gradually aligning total remuneration of CIM staff and other donor-financed staff serving essentially (if not actually) as civil servants with the new civil service remuneration levels; and (c) "grandfathering" salary levels of those civil servants whose salaries under the new system fall below those they are currently receiving, until such time as annual upward adjustments in the salary scale brings their salary-scale-mandated salary up to at least the same level as their presalary-reform level.</p> <p><b>Public sector pension reform:</b> There are ongoing discussions between the Bank and both the <b>FGS</b> and <b>PSS</b> on the review of the pension policy and the draft Bill. The Bank is providing additional "just-in time" TA to the governments in identifying the most practical and viable pension scheme, developing or updating relevant regulations, and options for paying past service liabilities.</p>
<p><b>Subcomponent 2.3:</b> <i>Ongoing</i> <b>Civil service work force management</b></p>	<p><b>HR Audit and Payroll Cleaning</b></p> <p>The <b>FGS</b> concluded the HR audit and biometric registration and electronic and hard copy personnel files for civil servants have been developed for civil servants. The recent virtual implementation support mission has agreed that the FGS would submit to the Bank an English version of the Cabinet endorsement and decisions made on the HR audit and biometric registration, as well as a status report on the implementation of HR audit recommendations, the payroll cleaning, and the payroll controls that have been put in place.</p> <p>The <b>PSS</b> continues to conduct continuous payroll cleaning; electronic and hard copy personnel files have been developed for civil servants.</p> <p><b>HRMIS design and implementation:</b> Both the <b>FGS</b> and <b>PSS</b> are finalizing the ToRs for the HRMIS assignment with technical advice from the Bank. The HRMIS will facilitate compliance with the rules and procedures established by the Civil Service Law and its subsidiary legislation, including on performance management and establishment control.</p> <p>A biometric attendance system has been put in place in the FGS MDAs. The government has been advised to ensure that the rewards and sanctions policy guides the implementation of this system.</p> <p><b>Public sector reform strategy:</b> 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.</p>

<p><b>Subcomponent 2.4:</b> <i>Ongoing</i> <b>Strengthening the ethical foundation of the civil service</b></p>	<p>Both the <b>FGS</b> and <b>PSS</b> have completed and validated the code of conduct for their respective civil services. The documents have also been translated into the 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.</p>
<p><b>Component 3: Strengthening policy management, coordination, and monitoring capabilities at the center of government</b> <i>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.</i></p>	
<p><b>Subcomponent 3.1:</b> <i>Target achieved and activity completed</i></p>	<p>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.</p>
<p><b>Subcomponent 3.2:</b> <i>Ongoing</i> <b>Developing basic policy management capabilities</b></p>	<p>In the <b>FGS</b>, Policy Planning, M&amp;E and Statistics Units have been established in targeted institutions, and the Office of the Prime Minister and the Ministry of Planning and International Economic Development are jointly coordinating delivery of flagship program. The revision of the Cabinet manual/handbook is long outstanding. The OPM will be following up with the Office of the President on implementation of reforms in policy formulation and oversight. The <b>PSS</b> has already trained Cabinet secretariat and Cabinet members on procedures, and the procurement of a Cabinet management information system is under way.</p>
<p><b>Subcomponent 3.3:</b> <i>Ongoing</i> <b>Strengthening leadership for change and delivery</b></p>	<p><b>Executive Leadership Program</b> <b>FGS and PSS:</b> This has been included in the training programs to be delivered through the twinning program with the Kenya School of Government.</p>
<p><b>Component 4: Project management and coordination (US\$6 million)</b></p>	
<p><i>Ongoing</i></p>	<p>Both the <b>FGS</b> and <b>PSS</b> continue to submit high quality quarterly progress reports on the project.</p>
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## CIVIL SERVICE STRENGTHENING PROJECT (CSSP)

<b>Timeframe:</b> 2016–22; <b>Budget:</b> US\$10 million <b>Status:</b> Effective	
<b>Objectives</b>	Strengthen basic functions for payroll, human resources, and policy management in selected central agencies and line ministries.
<b>Beneficiaries:</b> <i>Direct beneficiaries:</i> the Government of Somaliland; <i>Indirect beneficiaries:</i> citizens.	
<b>Government counterparts:</b> <i>Main implementing agencies:</i> 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.	
<b>Implementation arrangements:</b> Government-executed.	
<b>Geographic coverage:</b> 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 (US\$40 million) supporting the FGS and Puntland in the first phase and other member states in subsequent phases.	
<b>Component 1: Strengthening the policies, procedures, and systems for civil service management (US\$3.9 million)</b>	
<p>The GoSL is conducting periodic <i>payroll audits</i> and new payroll lists from the payroll cleaning continue to be uploaded in SLFMIS whose payroll module has been activated. A further <i>HR audit</i> covering additional agencies that will now fall under the Civil Service Commission is planned, pending availability of funds. This will 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 <i>HRMIS</i>. The consultancy to develop the HRMIS is being procured—Expressions of Interest have been collected and evaluated, and evaluation report submitted to the Bank for review.</p> <p><i>HR policies:</i> The HR policies critical for sound HR management were endorsed by the Cabinet. Dissemination to MDAs has begun. The government will be submitting documentary evidence for the achievement of the HR policies-related DLI.</p> <p><i>Civil Service Law:</i> The revised Civil Service Law has been approved by the Public Sector Reform Steering Committee and submitted to the Cabinet. A further review of the Law is ongoing to cover additional institutions in the public service.</p> <p><i>Draft National Employment Policy:</i> The draft National Employment Policy has been developed to support the implementation of the Somaliland Vision 2030 goal to achieve full and productive employment for all citizens. The policy has been discussed among stakeholders and validated. The GoSL will confirm the endorsement of the policy by the Cabinet.</p> <p><i>Pay and grading policy and system:</i> Contract negotiation for this assignment is ongoing. The government has been advised on the importance of ensuring that this activity addresses the issue of Talent Management Program (TMP) staff and civil service salaries over a well-defined period of time in a way that ensures fiscal sustainability within the government’s own resource envelope.</p> <p><i>Public sector pension reform:</i> There are ongoing discussions between the GoSL and the Bank on the review of the pension policy and the draft Bill. The Bank is providing some additional ‘just-in time’ TA to the governments in identifying the most practical and viable pension scheme, developing or updating relevant regulations, and options for paying past service liabilities.</p>	

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

*Reorganization of MDAs:* Reorganization of 18 MDAs has been undertaken to support improvements in the organization structure, redistribute mandates, and provide vision and mission of the organizations as well as the staffing structures, numbers, and personnel mix. New staffing plans from the reorganization will provide efficient control over institutions and optimize usage of resources.

*Civil service Talent Management Program (TMP):* 27 TMP positions (35 percent female) have been filled and staff members have undergone induction training. Staff salaries and allowances will be covered by the funds released against achievement of DLIs. The government and the Bank have discussed the need to revise the end-target number of the TMP staff (80) through a confirmation process on the existing gaps to critical positions in HRM and payroll management, and Policy, which have been filled in the MDAs both through and outside the TMP.

*Management and Common Service training:* Negotiations between the Civil Service Institute (CSI) and the Ghana Institute of Management and Public Administration (GIMPA) are being concluded. The GIMPA will provide capacity building to the CSI in designing and delivering training programs for civil servants as well as in curriculum development.

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

Following the assessment of the existing policy management capacities of the Office of the President (OoP), an action plan for strengthening this function has been developed and procurement of TA to support this activity will begin once policy and legal staff attached to the Cabinet Secretariat office are recruited. The government is working on accelerating the recruitment of these staff in the OoP.

### Status of Disbursement-Linked Indicators (DLIs)

*DLI #5* (talent management program manual) has been achieved, verified, and funds disbursed against achievement. The Bank has received documentary evidence on the achievement of *DLI #2* ('Payroll audits to identify control weaknesses and ghost workers'), and the GoSL will be making a resubmission with the Bank's review comments addressed. Documentary evidence on the achievement of *DLIs #1* ('Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality'), *#3* ('Number of improved HR procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet'), and *#4* ('Newly established or reorganized HR units in targeted MDAs adequately staffed') are pending submission to the Bank.

## Component 4: Project management and support in delivery

The PCU continues to closely monitor project progress and submit comprehensive quarterly progress reports in a timely manner.

The project closing date has been extended to December 30, 2022, and the team continues discussions with government on further implementation of project activities.

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## DOMESTIC REVENUE MOBILIZATION AND PUBLIC FINANCIAL MANAGEMENT CAPACITY STRENGTHENING PROJECT (DRM/PFM)

<b>Timeframe:</b> 2015–2022; <b>Budget:</b> US\$50 million (MPF: US\$30 million; IDA: US\$20 million)	
<b>Status:</b> Ongoing	
<b>Objectives</b>	Strengthen systems of domestic revenue mobilization, expenditure control, and accountability in the Federal Government, Puntland State of Somalia, and Somaliland.
<b>Beneficiaries:</b> <i>Direct beneficiaries:</i> government counterparts; <i>Indirect beneficiaries:</i> citizens.	
<b>Government counterparts:</b> Ministries of Finance and Planning in the Federal Government, Somaliland, and Puntland.	
<b>Implementation arrangements:</b> Recipient-executed (RE).	
<b>Geographic coverage:</b> Mogadishu, Garowe, and Hargeisa.	
<p><b>Project restructuring and additional financing (AF)</b></p> <p>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, <b>from June 30, 2020, to June 30, 2022</b>, to allow for the successful implementation of the project’s original and new activities.</p> <p>The changes will strengthen the overall development impact of the original project and better align the 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 systems, and strengthened PFM and auditing systems. The project is also expected to contribute to the higher level development objectives of enhanced revenues and more efficient and accountable government spending.</p>	
<p><b>Component 1: Strengthening tax policy and inland revenue administration systems</b></p> <p><i>This component is expected to strengthen tax policy and selected inland revenue systems and capacity.</i></p>	
<p><b>Subcomponent 1.1: Improving organizational capacity for tax policy</b></p>	<p><b><i>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 tax payer and other data; and (b) support TPU in the development of a credible and fair revenue policy, evidence-based research, revenue forecasting, and tax gap analysis capacity.</i></b></p> <p>Generally, the implementation of this component is moderately satisfactory.</p> <p>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 Department for International Development (DFID) (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, 15 potential trainers have been identified from the FGS, PSS, and Jubbaland State of Somalia (JSS) for training, adopting ‘Train the Trainer’ methodology. Such an approach is expected to contribute to sustainability, internalizing the capacity-building process, better mitigating the COVID-</p>

	<p>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.</p>
<p><b>Subcomponent 1.2: Improving systems for inland revenue administration</b></p>	<p><b><i>This subcomponent includes (a) operationalizing large tax payer office; (b) business process mapping and redesigning; (c) modernizing and automation; and (d) capacity building.</i></b></p> <p>The three states have made good progress. The <b>FGS</b> and <b>PSS</b> have successfully concluded dialogue and agreed to source one service provider to design the Somalia <i>Fit-for-Purpose</i> tax administration system (ITAS). Following up, the joint procurement committee has pursued the procurement process that is at advanced stages, in spite of the COVID-19 challenges. In this regard, the authorities agreed to identify and assign FGS counterparts, in preparation for the ITAS design contractor, to work with and understudy the design consultant. In <b>SL</b>, 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 and kicked off the TA that has been constrained by the COVID-19 pandemic. Regarding the Large and Medium Taxpayer Office (LMTO), in the <b>FGS</b> 17 staff members have been deployed; it is now functional and has enhanced service delivery by preparing a draft Tax Audit Strategy, supported by the Bank. Similarly, a Tax Audit Unit has been established comprising five staff members. The Unit commenced desk-based payroll audits, completing three audits in the review period. In this regard, a Training Needs Assessment (TNA) of tax audit staff has been completed, and follow-up through virtual trainings by the Bank. In the <b>PSS</b> 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 LMTOs harmonization.</p> <p>The three states have made good progress on the taxpayer identification number (TIN). In the <b>FGS</b> about 430 Somalia Financial Management Information System (SFMIS) generated TINs have been issued. In the <b>PSS</b> 1,600 Puntland Financial Management Information System (PLFMIS) generated TINs have been issued. Similarly, the Inland Revenue Department in <b>SL</b> has adopted a new structure for the unique TIN following technical advice from both the Bank and DFID PROFR program, and confirmed issuing Somaliland Financial Management Information System (SLFMIS) generated approximately 5,000 TINs based on the new structure. 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.</p> <p>In <b>SL</b>, 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 DFID PROFR program.</p> <p><b>Capacity Building:</b> In the <b>FGS</b> 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. In this regard, the authorities have been successful in training 74 officials, including 22 (or about 30 percent) women; in the <b>PSS</b> 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 initiated, 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</p>

	Resource Management (HRM) Strategy; Taxpayer Service Charter; and DRM Accreditation module of the CIPFA certification.
<p><b>Subcomponent 1.3:</b> Taxpayer education and facilitation to promote voluntary compliance</p>	<p><b><i>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.</i></b></p> <p>The three states have made good progress on taxpayer orientation/education and facilitation workshops. The <b>FGS</b> was able to hold two workshops, in December 2019 and March 2020, resulting in the consultation/education of 295 taxpayers (citizens), including 88 (or about 30 percent) women. The <b>PSS</b> 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, during January to April 2020. In <b>SL</b>, the Taxpayer Education Awareness and Communication Unit concluded a survey of more than 265 taxpayers supported by the DFID PROFR program. SL confirms that a Taxpayer Help and Information desk and helpline are operational, including a hotline app for complaints. However, there were challenges implementing robo-calls to taxpayers, in view of the local telecom services. Further plans for events in May 2020 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.</p>
<p><b>Subcomponent 1.4:</b> Supporting the Revenue Bill consultations and bridging operationalization upon enactment</p>	<p><b><i>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.</i></b></p> <p>The Revenue Act enactment is a major achievement by Somalia. Aiming to help operationalize the Act, the government has requested for the Bank's support. The FGS will put together the terms of reference for this support, particularly aiming at the harmonization between the FGS and PSS. The FGS also confirms that it has requested DFID PREMIS support to help harmonize the other four FMS tax laws to the Revenue Act, where PREMIS provided such support. The inter-governmental 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.</p>
<p><b>Component 2: Strengthening capacity for public financial management control and accountability</b></p> <p><i>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.</i></p>	
<p><b>Subcomponent 2.1:</b> Strengthening systems of treasury management, budget execution, procurement, accounting, and financial reporting</p>	<p><b><i>This subcomponent will help institute essential controls needed to promote fiscal discipline, transparency, and accountability.</i></b></p> <p>The FGS, PSS, and Somaliland have made significant progress on several ongoing activities under this component, including:</p> <p><b>FGS</b></p> <p>Progress has been seen in the strengthening of the oversight arrangements to minimize use of cash payments by the Ministries, Departments and Agencies (MDAs); hiring of a PFM expert to support the Office of the Accountant General; adopting the IPSAS cash basis of accounting; developing the</p>

required templates and formats; working towards supporting MDAs to prepare their own financial statements, related template and formats have also been developed. However, there is need for more training of MDA staff to ensure proper understanding and also allow the MDAs to have full understanding of their requirements. The Office of the Accountant General laid out plans to organize the required trainings for the MDAs to operationalize this and also plans to organize trainings for staff on an annual basis.

Engagement with the Central Bank of Somalia (CBS) to ensure the SFMIS and the Central Bank's system are effectively linked are ongoing. We wish to report that government has established a task force and, as a result, progress had been made; testing of this integration is ongoing and should be completed soon. Contracting of Internal TA specialist to support government establish its internal audit function is in progress. However, there seem to be delays in evaluating the expressions of interest received.

**On Budget Modules:** This has still not been operationalized; the government has agreed that it would take steps to make the budget module of the SFMIS become operative as this module is very important if budget execution is to be effectively implemented through the system and minimize the possibility of some activities being processed outside the SFMIS.

**On Skills transfer** from the consultants to the key ministry staff, it is still a concern that, since the introduction of the SFMIS over four years ago, there has been no specific plan to transfer operational oversight for the SFMIS from the consultants to key ministry staff. The SFMIS team has developed a training plan based on their needs' assessment and is being reviewed internally. Whilst Somaliland and the PSS have made progress, the FGS continues to lag. The SFMIS team of Puntland has developed a training plan based on their needs' assessment and has been internally reviewed, approved, and shared with the Bank; it is now being implemented. Somaliland had earlier submitted its plan and is currently under implementation. The FGS is yet to submit its plan. The Bank, during its last mission, has urged the government to put in place a strategy to help address the situation.

The **Quality Assurance (QA) Review or Audit** contracting process being led by the FGS has been delayed. This delay has, therefore, also affected Puntland. The Government of Puntland has been urged to engage with the FGS to determine if the process will be further delayed. Based on their understanding, they can inform the Bank of their plan of action going forward. At that point, the Bank will review and discuss the final way forward. Should there be no progress on the part of the FGS, the Bank will agree for Puntland to undertake its own Quality Assurance Audit or Review separate from the FGS. Subsequent to the mission, the Bank has been informed that the FGS has set up an evaluation committee to evaluate the expressions of interest (EOIs) received.

**On Procurement:** The government has issued a directive for all main procurement of MDAs to be centralized and performed by the Procurement Directorate or Unit, and this has resulted in their capacity being overstretched. This is good progress and we hope that they will get the necessary support to perform their function effectively. The Procurement website development, which had been initiated sometime ago, has also not been completed. The head of the Procurement unit has been requested to find information that will help the project and also help the government reach a decision on how to support the completion of the website and make it operational.

#### **PSS**

Client has made progress on many fronts, including (a) training of several MDAs and regional offices of MDAs on the use of Puntland Financial Management Information System (PLFMIS); (b) the provision of Technical Assistance (TA) support to key Public Financial Management (PFM) institutions (even though some positions are still in process); and (c) point of sale for the collection of taxes at the airport has been linked to the PLFMIS, and transactions recorded directly through the system.

**On Treasury, Budget:** There is slow implementation of activities under the project supporting these activities. To address challenges and move implementation forward, there is need to hire a Budget Expert and a legal expert for the department to help the department modernize its PFM laws and prepare work towards the government's desire to adopt the International Public Sector Accounting Standards (IPSAS) cash basis of reporting.

	<p>On <b>PLFMIS</b>: Staff capacity needs to be strengthened; based on the training needs of staff, a training plan has been developed and its implementation has started. There is also need for efficient and cost-effective back-up arrangements to be put in place for the PLFMIS system. The government has agreed to work with the developer and key players to identify appropriate modes, such as the cloud facilities to provide these services for the system, as the cost of the current provider is very expensive.</p> <p><b>PLFMIS Quality Assurance or Audit</b>: This is being led by the FGS. There have been some delays in the processing of the contract, thus also causing delays on the part of Puntland. Should there be no progress on the part of the FGS, the Bank will agree for Puntland to undertake its own Quality Assurance Audit or Review separate from the FGS.</p> <p><b>Somaliland</b></p> <p>There has been significant progress on several ongoing activities under the component including (a) deploying the SLFMIS to most of the MDAs and regional Offices of the Accountant General’s department; (b) completing the required measure to use the budget module for preparing the 2020 budget; (c) completing the SLFMIS training needs assessment, which is ready for implementation; (d) successfully completing the project’s audits for the year ended December 31, 2018, by the Office of the Auditor General; (e) most of the key Technical Assistance (TAs) for various PFM institutions are at post; (f) completing the PFM staff professionalization program contract and now ready for the start of the program; and (g) completing the hiring process of the Quality Assurance (QA) firm and work is expected to start shortly.</p> <p>The construction of the facility to house the data center to support any disaster recovery process of the SLFMIS system has been completed and awaits the delivery and installation of the required equipment, testing, and operationalization of the center.</p> <p>On the <b>Budget Module</b>: The government has finished the deployment of the budget module and the module is being used in the preparation of the 2020 budget. Training has been provided and all MDAs are using this module.</p> <p>On <b>Support to the Office of the Accountant General</b>: The government has now set up its Treasury Single Account (TSA) and Cash Management Committee made up of key departments, including the MoF and the Central Bank of Somaliland. They, however, need a TA to help them move forward and are working with the Bank on this support. The government has also requested for support towards its work on moving towards the adoption of International Public Sector Accounting Standards (IPSAS) cash basis of accounting. The Bank will also support the government achieve this.</p> <p>On <b>Procurement</b>: The government will work with the Bank’s procurement specialist to organize some basic training for the National Tender Board (NTB) team at the request of the government. In addition, the project will help finance a TA to conduct a training needs assessment of the NTB, that is, developing regulations and other procedure manuals to support the NTB.</p>
<p><b>Subcomponent 2.2: Strengthening the integrity systems</b></p>	<p><b><i>This subcomponent is expected to enable publication of timely and quality audit reports; improvement in the percentage of expenditures represented by the government entities audited as part of total public expenditures; and better follow up by Parliament of audit recommendations.</i></b></p> <p><b>FGS</b>: The government’s audit report has been submitted and it generated several media reactions. The Auditor General organized a press briefing to explain the report. In addition, the Ministry of Finance and the Accountant General’s Office also organized their own briefings to explain issues from their perspectives. These developments show the positive nature of interest of accountability issues in Somalia and the impact of the Bank’s support in these PFM areas.</p> <p>The Bank team will continue to support the audit office and the auditees to improve on their communications and interactions during audit processes. The EU has been providing two individual TAs to support the Office of the Auditor General in the areas of legal and audit. Most of the TA posts provided under the project have taken up their positions and are doing their work. INTOSAI Development Initiative (IDI) support is still ongoing and helping the office to implement some of its strategic goals. Since the support was not adequate, the office expects further support under the project to help complement these activities. Additionally, contracting of TA communications expert to</p>

	<p>support the office of the Auditor General, and audit and legal experts for AOG, are also under way. There has been no further or new development on the Audit Bill; however, the Bill has now gone to the Senate. The Bank continues to raise its concern regarding the inadequacy of the provisions of the independence of the Office of the Auditor General, as it is not in line with the requirements of INTOSAI, to which Somalia is a “member”.</p> <p><b>PSS:</b> Audit Technical Assistance undertaken by E&amp;Y has been completed and the final report is under implementation. The report’s recommendations are being implemented; the need for TA support, however, has delayed some of the implementation timelines. Additionally, the hiring of other TAs for support; Audit Office to carry out audit reforms (and support the implementation of their strategic plan); and TA to help government establish internal audit function in government as recommended by the function reviews of MDAs under the CIP project are all in progress and almost completed.</p> <p>The audit of all the Bank-funded projects has been completed with the help of the external audit firm.</p> <p><b>Somaliland:</b> The Bank commends the government for carrying out the audit of the Bank-funded projects and submitting the Reports on time. Two key TAs hired to support the Office of the Auditor General (OAG) have assumed office and are at post. The third one was expected to also join office in the later part of the year or early next year. With that, the OAG will have a full complement of requested TA support; hopefully, the office will work effectively with the team to derive the full benefit for their work and ensure the office is equipped to perform as a modern audit office. The OAG has also requested for its staff to be trained on the SLFMIS, to ensure that they understand the system, so that they can build their capacity given the fact that they will be required to audit the system in future. This will be organized by the project with the agreement of the stakeholders.</p>
<p><b>Subcomponent 2.3: Professionalization of PFM staff</b></p>	<p><b><i>This component provides support to expand the government’s professionalization of the PFM staff program.</i></b></p> <p><b>PSS:</b> Discussions are yet to be completed on the second phase of the program with the WYG consortium. The project has shared the draft contract with them and their response is awaited. The two participating universities, Puntland State University (PSU) and East Africa University (EAU), have confirmed their commitments to the program and will be working to establish the PFM academy program in their universities. Their costing was also discussed, and they have been requested to review them appropriately to ensure that the program is sustainable. As part of collaboration with the RCRF project, the program is being rolled out to the other FMS and PSU will host them. The PCU and its RCRF counterparts are discussing details with the PSU to enable this to move forward.</p> <p><b>Somaliland:</b> The contracting process with the Consortium for the diploma program has been completed, as has been that of the collaborating institution, the University of Hargeisa. Discussions are ongoing, to agree on a start date. The 13 students who failed the certificate exams the last time are eager to continue and wanted the chance to re-sit their certificate exams again and their examination fees will be catered for by the project. The University of Hargeisa also agreed to provide refresher courses, free of charge, to support the students.</p>
<p><b>Component 3: Rapid Response Facility (RRF)</b></p> <p><i>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.</i></p>	
<p><b><i>This component is implemented by all the three governments and is aimed at providing 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 for project restructuring.</i></b></p> <p><b>FGS:</b> The key activity funded under this component is the Phase 2 construction of the Ministry of Finance (MoF) building. Construction is progressing well. The United Nations Office for Project Services (UNOPS), which is implementing the project, has been submitting its quarterly reports as required under the contract. Work generally seems to be progressing well.</p> <p><b>Somaliland:</b> Support from this component will include addressing any gaps identified under DRM activities. The</p>	

procurement process for the integrated revenue automation system, the e-payment system, and needs' assessment is under way.

#### **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.*

**FGS:** Overall oversight arrangements under the project are working well.

**PSS:** Some issues exist in the project implementation and coordination. To ensure that activities are monitored and issues are resolved in a timely manner, it has been agreed that (a) the governance arrangements established under the project should be followed, operationalized, and made to function; (b) the Steering Committee of the Project should meet on a monthly basis to provide direction, guidance, and resolve any operational challenges; (c) the Team Leaders should meet fortnightly to follow up on implementation activities and resolve them; and (d) the PCU itself should also meet on a weekly basis to evaluate its pending tasks and discuss any challenges and seek support to resolve any outstanding issues.

**Somaliland:** The current arrangement is working reasonably well, and the Joint Steering Committee (JSC) for the PFM reform program has met on a quarterly basis and issues resolved on a timely basis.

#### **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 necessitate issuance of multiple TINs to registered taxpayers. The authorities should explore options to improve the existing TIN structure, with 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** has not been undertaken, especially with the FGS, due to delays in the contracting process. The contracting process needs to be fast-tracked to avoid further delays.
- **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 has been passed and signed into law. There has been no new development on the Audit Bill; the Bill, however, has now gone to the Senate. The Audit Bill still does not meet the independence requirements of the INTOSAI. The Public Financial Management (PFM) Bill has also been passed by the Lower House and is at the Senate.
- **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, and move forward the FGS and FMS harmonization agenda.

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## ENGAGEMENT IN SOMALIA'S HEALTH SECTOR

**Timeframe:** 2018–20; **Budget:** US\$1.2 million

**Status:** Effective

<b>Objectives</b>	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.
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**Beneficiaries:** The project aims to determine effective strategies and project activities for the World Bank support to Somalia's Federal Ministry of Health (FMoH) and FMS in the health sector. The project will focus on analytic work and capacity development aimed primarily at the FMoH and FMS.

**Government counterparts:** 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.

**Implementation arrangements:** The analytic work will be executed by the World Bank in close coordination with the FMoH.

**Geographic coverage:** The work will take place at the national level with potential field research in selected FMS, and will be applicable to all FMS.

### Component 1: Strengthening access to essential health services through partnership with the private sector and improving community health worker (CHW) programs

**This component will explore health service delivery models and demand side factors impacting health service utilization.**

The ASA takes a 'menu of options' approach and there are three potential areas which it may cover:

- (a) *Health sector landscaping and identification of contracting and CHW opportunities.*
- (b) *Document analyzing demand side opportunities and interventions.*
- (c) *Final report outlining private sector contracting options for future operations.*

**Report on Public Sector Options:** An initial service delivery landscaping is complete as of July 2019. A joint consultancy with co-funding from GAVI, GFF, and UNICEF is currently under way through a firm called Philanthropy Advisors. The completion of the assignment has been delayed by the current COVID-19 crisis which disrupted previous plans for in-country consultations. The firm has, however, adopted and managed to complete most of the validation consultations remotely. The final report is expected by June 30, 2020, and will inform the design of the new health project funded by the WB with co-funding from the GFF. Further, under this ASA, the team completed "a situational assessment of birth spacing and reproductive health interventions" which provided key gaps in the availability and demand for modern contraception in Somalia. The findings of the report provided good background for the new project under design by the WB and other partners, particularly the DFID.

### 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, inter-governmental coordination including coordination with the FMS, and contract oversight/management. Options under this component include:

- (a) *Document analyzing approaches to implementing pharmaceutical regulation.*
- (b) *Document outlining approaches to developing government contract management capacity.*
- (c) *Cross-country contract management learning, such as a multicountry workshop or a cross-country study tour.*
- (d) *Support for strengthening the Pillar Working Group's multistakeholder engagement capacity, including inter-governmental coordination and partner coordination.*

The ASA is a joint landscaping analysis of the pharmaceutical sector in Somalia in partnership with the DFID. The

consultancy that was awarded to HERA is currently under way and the final report is expected in Quarter 3 of 2020. The findings will be expected to inform the design of one of the components of the new projects which seeks to expand coverage of essential packages of health services to underserved populations—in this case, the specific focus will be on availability of essential medicines. Based on initial conversations, several options will be considered, including a single agency to manage the whole supply chain for essential medicines contracted by the government. The analysis is also expected to highlight gaps in policy, legal, and regulatory frameworks for the pharmaceutical sector and make recommendation for reforms.

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

The concept of a contract management unit within the MoH has also been approved with the purpose of contracting providers to deliver EPHS on behalf of the government. The implementation is expected as soon as the new health project is approved. The team is currently providing support to the government to review the EPHS and to undertake costing. A draft costed EPHS has been developed and shared with partners for validation. The costing exercise is currently under way and expected to be completed by the end of June 2020.

### **Component 3: Health financing and financial protection**

This component aims 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 will explore 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 will also create an action plan to develop a health financing strategy. The component will have one deliverable:

*Health financing report that reviews OOP expenditures, risk pooling mechanism, the health financing landscape, and generate an action plan to develop a health financing strategy.*

Health Financing Landscape report was concluded and is being used internally for the development of the new health project. Further analysis on the OOP is planned since it cannot be completed within the scope of the current ASA.

### **Challenges**

- The COVID-19 pandemic has disrupted operations with most of the planned consultations on the ground in Somalia cancelled. The focus of the counterpart has also shifted away from what was planned under this program towards COVID-19. Further, the MoH’s capacity has been weakened more recently with a purge of more than 20 officials on corruption allegations.
- The main challenge the team continues to face is lack of credible health data on the health situation in Somalia. Coupled with prevailing insecurity which limits the ability of the team to collect primary data, the team continues to rely on very limited information. The situation is, however, likely to improve significantly with the release of the Somalia Demographic and Household Survey 2019.
- The counterpart capacity remains weak—the Ministries of Health remain understaffed and lacking in key personnel to effectively take part in the ASA processes by providing critical information and reviews.

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## MPF KNOWLEDGE FUND

**Timeframe:** 2016–20; **Budget:** US\$6.2 million

**Status:** Effective

**Objectives** Enhance the development impact of domestic policies and development partner interventions through better knowledge of socioeconomic realities as well as political economy constraints; promote basic accountability through better information on availability and use of public resources (including from development partners); and revitalize the strategic planning process, through tailored support to regions, engagement with a broader set of stakeholders.

**Beneficiaries:** Ministries of Finance and Planning of the FGS and the regions through technical support as well as the international community engaged in data collection and analysis through better designed and targeted interventions.

**Government counterparts:** Ministry of Finance and Ministry of Planning and International Cooperation.

**Implementation arrangements:** These activities are Bank-executed on behalf of the recipient. Bank execution is sought on behalf of the recipient mainly owing to (a) the client’s extremely limited capacity for implementation; and (b) the critical need for neutrality—specifically in carrying out the political economy analysis.

**Geographic coverage:** Project designed to benefit all participating Somali stakeholders equally. The World Bank brings neutral convening power and expertise.

### Component 1: Poverty and distributional analysis and statistics (US\$1.5 million)

**Produce, analyze, and make available socioeconomic statistics representative of the Somali population**

The Somali High Frequency Survey (SHFS) [Wave 2](#) data continue to be used in revising and updating Somalia GDP estimates, particularly the household consumption component. In light of the current shocks facing the country (COVID-19, floods, and locust infestation), the data have been used to produce analyses that informed strategies, programs, and policies, as well as provided the most comprehensive update on poverty and vulnerability across the country. The Wave 2 data formed the basis for the preparation of the [Somali Poverty and Vulnerability Assessment](#) report which heavily informed the Ninth Somalia National Development Plan (NDP9)—a critical document for HIPC purposes. The NDP9 was reviewed by the Bank and IMF in February 2020 and qualified as an Interim Poverty Reduction Strategy Paper for the country, hence meeting the HIPC Decision Point requirement of having in place a poverty reduction strategy. Further, the Poverty and Equity Global Practice used the data to produce another report, titled ‘Improving Access to Jobs for the Poor and Vulnerable in Somalia’, to assess the extent of access to (decent) jobs.

This component’s activities have highlighted the need to provide further capacity support to government authorities and fill existing data gaps in the next three years to support. In this regard, an IDA project, [Somali Integrated Statistics and Economic Planning Capacity Building](#), amounting to US\$25 million, was prepared and approved by the Board on June 30. The project is aimed at strengthening the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities across the country. It has four components:

- 1. Strengthening coordination, statistical infrastructure, and data development of the national statistical system.** This will involve (a) coordination of the National Statistics System; (b) design and implementation of the Somali Integrated Household Budget Survey; (c) production of business and key administrative data for the compilation of National Accounts; (d) strengthening human capacity in Poverty, Consumer Price Index (CPI), and National Accounts statistics; and (e) development of a compendium of statistical concepts and definitions, data access, and information dissemination policy.
- 2. ICT development and equipment of the National Statistical System.** This supports the ICT

	<p>infrastructure in the National Bureau of Statistics and selected key federal level MDAs in delivery of Component 1 activities.</p> <p>3. <b>Data utilization for M&amp;E and planning.</b> Activities will specifically have a focus on (a) development and implementation of a national M&amp;E framework; (b) design and implementation of sectoral performance monitoring pilots; (c) M&amp;E capacity building; (d) enhancements to the M&amp;E system platform; and (e) supporting economic policy analysis and planning capacity.</p> <p>4. <b>Project management.</b> This component will provide support to the recipient to strengthen its capacity for project planning and budgeting, management, coordination, monitoring, and evaluation of activities.</p> <p><b>Key deliverables in this component:</b></p> <ul style="list-style-type: none"> <li>• Somalia High Frequency Survey Wave 1 and Wave 2—which the Poverty and Equity Global Practice used to prepare, the Somali Poverty and Vulnerability Assessment report and the Jobs report.</li> <li>• Analysis for Somalia Interim Poverty Reduction Strategy Paper—NDP9.</li> </ul>
<p><b>Component 2: Macroeconomic framework (US\$1.2 million)</b></p>	
<p><b>Shine a spotlight on Somalia's economy, assess economic trends, and provide regular analysis that generates policy dialogue in the development arena for the Somali population</b></p>	<p>The fifth edition of the Somalia Economic Update (SEU), 'Impact of COVID-19: Policies to Manage the Crisis and Strengthen Economic Recovery', was prepared and reviewed on June 10. In the wake of the March 2020 milestone of the HIPC Decision Point, Somalia finds itself facing a 'triple crisis'. The COVID-19 global pandemic, the devastating flooding, and a new infestation of desert locusts are combining to interrupt the country's growth trajectory. This edition distills available data to provide a detailed update of the recent economic developments and outlook in light of the COVID-19 crisis and discusses policy options to manage the crisis and strengthen economic recovery. The report also takes a deep-dive into Somalia's security sector, highlighting the impact of the ongoing reforms and exploring options to harmonize efforts towards improving security to accelerate social and economic developments. A virtual launch was planned for July 2020; due to the COVID-19 crisis the usual public launch of the SEU series in Mogadishu was postponed.</p> <p>On the TA side, the team continues to undertake regular macroeconomic monitoring, including fiscal analyses for the FGS and FMS, especially with the ongoing global COVID-19 crisis. This is aimed at monitoring the country's macrofiscal situation and providing background inputs for Bank projects.</p> <p>The team has been at the forefront in providing regular macroeconomic developments during the ongoing global COVID-19 pandemic. This has been through a COVID-19 Economic Monitoring note which is regularly updated and shared internally and on various platforms with government authorities and development partners. In collaboration with the IMF, the team has engaged extensively in assessing the impact of the COVID-19 crisis on the economy, including revising and updating the macroeconomic framework. It was instrumental in the initial discussions with government authorities on the fiscal impact of the crisis, hence providing the context for the preparation of the 2020 FGS supplementary budget.</p>
<p><b>Component 3: Public Expenditure Reviews (PER) and fiscal federalism (US\$0.9 million)</b></p>	
<p><b>Subcomponent 1: PERs</b></p>	<p>This component seeks to continue supporting prudent fiscal policy and management in Somalia to enhance service delivery. Currently, there is a wide knowledge gap in both delivery of services and financing across the various sectors in Somalia. Additionally, there are many outside actors undertaking service delivery in various sectors and who do not necessarily coordinate or share with governments their programming, financing, and information on these sectors.</p> <p>Three PER modules have been produced, internally reviewed, and the findings shared in different forums with government authorities and development partners. These include 'Public Wage Bill Management: Trends and Way Forward', 'Domestic Resource Mobilization in Somalia', and 'Moving the</p>

	<p>Federalism Agenda Forward’.</p> <p>The Public Wage Bill Management module documents public employment and wage trends, comparisons, and drivers; it distills policy recommendations building on progress to date and lessons from other FCV settings and international experience. The module will inform future decision making on the public wage bill and the civil service and support government authorities to prioritize key reform areas including (a) efficiency and sustainability of wage bill spending; and (b) workforce planning and performance management across key functional and technical positions.</p> <p>The module on ‘Domestic Resource Mobilization in Somalia’ (a) documents the current taxation characteristics of Somalia starting from taxation practices on the ground; (b) takes stock of recent reforms in this area; (c) assesses the country’s revenue potential; and (d) provides some policy recommendations to increase revenue collection (over the short- and medium-term) taking into account the multiple constraints facing the country. The objective is to support the authorities in creating the conditions for effective and sustainable revenue mobilization—a crucial step in the state-building process by allowing governments to, first and foremost, generate the resources needed to function and carry out their mandate of service delivery to the people and, secondly, generate a space for a fiscal contract between the government and its citizenry.</p> <p>As a part of the programmatic PER, a Public Financial Management (PFM) Assessment was also conducted jointly with the Somali authorities. As Somalia’s government budget increases, a strong PFM system will be a core element of state-building and peace-building efforts, thus ensuring the efficiency, effectiveness, and equity of spending. The assessment was geared towards contributing to fiscal policy formulation and reforms by documenting and assessing the impact and remaining challenges in public financial management; it also identified ways to improve the efficiency, effectiveness, and equity of public spending. It primarily focused on the PFM performance of the FGS as most FMS are still relatively new with limited spending. The assessment covered the FGS in detail with regard to its (a) legal and regulatory framework relevant to PFM; (b) internal controls, including commitment and payroll controls; (c) fiscal and financial reporting and data consolidation practices; (d) reliability and comprehensiveness of the annual budget; (e) budget utilization; (f) cash management; and (g) external audit. The assessment also reviewed the fiscal data consolidation practices for the whole of government. The focus of the assessment also aligns with the IMF policy response framework for designing fiscal management systems in fragile states (IMF 2017).</p>
<p><b>Subcomponent 2: Fiscal federalism</b></p>	<p>The World Bank has continued its support to the government to achieve a workable and sustainable federal system of government through knowledge-sharing activities aimed at distilling and disseminating international experience most relevant to Somalia’s fiscal federalism context, including analytical products and presentations to inform the current fiscal federalism dialogue; and technical assistance to move the agenda forward.</p> <p>A PER module on fiscal federalism, ‘Moving the Federalism Agenda Forward’, was prepared, reviewed, and virtually disseminated; the report was shared with government and development partners. The team presented the report’s findings to government authorities and development partners as well. As Somalia continues to develop its own form of federalism in response to its unique history, culture, and socioeconomic needs, this module aimed to move the federalism agenda forward by (a) explaining federalism and its relevance in the Somali context; (b) providing a stocktaking exercise of where Somalia is in its journey toward fiscal federalism, with the objective of informing multiple audiences of the current status and gaps remaining with reference to international experience; and (c) presenting some forward-looking options to inform the policy dialogue and stimulate wider debate among the various stakeholders in Somalia.</p> <p>Other outputs included:</p> <ul style="list-style-type: none"> <li>• Together with UNDP, a combined study was undertaken to take stock of functional and revenue assignments in Somalia.</li> <li>• A consultant report was produced on revenue assignment.</li> <li>• A consultant report was produced on functional assignment.</li> </ul>

- A conference was organized for the Somalia Federalism Network (SFN), in partnership with the Horn Economic and Social Policy Institute (HESPI), on essential federalism issues in the country to spur national debate on the practical aspects of fiscal federalism, including power and resource sharing, taxation and revenue mobilization, and allocation of functions and jurisdictions.

#### Component 4: Growth drivers (US\$ 0.9 million)

Under this component, the project seeks to guide the Somalia authorities on how to develop economic policies, rebuild institutions of economic management, and provide infrastructure and social services, which can generate stable economic growth and reduce poverty. This will involve carrying out fresh, comprehensive, and in-depth analysis of the Somali economy to understand how stable growth can be generated in the next three to five years.

The activities under this component were concluded by the last reporting period. The analytical products delivered included Somalia Country Economic Memorandum (CEM) and stand-alone studies in the ICT, livestock, and fisheries sectors. The CEM—Agriculture Module formed the foundational base for the Somalia Livestock Sector Development Strategy (LSDS) 2019.

#### Ninth National Development Plan (NDP9) and support to National Economic Council (NEC)

Support to the NDP9 preparation and NEC/EPAU were concluded in the last reporting period with NDP9 review by the Bank and the IMF through a Joint Staff Advisory Note (JSAN) done in February 2020. NEC/EPAU support through the UNDP was also concluded with several papers having been produced including on Regional Integration, Somalia Vision for Private Sector Development, Fiscal Federalism, and Domestic Revenue Mobilization.

NEC/EPAU has received new support through the IDA Somali Integrated Statistics and Economic Planning Capacity Building project. This support is mainly towards strengthening economic policy formulation, analysis, and reforms across the country, and focuses on policy advisory and policy research and studies.

#### Challenges

Somalia continues to face severe constraints in filling socioeconomic data gaps. It has been decades since the government has been able to gather key data. The last complete set of national accounts was published in 1991, the last nationally representative household income and expenditure survey was conducted in 1985, and the last population census was taken in 1975. This is due to years of civil war and conflict across the country; this has eroded the Somali statistical system, infrastructure, and capacity, leading to gaps in statistical information that is vital for national development. Over the years, Somali statistical authorities, with support from donors, continued to undertake some economic and financial surveys, although with minimum capacity and scope. Despite the progress made so far, the country still lacks a fully functioning National Statistical System (NSS) to produce quality official statistics.

Access to quality data and statistics is essential for the design, management, and monitoring of government development strategies, policies, and programs. The approval of the Somali Integrated Statistics and Economic Planning Capacity Building project is a welcome relief in addressing some of these challenges. The project highlights coordination and collaboration with government authorities, development partners, and other key players as critical in rebuilding the Somali statistical system, infrastructure, and capacity to generate quality statistics for evidence-based policy- and decision-making. The project team is working closely with the IMF and Statistics Sweden on the support the project is expected to provide on the Somali Integrated Household Budget Survey, CPI, and the national accounts. A Joint Government and Development Partners' Forum will be established within the project to facilitate overall coordination and collaboration in delivery of the project activities.

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**RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM**

**Timeframe:** 2015–22; **Budget:** US\$206 million (MPF: \$146 million; IDA: \$60 million; MPF grant value: \$88 million)  
**Status:** Effective

**Objectives** Support the Federal Government of Somalia (FGS) and eligible Federal Member States (FMS) to strengthen resource management systems, the inter-governmental 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 inter-governmental 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, complements RCRF II with an enhanced focus on inter-governmental fiscal federalism, citizen engagement, and service delivery.

**RCRF III:** During the first six months of 2020 the FGS, FMS, and World Bank teams worked together to develop the US\$68 million RCRF III follow-on operation, initially funded 100 percent from IDA, which was approved by the Board in June 2020. The new operation will provide continuity of recurrent cost financing beyond the lifetime of RCRF II into 2022 and 2023, providing a more predictable recurrent cost financing framework.

It was only possible to prepare the new operation in such a short space of time as a result of the existing RCRF II operation, to which the MPF provides critical support.

The overall approach to RCRF III is one of continuity with RCRF II, but with additional measures, 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 FGS.
- c) Providing expanded resources for inter-governmental system strengthening, including support for improved inter-governmental 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 II and RCRF III will be implemented in parallel in an integrated manner once RCRF III becomes effective (envisaged in August 2020).

**Component 1: Recurrent cost finance to reform resource management systems (US\$56.6 million)**

<b>Subcomponent 1.1: Ongoing Financing eligible civil service salaries</b>	<p><b>Subcomponent 1.1 continues to provide a ‘baseline’ level of input-based financing of the FGS civil service wage bill.</b> This financing supports the timely payment of civil service salaries over the three-year period (US\$20 million in total) through the advance-replenishment model of payroll financing already successfully established under the RCRF.</p> <p>During 2020 there is US\$7 million of baseline financing available to the FGS, at the same level as in 2019, and down from US\$8 million in 2018.</p>
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	FGS civil service wage bill payments were processed in a timely manner throughout the first six months of 2020 despite the fiscal stress related to the COVID-19 pandemic.
<p><b>Subcomponent 1.2:</b> <i>Ongoing</i> <b>Financing eligible salaries and allowances of the Capacity Injection Mechanism (CIM) recruits in the FGS (US\$6.6 million)</b></p>	<p><b>Subcomponent 1.2 provides a continued source of financing for the FGS' Capacity Injection Mechanism (CIM) recruits (recruited through the support provided by the World Bank CIP).</b> Financing totaled US\$6.6 million over the three-year additional financing period. This financing is set to decline from US\$2.6 million in 2019 and 2020, to US\$1.4 million in 2021. Over the remaining project period, the FGS will, therefore, be taking responsibility for either co-financing an increasing share of the CIM payroll or scaling back expenditure on the program. 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 5, for more details on personnel numbers.)</p>
<p><b>Subcomponent 1.3:</b> <i>Ongoing</i> <b>Financing eligible civil service salaries in FGS: Reform benchmarks (DLIs) (US\$30 million)</b></p>	<p><b>The FGS has made good progress on implementation of the 2019 RCRF reform benchmarks or 'Disbursement-Linked Indicators (DLIs) in 2020 despite the COVID-19 pandemic.</b> A report regarding progress on the 2020 DLIs has now been submitted by the Office of the Auditor General (Independent Verification Agent) for Bank review and was cleared by the World Bank as follows, with two Disbursement-Linked Results (DLRs) met and the associated funds reimbursed to FGS as follows:</p> <ul style="list-style-type: none"> <li>a) Reduce cash advances to MDAs for nonsalary recurrent costs from 56.4 percent baseline at end-March 2018 to 26.4 percent.</li> <li>b) Policy paper outlining policy framework for inter-governmental fiscal transfers agreed at the Finance Ministers' Fiscal Forum covering budget timetable, reporting, accountability, and disbursement conditions.</li> </ul> <p>(See Appendix 2, on page 55 of the MPF Progress Report [January–June 2020], for a full overview on progress against 2020 reform benchmarks/DLIs under RCRF II.)</p>
<p><b>Component 2: Strengthen inter-governmental fiscal relations (forums and Secretariat) (US\$1.8 million)</b></p>	
<p><b>Inter-governmental fiscal coordination between the FGS and FMS has continued during 2020 despite the COVID-19 pandemic.</b> In place of face-to-face meetings, for the first time, the FGs and FMS undertook virtual meetings of the Finance Ministers' Fiscal Forum, including deliberations on substantially scaled-up inter-governmental transfers under the revised 2020 Supplementary Budget due to fiscal pressures relating to the COVID-19 pandemic. The meetings were also used to discuss, agree to, and sign a tripartite Memorandum of Understanding (MoU) between the FGS, FMS, and World Bank covering commitments to:</p> <ul style="list-style-type: none"> <li>(a) Sharing monthly fiscal and trade data, and improving the transparency of FGS fiscal reports with respect to FMS transfers.</li> <li>(b) Monthly inter-governmental fiscal forum meetings.</li> <li>(c) The development of a Policy Paper on principles to guide FGS transfer allocations to FMS/Benadir Regional Administration.</li> <li>(d) FGS and FMS will develop and agree to a service delivery transfer agreement framework, to support issues arising from the COVID-19 pandemic, through the RCRF III project.</li> </ul> <p>The fiscal forum Secretariat is also now fully staffed in support of inter-governmental fiscal forums at both technical and ministerial levels.</p>	

**Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS (US\$54.7 million)**

<p><b>Subcomponent 3.1:</b> Financing core government functions in FMS (US\$23.1 million)</p>	<p>During the first six months of 2020, 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). In addition to sustaining FMS civil service wage bill payments throughout the COVID-19 pandemic, this subcomponent has helped to provide PFM training to the FGS and FMS External Assistance Fiduciary Section (EAFS) teams from Ministries of Finance.</p>
<p><b>Subcomponent 3.2:</b> Financing education service delivery (US\$16.5 million)</p>	<p>The RCRF education component made good progress in the first half of 2020, despite political tensions between the FGS and FMS Ministries of Education. The FGS developed a PFM system strengthening proposal for the education sector in early 2020 that was agreed and is now under implementation at both FGS and FMS levels to strengthen the public sector ‘stewardship role’ in the education sector. School supervision activities, initiated in late 2019, also continued during early 2020 across all FMS and Benadir Region.</p>
<p><b>Subcomponent 3.3:</b> Laying foundations for health service delivery mechanisms (US\$15.1 million)</p>	<p>The health subcomponent of RCRF II 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. Delays to the procurement of the Health Technical Partner (HTP) in the first half of 2020 meant that the FHW program was slower than anticipated in getting started.</p>

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## 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 2022; **Budget:** US\$65 million, funded through IDA pre-arrears clearance grant

**Status:** Implementation commenced.

**Objectives:** Provide cash transfers to targeted poor and vulnerable households 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 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 commenced.

**Objectives:** Support the Government of Somalia to develop key building blocks of a national Social Protection System, and support the design of a scalable social safety net program.

**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.

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

**Timeframe:** June 2020–June 2022; **Budget:** US\$40 million, funded through the IDA

**Status:** Approved by the World Bank Executive Directors on June 29, 2020. Not yet effective.

**Objectives:** Protect food security and livelihoods of poor and vulnerable households affected by the locust outbreak.

**Components:**

- Component 1: Emergency cash transfers.
- Component 2: Project management, and monitoring and evaluation.

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

**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, with implementation and supervision support by the World Bank, while the MPF-funded ASA is executed by the World Bank in support of the FGS. All activities are being implemented with full engagement of Federal Member States' (FMS) authorities, UN agencies involved in supporting the Social Policy (SP) agenda (for example, World Food Programme [WFP], United Nations Children's Fund [UNICEF]), development partners (DPs), and relevant humanitarian agencies and NGOs.

The **SNHCP** serves as the parent project supporting the FGS to operationalize the national Social Protection Policy and develop a national SP system in Somalia. Specifically, it supports the government-led cash transfer program, known as 'Baxnaano', which means 'uplifting' in Somali. The President of the FGS formally launched the Baxnaano program on April 18, 2020. 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 low FGS capacity, the MoLSA signed standard Output Agreements with the WFP and UNICEF to

support implementation of the cash transfer and system building, respectively. Activities are closely coordinated with the Somalia Technical Assistance Facility (TAF)<sup>1</sup> and the joint SP program funded by the Sustainable Development Goal (SDG) Fund and implemented by the International Labor Organization (ILO), UNICEF, and WFP, as well as with the United Kingdom Department for International Development (UK DFID), Somali Cash Consortium, and the Somalia Donors Working Group.

The MPF-funded **ASA** supported the development of the SNHCP, and now supports its implementation by providing technical assistance (TA). Specifically, TA support under the design of the SNHCP fell under the commitment for **ASA Component 2: Concept paper: Design of a scalable social safety net program** (Deliverable due date: December 2019—Completed). The **SNLRP** operationalizes the shock responsive aspect of the SNHCP, developed in response to the impacts of the recent locust outbreak. The SNLRP is the second phase of the Emergency Locust Response Program (ELRP) using the Multiphase Programmatic Approach (MPA). It aims to provide time-bound emergency cash transfers (ECTs) to locust-affected households. It will be implemented through existing SNHCP/Baxnaano arrangements, with the MoLSA signing an Output Agreement with the WFP to deliver the ECTs (an effectiveness condition). The SNLRP will be implemented by the MoLSA PIU, with additional expertise engaged, as needed.

For the purposes of this report, the SNHCP is considered the parent project, which is supported by the ASA, and with the SNLRP operationalizing the shock responsive aspect 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 and are specified below.

**Geographic coverage:** The ASA activities support a national SP agenda benefiting all of Somalia, and the SNHCP cash transfers (CTs) are being implemented in rural regions in 21 districts across Somalia. The SNLRP ECTs will be implemented in 43 districts affected by the locust infestation, which includes 14 SNHCP/Baxnaano districts.

#### **Progress of activities/deliverables**

#### **Project: Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP—the parent project)**

#### **Component 1: Nutrition-linked unconditional cash transfer**

Component 1 provides chronically poor and vulnerable households with children under five years of age in rural areas across Somalia with predictable and nutrition-linked CTs to meet their immediate consumption gaps and protect against food insecurity and malnutrition risks.

The geographic targeting is near completion: the selection of the project districts has been finalized following in-depth consultations with FMS and district authorities; community selections have been finalized for the majority of the project locations, with household (HH) identification, registration, and enrolment ongoing. To date, 615 villages have been selected in Southwest and Jubbaland; is still ongoing in Somaliland, Hirshabelle, and Galmudug for Baxnaano benefits, with village sections ongoing in Puntland and consultations ongoing in Somaliland to ensure full commitment and ownership of the CT delivery by the authorities.

As of June 15, 2020, the WFP has completed manual registration of 125,189 HHs, 104,874 HHs have been registered in the WFP's SCOPE database, and a total of 16,391 HHs have received their first quarter payment. The full caseload of 200,000 HHs is planned to be reached by the third quarter payment, in December 2020. Provision of SNHCP CTs has been slower than anticipated due to in-depth consultations with the FMS to ensure full ownership and commitment to the implementation of cash transfers; shift to mobile money payments modality in response to COVID risks, which necessitated rigorous and time intensive beneficiary validation processes to ensure fiduciary accountability; time required to cross-check beneficiary phone numbers with WFP SCOPE; and slow distribution of SIM cards to beneficiaries due to COVID-19 related travel restrictions.

In addition to the reliable and predictable nutrition-linked CTs provided under the SNHCP, the **SNLRP** will provide ECTs to approximately 100,000 poor and vulnerable HHs whose livelihoods depend on activities related to agriculture or livestock either as subsistence farmers or as farm laborers that have been impacted by the locust outbreak over a six-month period. It is expected that around 35 percent of the transfers will be made to HHs already benefiting from the Baxnaano program

<sup>1</sup> An EU-supported facility aiming at promoting a harmonized and aligned approach to TA in SP.

and residing in locust-affected areas who will receive a temporary top-up of US\$40 per HH per month, in addition to their regular benefit of US\$20 per HH per month. Households that are not regular Baxnaano beneficiaries will be required to meet the SNLRP selection criteria and will be paid US\$60 per HH per month.

## **Component 2: Delivery systems and institutional capacity building**

The objective is to build capacity of the FGS/MoLSA to gradually take over full management and implementation of a safety net program and lay the foundation for a more comprehensive SP system in Somalia. The component provides support for SP policy and governance structures; TA for the development of cash transfer program and delivery systems, CTs targeting methodology/systems, social registry; and capacity-building activities. Progress of activities is described below, including the areas which the MPF-funded ASA is specifically supporting.

### **SP Policy and governance structures**

**National SP Policy.** The SP Policy, funded by the Italian Cooperation and developed with TA support from UNICEF, WFP, and ILO, and with input from the World Bank (via the ASA) and other DPs, was endorsed by the government 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 Framework—2020-2024’, funded by the Italian Cooperation, has been developed with TA support from UNICEF, WFP, and ILO, and with input from World Bank (via the ASA) and other DPs to facilitate the operationalization of the National SP Policy. The MoLSA is finalizing the Framework and will submit it to the Government-led SP Working Group for endorsement, once it is established (see below). **(ASA Component 1: A medium-term strategic roadmap. Deliverable due: October 2019—In progress)**

**National SP Steering Committee.** This activity is supporting the establishment of a National SP Steering Committee. The objective is to institute a body with the required 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 terms of reference (ToR) have been drafted by the MoLSA with TA support by UNICEF and technical input by the World Bank (via the ASA). The MoLSA is now translating the ToR into Somali language for endorsement by the Cabinet by mid-July 2020. **(ASA Component 1: Directive/Decree: Government-issued directive for a governance structure of the “high level SP commission”. Deliverable due: December 2019—In progress)**

**Government-led SP Working Group.** This activity is supporting the establishment of a technical working group to be chaired by the MoLSA, co-chaired by an elected member from the DPs (rotational on an annual basis) and with representation from relevant sectoral ministries, civil society, private sector, and development partners. This body will provide technical and institutional guidance to specific issues and contribute to SP-related dialogue and activities, as well as serve as a platform for coordination and alignment. UNICEF is supporting this activity under the SNHCP Component 2, with technical input by the World Bank (via the ASA). The ToR has been drafted; once finalized, it will be submitted to the National SP Steering Committee for endorsement, once it is established. **(ASA Component 1: ToR: Social Protection Working Group [SP Government-DP Working Group]. Deliverable due: October 2019—In progress)**

### **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 options for national payment delivery mechanisms, with TA by UNICEF and technical input by the World Bank (via the ASA). ToRs for two firms have been drafted to provide TA for the development of the national CTs delivery systems and operations manual, and development of the CTs Management Information System (MIS). This activity will also support the development of payments’ regulatory and technical requirements for FGS endorsement, and will be informed by a parallel World 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 World Bank (via the ASA) and discussed with SNHCP implementing partners. In addition, the World Bank (via the ASA) supported UNICEF to

draft the ToR for a firm which will design and develop a functional social registry (one of the triggers for completion of the debt relief process under the Heavily Indebted Poor Country [HIPC] Initiative) by March 2021, and provide one-year follow-up support and maintenance. The TA firm is expected to be onboarded by July 2020. To facilitate the development of the registry, the World Bank also shared a draft Common Registration Form (CRF) with implementing partners, and is holding discussions with DPs to encourage the use of the CRF for future data collection and data sharing to build the government's social registry. This activity will collaborate with the Somalia Capacity Advancement, Livelihoods and Entrepreneurship through Digital Uplift Project's (SCALED-UP, P168115) national ID activities to ensure interoperability of beneficiary information between government agencies and support the development of a national registry. **(ASA Component 2: Technical paper: Social Registry architecture [technical specifications and infrastructure requirements]; and database management guidelines. Deliverable due: December 2020—In progress)**

**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 will support the development of a targeting methodology for the national cash transfers program for FGS endorsement, for when the government starts implementing the Baxnaano program directly. The World Bank has recruited (via the ASA) an international consultancy firm to conduct a targeting evaluation, findings from which will inform the targeting methodology for the national cash transfers program (discussed below). **(ASA Component 2: Technical Paper: Cash transfers targeting system. Deliverable due: September 2020—Not due yet)**

#### **FGS capacity building**

**Conferences, workshops, trainings, and study tours.** The World Bank held a workshop in January 2020 for key stakeholders on the key elements and objectives of a national social registry. Participants included: MoLSA, Ministry of Health, Ministry of Interior, government's ID task force, members of the Donor Working Group (for example, DFID, EU, ECHO, Italy, USAID, among others), the Somali Cash Consortium, and a multi-GP team from the World Bank. A workshop to discuss options for a productive safety net pilot (SNHCP Component 3) is planned for September 2020. The COVID-19 pandemic has complicated 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 cancelled. Given the travel restrictions related to COVID-19, online options for relevant training are being explored **(ASA components: Conferences, workshops, training, and study tours. Deliverable is ongoing—In progress)**

### **Component 3: Project management, monitoring and evaluation (M&E), and knowledge management**

#### **Project management**

**Project supervision and TA.** The World Bank has been providing ongoing support and TA with regular bi-weekly virtual meetings for progress review and implementation support, and *ad hoc* virtual meetings to discuss and resolve key issues, as needed, on all aspects of SNHCP and ASA activities. For example, the World Bank provided technical input on the ToRs for the MoLSA Project Implementation Unit (PIU) and the firms to be contracted by all implementing partners, as well as the ToRs for the SP Policy and governance structures. It also provided technical inputs to the output agreements with the WFP and UNICEF; related safeguards instruments; and the five-year strategic roadmap for government endorsement; as well as guidance and inputs on all technical and policy reports and operational documents, as discussed above. The SNLRP deliverables to date include the World Bank's technical support on the draft Output Agreements between the MoLSA and WFP, Project Operations Manual (POM) and safeguards instruments; selection of district and HHs; and consultation with the FMS on the ECTs. **(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); and four in FY20 (July 2019, September 2019, January 2020, and June 2020—virtual mission), with aides-memoire that highlight the progress of both the SNHCP and ASA activities, discussed, finalized, and shared with relevant implementing partners. The next Implementation Support Mission is planned for mid-November 2020. **(This is a commitment for both ASA components: Implementation Support Missions and Aides-Memoire. Deliverable is continuous with three-four missions/year—In progress)**

**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 five SNHCP Liaison Officers at the FMS level onboarded in July 2020, to support implementation of activities on the ground and to coordinate with relevant actors at the FMS and local level. This PIU will also support the implementation of the SNLRP.

**Communication, coordination, and stakeholder engagement.** The MoLSA's continuous and in-depth consultations with state level authorities have helped to address operational challenges related to the SNHCP, while the WFP's continued consultations with key officials ensured full ownership and commitment to the implementation of cash transfers, particularly in Somaliland and Puntland. The WFP has 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.** In June 2020, the World Bank presented potential PSN design options, outlining various program modalities, their strengths and weaknesses, and feasibility and appropriateness for the Somali context. It also provided examples of PSN programs from other countries, including Ethiopia, Egypt, Djibouti, and Yemen to implementation partners for consideration while developing the design of the Somali PSN pilot.

### Monitoring and evaluation

**Third-party monitoring (TPM).** The World Bank provided technical input on the ToR for the TPM firm, which the MoLSA is expected to onboard in July 2020. The firm will begin quarterly monitoring and verification of Baxnaano CTs in September 2020 following the delivery of the second quarter payments. The firm's ToR is planned to be expanded to solicit feedback from SNLRP beneficiaries. Prior to September 2020, DFID's MESH call center will survey the first quarter beneficiaries (discussed below).

**DFID MESH system.** The World Bank has reached agreement with DFID to use its MESH call center for soliciting feedback from Baxnaano beneficiaries with privacy/security protocols agreed between the WFP and DFID/MESH. The WFP has provided MESH with the phone numbers of 5,000 randomly selected beneficiaries to enable MESH to survey around 2,500 beneficiaries who have received their first quarter payment in July 2020.

**Targeting evaluation.** The World Bank contracted Samuel Hall and Development Pathway in June 2020 to implement the targeting evaluation. Data collection is planned for September/October 2020, with the final report due by March 30, 2021. The evaluation is co-financed by the ASA and DFID.<sup>2</sup>

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

### Opportunities

- The endorsed Somali Social Protection Policy and the five-year roadmap, 'Social Protection Policy Framework—2020–2024' (expected to be endorsed by the Cabinet soon), provide the policy and strategic framework 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, facilitates an enabling environment for longer-term government-led predictable and reliable safety net systems in the country.
- The formal launch of the Baxnaano program has raised the profile of, and support for, cash transfers, with the government identifying this as the key instrument for addressing chronic poverty and shocks, as demonstrated by the development of the SNLRP, approved by the World Bank Board on June 29, 2020.
- 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 motivating and engaging UN, humanitarian, and donor agencies to share beneficiary data to build the 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.
- The SNHCP provides the opportunity to test various options for a productive safety net to support youth employment.

<sup>2</sup> 'Externally Financed Output' Agreement signed between the World Bank and DFID.

- 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.
- 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 Donor Working Group provides a platform for joint discussions, collaboration, and coordination among DPs for a more aligned support to the FGS. The World Bank is exploring opportunities for greater harmonization of efforts with the following: (a) the Cash Consortium, which has been selected to develop the safety net proposal under the safety net pillar of the EU-funded Inclusive Local and Economic Development (ILED) program, to develop and pilot possible PSN models using the MoLSA's cash transfer delivery mechanisms; (b) ECHO to pilot shock responsive intervention for emergency cash top-ups to selected SNHCP beneficiary HHs; and (c) EU to integrate safety net data collected under the ILED program into the unified social registry to be developed by the ASA and the SNHCP.
- The TAF and SDG-funded program bring in additional TA resources and know-how. Commitment from all to collaborate promotes efforts to ensure complementarity and effectiveness of the various CT interventions.

### Challenges

- 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.
- Relations between the FGS and member states continue to be complex, indicating a need for sustained in-depth engagement and consultations to ensure full understanding of project scope and processes, particularly related to district and beneficiary selection and payment, for full ownership and commitment of the implementation of the SNHCP. Continuation of MPF funding and World Bank support as a neutral convening power, in collaboration with UN partners and other donor agencies, are key 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.
- Delay in the MoLSA signing the Output Agreement with UNICEF has delayed implementation of activities to build national delivery systems as well as institutional capacity. Under the ASA, the World Bank will continue to closely monitor progress and provide TA to expedite these activities.

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## SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE (FGC)

<b>Timeframe:</b> 2015–21; <b>Budget:</b> US\$2 million <b>Status:</b> Effective	
<b>Objectives</b>	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.
<b>Beneficiaries:</b> Financial governance and oversight institutions of the Federal Government of Somalia (FGS).	
<b>Government counterparts:</b> The Ministry of Finance, 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.	
<b>Implementation arrangements:</b> Bank-executed.	
<b>Geographic coverage:</b> Federal Government of Somalia with increasing engagement with sub-Federal Ministries of Finance.	
<p>The Financial Governance Committee (FGC) plays an important role in assisting the FGS and the international community to strengthen governance within the public financial institutions in Somalia. It offers a forum for frank and confidential discussions and provides independent nonbinding advice in certain areas as required and where expertise is available. From January through June 2020, the FGC met four times in January, March, April, and June.</p> <p>During this reporting period, the Federal Minister of Finance and Chair of the FGC, H.E. Dr. Abdirahman Beileh, welcomed Edward Hedger, the incoming Donor Delegate, as a new member of the FGC.</p> <p>The FGC has identified seven strategic issues that the Federal Government needs to address in order to strengthen financial governance in Somalia:</p> <ul style="list-style-type: none"> <li>• Agreeing on a coherent way forward on fiscal federalism.</li> <li>• Managing natural resources transparently and equitably.</li> <li>• Raising domestic revenues.</li> <li>• Strengthening the credibility of public procurement and concessions.</li> <li>• Improving expenditure management.</li> <li>• Developing the financial sector.</li> <li>• Increasing access to external financing.</li> </ul> <p>The FGS has made tangible progress over the past year 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.</p> <p>The FGC international delegates held informal Financial Governance Forums (FGFs) around FGC meetings. The informal FGFs provide the donor community with the opportunity to receive regular updates and hold discussions on issues arising from FGC meetings. During this reporting period, two informal FGFs were held in January and March.</p>	
<b>Component 1: Facilitating policy dialogue and mutual accountability on financial governance (approx. US\$1.3 million)</b>	
<p>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.</p> <p>During this reporting period, the following notes have been produced:</p> <ul style="list-style-type: none"> <li>• Advisory Note: Approach and Outline for the 2020 Financial Governance Report.</li> </ul>	

- Advisory Note: Alignment of the Draft Extractives Income Tax Law and the Model Oil and Gas Production Sharing Agreement.
- Advisory Note: Approval Requirements for the Oil and Gas Licensing Round.
- Advisory Note: Auditing the ICAO Overflight Trust Fund.
- Advisory Note: Bringing Donor Aid to FGS Institutions on Budget and on Treasury through Implementation of the 2019 PFM Act.
- Advisory Note: Emergency Procurement Procedures: Balancing Speed and Flexibility with Accountability and Value for Money.
- Advisory Note: Gains from Competitive Rations Tendering in the Security Sector.
- Advisory Note: Passport Contract Tender—Request for Proposals (RFP) and Draft Contract.
- Advisory Note: Reflections and Lessons from FGS Procurement and Concessions 2013–2020.
- Advisory Note: Revenue from the Sale of Seismic Data (Spectrum Agreement).
- Advisory Note: Somalia’s Performance in the 2019 Corruption Perceptions Index (CPI).
- Advisory Note: The 2019 PFM Act and the Budgetary Implications of Creating new FGS Agencies.

Of particular note among these are the Advisory Notes on *Collection and Management of Overflight Fees* (previous reporting period) and *Auditing the ICAO Overflight Trust Fund* which have supported the FGS to regain direct access to overflight revenues and brought them on budget, a process which has resulted in improved revenue mobilization. The FGC drafted a Cabinet Paper on FGS Policy on Creation of Agencies, Authorities, and Commissions during the last reporting period; the policy paper is now due to go to the Cabinet, and PFM Act provisions on assessing the fiscal implications of new legislation are to be implemented. To improve communications with the broader FGS, the FGC has also translated key advisory notes and presentations into Somali. In preparation for the drafting of the Financial Governance Report 2020, the FGC also prepared a Financial Governance Report Draft outlining the structure and key content.

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:

- Fiscal chapter of the Constitution.
- Bringing aid on budget and integration of MoF and CBS systems.
- Oil and Gas Licensing Round.
- FGS’s progress with registration and reverification of SNA and NISA personnel.
- 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.

Progress in the financial governance of the security sector is particularly noteworthy. The FGC has closely followed the FGS’ commendable efforts in security sector registration and payment direct to bank of personnel across all forces. During this reporting period, the second round of registration was largely completed, with personnel payments to bank accounts, pay rises awarded, and updated personnel numbers used for rations tenders.

The FGC has also kept abreast of fiscal federalism discussions held between the Ministry of Finance and the Finance Ministries of the Federal Member States, including but not limited to the following during this reporting period:

- Inter-governmental fiscal dialogue and transfers by the MoF.
- Constitutional review and fiscal federalism by the MoF.
- Fisheries revenue sharing, including the 2019 Tuna Licensing Round.

During this reporting period, draft revisions of the Fiscal Chapter of the Constitution incorporated FGC proposals and consultations were under way in Federal Member States though they were interrupted by the COVID-19 pandemic. During this period, tuna licenses have been renewed and revenues are to be shared in line with the 2019 interim agreement.

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, a revised Petroleum Act was signed into law in February 2020 and the Ministry of Petroleum announced a 2020 license round in May. The Ministry is also updating the Production Sharing Agreement (PSA) which the FGC will follow to determine if its recommendations were incorporated.

**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 49 confidential assessments, which the FGS has used to inform decision making. Of the contracts reviewed by the FGC, five incorporated FGC amendments and were signed, seven did not proceed, seven were cancelled, three came to the end of contract term, four underwent competitive tender reviewed by FGC, four are under renegotiation, two contracts have been revised and require additional FGC review, one has been recommended to be retendered or renegotiated, and only two did not incorporate recommended amendments. The FGC's comments on the remaining 14 continue to be addressed.

During this reporting period, the following review was conducted:

- Contract Review: Renegotiated Concession Agreement for Mogadishu Port.

The FGC has continued to provide oversight to the renegotiation of the port concession contract, which is not yet concluded. Part of this support included provision of technical assistance for the development of a port master plan. The FGC also provided technical assistance for the preparation of the contract for the retendering of the Passports contract. The FGC has also reviewed and provided advice on a number of other legacy contracts from the previous administration that the FGS needs to work to resolve, including contracts for the issuance of education certificates and education textbooks.

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

The CBS has been pursuing assets in accounts in banks in Italy and was able to recover assets from a bank in Switzerland.

#### **Challenges**

Due to travel restrictions as a result of the COVID-19 pandemic, the FGC has held the last two meetings virtually. This has resulted in shortening the previous day-long meetings to two- to three-hour calls, which has resulted in limited agendas and progress.

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## ENABLING ECONOMIC GROWTH PORTFOLIO

This portfolio finances five active projects, all of which are recipient-executed investment projects. Two projects, the ICT Sector Support project and the Special Financing Facility for Local Development (SFF-LD) project, closed during this reporting period. The MPF provides financing worth US\$61.3 million. The portfolio is co-financed with US\$60 million in PAC Grants and US\$137.5 million in IDA FY20 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.

## ICT SECTOR SUPPORT—PHASE II

<p><b>Timeframe:</b> 2015–20; <b>Budget:</b> US\$14 million; <b>Additional financing:</b> US\$2 million  <b>Status:</b> Closed on June 30, 2020</p>	
<p><b>Objectives</b></p>	<p>Support the ICT Sector in Somalia by contributing to establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.</p>
<p><b>Beneficiaries:</b> Government counterparts, ICT users (including development partners), universities, and ICT service providers.</p>	
<p><b>Government counterparts:</b> Ministry of Posts, Telecommunications and Technology (MoPTT), National Communications Authority (NCA), Ministry of Finance (MoF), and Central Bank of Somalia (CBS).</p>	
<p><b>Implementation arrangements:</b> Activities are predominately government-executed, save for Component 1 that is executed by the World Bank on behalf of the government.</p>	
<p><b>Geographic coverage:</b> The project intends to benefit Somalia as a whole—with regulatory support for the ICT sector, provided under Component 1, mainly targeting the Federal Government of Somalia (FGS) but set to have nationwide impact. Research on mobile money has covered all economic zones and pilot government-to-person mobile payments have targeted Mogadishu-based civil servants and vulnerable households in food insecure areas across the country. Activities facilitating greater connectivity among universities and government institutions, under Component 2, have covered all Federal Member States (FMS).</p>	
<p><b>Component 1: Enabling environment (US\$4.5 million appraised plus US\$2 million additional financing available)</b></p>	
<p><b>Activity 1.1: Completed ICT Regulatory Support</b></p>	<p><b>Adoption of the Communication Act:</b> The Communications Act was adopted, following technical assistance provided by the project, and signed by the President on October 2, 2017. The Law provides a framework for regulating the ICT sector, including the establishment of a new ICT regulator—the National Communications Authority (NCA).</p> <p><b>Operationalization of the NCA:</b> A General Manager of the NCA was appointed in January 2018 and the appointment of NCA Board Members followed in May 2018. To date, MPF funds (supplemented by PPIAF and DANIDA) have been used to hire a core implementation task team (ITT) that has helped to operationalize the NCA. The project has also helped finance four support staff and other operational costs incurred by the NCA. Technical assistance has also been provided to create a viable structure and budget for the NCA, as well as on key regulatory issues such as licensing, numbering, interconnection, and spectrum management to boost related regulatory capacity. The project also has support capacity building of the newly appointed Board. A first training retreat was held in June 2018, which has been since been supplemented by further training workshops. The project has also supported a series of Board meetings, as well as NCA consultations with operators. To date, four Board meetings have been held. However, a fifth meeting (scheduled in August 2019) failed to reach quorum, and no subsequent meetings have been held. Since the closing of the ICT sector support program in June 2020, support to the NCA is now provided under the SCALED-UP program (P168115).</p> <p><b>Regulation and licensing:</b> The creation of the NCA has set an important precedent for regulatory governance in Somalia and licensing will enable significant contributions to be made to the National Treasury (see estimates below). An initial set of regulations and guidelines on numbering, spectrum allocation, and interconnection have been adopted and posted on the NCA website (<a href="http://www.nca.gov.so">www.nca.gov.so</a>). Letters have previously been sent to all operators informing them of license and spectrum fees that will be payable, from January 1, 2019.</p> <p>Operators have already begun to make voluntary payments and, in June 2020, six licenses were awarded to existing operators, based on a new Unified Licensing Framework (ULF) for ICT. An</p>

	<p>extensive consultation period for the ULF had been held, between October 2019 and May 2020. A final order on the adoption of the ULF was issued in May 2020. However, the operators have refused to accept their licenses and have demanded a further period of consultation. This is a continuation of the delaying tactics used earlier by the operators.</p> <p><b>Repatriation of the ‘.so’ domain and installation of an internet exchange point (IXP):</b> Following a review of the management of the ‘.so’ (dotSO) country-code top-level domain, management responsibility was transferred to the Somalia network information center (SONIC), and an any-cast name-server and IXP were installed at the cable landing station in Mogadishu International Airport in May 2018. The IXP is now fully functioning, with six Internet Service Providers interconnected. SONIC is also operational (<a href="http://www.sonic.so">www.sonic.so</a>). These interventions have helped boost local traffic, reducing costs associated with international transit.</p> <p><b>Support for policy development by the MoPTT:</b> Together with the ITU, the WB has been supporting the preparation of a new five-year ICT Policy, adopted by the Cabinet on November 28, 2019. Further support for a critical infrastructure and cyber security risk assessment is being provided through a consultant study in Q1–Q2 of 2020 that will enable the development of related policies. The MoPTT convened an ICT sector consultation meeting on December 10, 2019, on three new draft policies, related to (a) numbering; (b) interconnection; and (c) spectrum.</p> <p>Continued support for the NCA and MoPTT is being provided through SCALED-UP, including work related to regulation, policy, and cyber law development. Moreover, the development of a new business plan for the NCA, under SCALED-UP, will facilitate an exit plan for WB financing of operational costs.</p>
<p><b>Activity 1.2: Completed Facilitation and support for the implementation of an effective mobile-money framework</b></p>	<p><b>Mobile money research:</b> A firm has completed two rounds of research on the use of mobile money in Somalia. The first established baselines’ figures for current usage, and mapping key industry players and risks; the second study looked closer at the usage of mobile money in emergencies and other new thematic issues, including mobile money usage by women and vulnerable groups. In total, some 3,000 households have been surveyed, in two phases, across Somalia. Data have also been collected through focus group discussions and interviews with key stakeholders. Validation of findings with government and industry players has now been completed, and the report has been edited ahead of publication.</p> <p><b>Mobile payments platforms:</b> This research has in turn informed an operational pilot for proof of concept, implemented by a consortium, selected through competitive tender, which has provided the Central Bank of Somalia with a payment platform that enables bulk mobile money payments. This solution has now been successfully piloted on two use-cases for direct government-to-person mobile money payment, featuring: (use-case 1) two rounds of payments to 250 civil servants; and (use-case 2) two rounds of payments to 1,000 food insecure households. The final report detail options for potential scale-up. Since the onset of the COVID-19 pandemic, mobile money payments have been used more widely by the government and the FMS.</p> <p>The US\$2 million in additional financing secured from the State and Peace-building Fund (SPF) have enabled the completion of both the second round of mobile money research and the second payments use-case, noted above, that both place a strong emphasis on leveraging mobile money to help build resilience and support emergency response. Comparative research has also been undertaken in South Sudan to better understand the impact of mobile money on dollarized economies, and possible cross-border spillover.</p>

**Component 2: Efficiency and equity in connectivity access (US\$7.8 million appraised and available, with US\$1.2 million co-financing from EU AfricaConnect program)**

<p><b>Activity 1: Complete</b> <b>Establishing a framework for SIM card registration</b></p>	<p><b>Analytical work on SIM-card registration and digital ID:</b> A feasibility study on the existing SIM-card registration system was completed in October 2015. Subsequently, work has focused on researching the potential for digital ID roll-out in Somalia, as a means to enable effective SIM-card registration. Two studies have been carried out, including one on public-private partnership approaches to digital ID, in collaboration with UNDP, IOM, and Terra Incognita. This research has informed operational digital ID work carried forward under the SCALED-UP project, approved by the Board in March 2019, which is now effective. Recent developments include the adoption of a new ID Policy, aligned with international best practice. Notably, the NCA currently serves as a member of a newly appointed ID Task Team, which will ensure that the new ID system accommodates SIM-card registration requirements.</p>
<p><b>Activity 2: Complete</b> <b>Supporting the connectivity in the higher education sector</b></p>	<p><b>SomaliREN:</b> The project has funded SomaliREN’s membership of the UbuntuNet alliance and procured bandwidth for universities across Somalia under a 15-year Indefeasible Rights of Use (IRU) contract, leveraging additional EU funding under the AfricaConnect 2 program. Some 155 megabits per second (Mbit/s) of internet capacity to the university sector is now live, supplied via a STEM-1 cable, including a point of presence in Mogadishu. The project has also financed training and acquisition of servers, in addition to covering SomaliREN’s operations and maintenance costs for two years. Following the successful completion of an initial phase, connecting higher education institutions in Mogadishu, roll-out continues in Somaliland and Puntland. A total of nine institutions are now connected, featuring more than 25 campuses—exceeding the set target for higher education connectivity (15 sites). With the completion of the work in Puntland and Somaliland, the number has increased to 21 institutions and 60 campuses. SomaliREN has plans to double connectivity to 310 Mbit/s. Remaining project funds were used to upgrade SomaliREN’s connectivity from a STEM-1 to a STEM-4 connection, and prepayment of SomaliREN’s participation in the AfricaConnect 3 program.</p>
<p><b>Activity 3: Complete</b> <b>Extending communications rooms in key ministries across all economic zones</b></p>	<p><b>Communications rooms:</b> Following the successful pilot roll-out of communications rooms, under Phase 1, this scheme was extended to more government offices across Mogadishu and in the FMS. To date, some 29 communications rooms have been established in Mogadishu, Galmudug, Somaliland, South West, Jubbaland, Puntland, and Hirshabelle. These rooms have been used for both WB supervision meetings and stakeholder consultations with partners. Usage has intensified with the onset of the COVID-19 pandemic. The government has formally requested a further 80 communications rooms, including support for a virtual Parliament, through a letter sent by the Ministry of Finance in April 2020. However, as these could not be supported through this program, due to the fact that funds were exhausted, the WBG will review the possibility for additional financing through the SCALED-UP project.</p> <p><b>Government backbone network:</b> A 48-km fiber optic loop in Mogadishu, serving 25 ministries and the Central Bank, was complete and fully operational in 2017. Some 155 Mbit/s of international bandwidth has been purchased through an IRU contract for a 20-year period to supply key government offices in Mogadishu with connectivity. The project has also funded an upgrade in bandwidth to 620 Mbit/s, as the initial 155 Mbit/s was fully utilized.</p>

### Component 3: Project management and coordination (US\$1.7 million appraised and available)

Support has been provided to the Project Implementation Unit established in the MoPTT, working closely with the Ministry of Finance, for program management, coordination, and capacity building. With the closing of the project, the PIU has now closed. A subsidiary Project Coordination Unit in Puntland operated from mid-2015 to mid-2018, and has also now closed.

#### Update on the sector

**Contribution to the National Treasury:** Based on forecast set for FY19, government revenue from the sector is already expected to total US\$14.5 million—with US\$5.9 million in sales tax from telecommunication plus US\$8.6 million in spectrum fees. This is a significant increase on previous years and FY20 is forecast to be higher still.

**Mobile money—emergencies, vulnerability, and gender:** Mobile money penetration in Somalia is high. The latest round of research suggests that some 80 percent of adults now use mobile money in Somalia. Emergencies, such as drought, floods, locusts, and COVID-19 have spurred further uptake. Research undertaken by the project suggests that many coping strategies applied during the 2017–2018 drought, directly or indirectly, relied on mobile money.

Mobile money is widely perceived as having boosted resilience by survey respondents, particularly among the 67 percent of those affected by the drought who received some form of financial support. Mobile money penetration has significantly increased among vulnerable groups, which could partially be explained by a push for mobile money by humanitarian and development partners, as a means to deliver assistance. Nevertheless, vulnerable user groups still tend to be less active mobile money users and transact smaller amounts; they also live further away from agents and vendors that accept mobile money and from areas with quality network coverage.

New data collected also suggest that the gender gap has been reversed—with 12 percent more women than men now using mobile money. This could be explained by the fact that more women than men opened an account to deal with the drought. Moreover, women typically take on more responsibility in times of crisis, and many aid agencies purposely channeled assistance to women. A large share of women (81 percent of female subscribers) reportedly felt more financially independent thanks to mobile money. Mobile money is also perceived to have enhanced women’s economic empowerment, eased access to services, and given women a larger role in the community. These trends suggest that mobile money could be a key instrument for addressing gender gaps in other areas (for example, access to economic opportunities and services) that are facilitated by mobile money. Nevertheless, increased usage of mobile money does not yet appear to have translated into a greater role for women in household-level decision making, and women are still inclined to be less active mobile money users.

**New ICT Policy:** The project has, together with the ITU, supported the preparation of a 2019–2024 National ICT Policy, which was approved by the Cabinet on December 28, 2019. The document sets out a five-year strategy for leveraging ICT in favor of Somalia’s social and economic development, focusing on the following six areas: (a) increasing access to ICT; (b) expanding domestic digital infrastructure; (c) developing more local digital content and services; (d) supporting the expansion of e-government in key sectors; (e) increasing consumer protection; and (f) boosting Somalia’s digital skills base.

**Status of interconnection:** Interconnection regulation has been adopted by the NCA, following assistance provided by the project and IFC—published on the NCA website on October 22, 2019. Interconnection between mobile network operators (MNOs) was due to be completed on December 7, 2019, for voice and SMS but is yet to be achieved. With the rejection by the operators of the licenses awarded in June 2020, it means that interconnection agreements are still incomplete. Implementation of interconnection agreements was set as a target in the emergency DPO. Further support to facilitate this on the private sector side will be provided by the IFC.

#### Challenges

- In the early days of the project, changes in the management of the Project Implementation Unit (PIU), as well as frequent changes in ministers, caused a series of delays to project implementation.
- While the full appraised project amount has now been made available, unpredictable financing from donors has also made project planning difficult, and required multiple restructuring as funds arrived in incomplete amounts.
- The independence of the NCA was undermined by the action of the Minister of MoPTT in sacking one of the members of the Board. Other Board members left in sympathy, meaning the Board has been unable to constitute a

quorum since August 2019.

- A strong local telecoms sector that is being regulated ex-post has also proved challenging to regulate. The tactic used by operators has been to constantly call for further consultation as a way of delaying the award of licenses, and therefore undermining the authority of the regulator.
- While key elements of the project related to regulatory support, digital ID, and mobile payments will be carried through by SCALED-UP, there are many areas where Somalia could use further support to help achieve priorities set forth by the new ICT Policy. A new regional integration initiative, in the Horn of Africa, may be able to provide some support to help crowd-in network and data infrastructure investments, and so on. However, substantial investments are still needed to bring Somalia up to par with other regional peers. A no-cost project extension was granted to June 2020. However, requests by the government to further extend the project could not be granted, due to lack of donor funding, and the project closed on June 30, 2020.

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## SOMALI CORE ECONOMIC INSTITUTIONS AND OPPORTUNITIES (SCORE) PROGRAM

<b>Timeframe:</b> 2016–2020; <b>Budget:</b> US\$28.5 million <b>Status:</b> Effective	
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Improve the enabling environment for private and financial sector development.</li> <li>• Catalyze private investment and job creation.</li> </ul>
<b>Beneficiaries:</b> <i>Primary beneficiaries:</i> Central Banks, Ministries of Commerce, Port Authorities, and enterprises receiving matching grants through the SBCF and connected business support services through the SMEF.	
<b>Government counterparts:</b> Ministry of Finance in Mogadishu, Ministry of Planning and Development in Hargeisa, Central Bank of Somalia, Central Bank of Somaliland, State Bank of Puntland, Ministries of Commerce and Industry (Mogadishu, Hargeisa), Mogadishu Ministry of Transport, and Port Authorities.	
<b>Implementation arrangements:</b> Component 1 is mainly recipient-executed. Component 2 is executed by the World Bank on behalf of the government.	
<b>Geographic coverage:</b> The SCORE Program covers the entire Somali peninsula—FGS (including Puntland) and Somaliland.	
<b>Component 1: Strengthening CORE economic institutions (US\$11.83 million)</b>	
<b>Activity 1a: Ongoing Strengthen Central Bank supervision and regulation through an overarching and longer-term financial sector development agenda and continuous capacity building</b>	<p>In April 2020, the SCORE project was restructured to (a) reallocate unused funding under Component 2 to Components 1 and 3; and (b) extend the project closing date to September 30, 2020. As a result, funding for subcomponent 1a was increased by US\$1.86 million, primarily for the implementation of market infrastructure needed to propel efficient and reliable financial intermediation.</p> <p>Good progress has been made on CBS reorganization. In October 2019, the CBS Board of Directors approved the CBS Strategic Plan for 2020–2024, a costed Transition Plan covering 2020–2021. This establishes a functional-based organizational structure for the Central Bank. The Board of Directors resolution is a benchmark of the fourth IMF Staff Monitoring Program (SMP). Consequently, in December 2019, the World Bank task team initiated technical discussions with the authorities on selection of elements from the costed Transition Plan to be supported under SCORE/SCALED-UP.</p> <p>Deeper Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) reforms are needed to support integrity and global connectedness of Somali financial markets. While substantial progress has been made in a short period of time to set up the Financial Reporting Center (FRC) and regulatory requirements for suspicious transaction reporting, more reforms are needed to improve compliance and for the FRC to strengthen its institutional capability to perform rigorous AML/CFT risk investigations within the financial services sector and conduct an economywide AML/CTF risk analysis. The authorities have developed an AML/CFT action plan with IMF and World Bank staff assistance and concerted efforts are needed to deliver on this. National Risk Assessment (NRA) of Money Laundering and Terrorism Financing (ML/TF) was kicked off in June 2019, with the identification of the team leaders for each one of the nine modules. However, the NRA process itself has suffered delays due to the lack of an NRA coordinator to work on the ground with the Somali authorities in the collection of information and processing of data that can eventually generate an NRA report. The NRA coordinator was finally hired in March 2020 and the drafting of the NRA report on money laundering and terrorist financing (ML/TF) risks is expected to begin in July 2020.</p> <p>The FRC is self-imposing an internal deadline to deliver the NRA by December 2020. Concerted efforts are needed to be exerted by key ministries, departments, and agencies (MDAs) to ensure that the extended NRA delivery timeline is not compromised, even in the COVID-19 context.</p> <p>The CBS has taken steps to mobilize all payment system stakeholders to develop a coherent</p>

	<p>approach towards implementation of the automated transfer system (ATS+) and the payment switch along with the data center enhancements and the network infrastructure. This follows the award of supply contracts in June 2019 to Montran and BPC Smarth Vista for ATS+ and payment switch, respectively. The payment switch will enable the interoperability and a secure interchange and authentication of digital payment instructions among participating financial institutions. Requirements validation workshops for the payment switch and ATS were held with the vendors in Nairobi and Djibouti in November 2019. The vendors have been contracted to complete deliverables by end of September 2020 for the Somalia Transaction and Reporting System (STARS) and Somalia Payment Switch systems.</p> <p>Due to the COVID-19 pandemic, the initial deployment of cloud-based solutions has been prioritized for the ATS and Switch initiatives. It is expected that physical delivery of hardware and implementation of the production environment on premise will take place after the September 2020 cut-off timeline due to delays occasioned by disruptions to supply chains and shipments. The cloud solution will allow for the delivery of the ATS and Switch before the project closes in September 2020.</p>
<p><b>Activity 1b: Ongoing</b>  <b>Improve the business environment by reducing the time and cost of starting and operating a formal business</b></p>	<p>The objective of this subcomponent is to reduce the time and cost of doing business, enhance formalization, and contribute to economic growth.</p> <p>In the FGS, there is need for concerted efforts from both public and private sector stakeholders to support streamlining and consolidation of business registration processes and support the enactment of the Company Law. Even though the MoCI launched the Business Registry System (BRS) in April 2019, the system was not fully functional due to delays to enact the Company Law. The enactment of the Law in December 2019 now enables the activation of the full functionality of the Business Registration System (BRS), and thereafter expanding out to the One Stop Shop (OSS), together with integrated digital government payments (to be supported under SCALED-UP, P168115).</p> <p>In April 2020, an additional US\$80,000 was allocated to subcomponent 1b to support the roll-out of the BRS.</p> <p>In Somaliland, the Companies Act was passed by the Upper Chamber of the House (Guurti) in August 2018 and signed into a Law by the President in September 2018. The lead vendor for the OSS, WYG, had its contract phased out and paid for completed deliverables. This is because the vendor was not able to deliver the OSS.</p>
<p><b>Activity 1c (Developing the Port Sector): Concluded</b>  <b>Strengthening the governance capacity of public authorities for strategic planning and improving the institutional structure of port sector management</b></p>	<p>This activity has been concluded, as reported in the last bi-annual report.</p> <p>All deliverables under this subcomponent have been completed and delivered to the client as summarized below:</p> <ol style="list-style-type: none"> <li>1. Port Master Plan for the ports of Mogadishu, Kismayo, and Bosaso has been completed; the respective outputs have been presented and discussed in the frame of a joint workshop held during December 2018 in Nairobi. The Master Plan reviews private sector participation in the management and operation of Mogadishu Port and elaborates with priority analytical elements the FGS would require when reviewing port development and concession including financial implications in the context of the concession agreement with Albayrak. Key elements of the Port Master Plan are: <ol style="list-style-type: none"> <li>a) Elaboration of development scenarios (infrastructure and resources demand analysis) for Mogadishu Port reflected in a full business case subject to financial viability assessment; the proposed port development scenario includes actions to improve short term (the next three to five years) performance and mitigation of risks, capacity restrictions or bottlenecks. The Plan also identifies training needs.</li> <li>b) Financial modeling: The financial model has been prepared according to industry standards as commonly used for the port sector and, at the same time, it facilitates users to run different scenarios. The revenues generated by the present port activity need to</li> </ol> </li> </ol>

	<p>be identified with more clarity; the same applies for the volumes of cargo and containers handled by the Port.</p> <ol style="list-style-type: none"> <li>2. Port Sector Review comprising the review of the sector strategy, as well as objectives and roles of the port sector and its subsectors in Somalia including Puntland. Further, the review includes the regulatory framework and port services. This activity included a gap assessment and diagnostic.</li> <li>3. Private sector participation in the Port Sector: The consultants assessed the Mogadishu Port concession agreement signed by the FGS and a private firm. Based on this assessment and the Port Master Plan developed for Mogadishu, it is envisaged that the FGS will extend the mandate of the consultants to provide technical inputs to support the potential renegotiation of the concession agreement. In addition, this might include TA support reviewing and adapting the agreement signed with the private firm SIMATECH on the development, management, and operation of an off-dock container terminal on an area under the custody of the Mogadishu Port Authority. The terminal is intended to support efficient management of port infrastructure, particularly for the storage of containers (full/empties).</li> </ol>
<p><b>Component 2: Expanding economic opportunities (US\$14.25 million)</b></p>	
<p><b>Activity 2a: SBCF Concluded</b>  <b>Providing matching grants to support small and medium-sized enterprises (SME) via the Somalia Business Catalytic Fund (SBCF)</b></p>	<p>SBCF was a matching grant scheme that operated from July 2016 to January 2019. US\$10 million was the original budget for matching grants for qualifying companies but the final disbursement was US\$5.3 million. At the Mid-Term Review (MTR), the SBCF was partially cancelled in order to focus efforts building foundations for market-based financial intermediation, thereby supporting enterprise growth, jobs, and livelihoods on a sustainable basis. Accordingly, SBCF and SMEF were restructured at the MTR to phase out before the closure of SCORE.</p> <p>Of the initial 101 grantees, 67 completed their projects. Others did not complete their activities either within the timeline or grants and were cancelled for inactivity, or they failed to implement the project in accordance with the grant agreement or the grantee's own volition.</p>
<p><b>Activity 2b: SMEF Concluded</b>  <b>Promoting the development of SMEs through direct and indirect capacity-building support via an SME Service Facility (SMEF)</b></p>	<p>The SMEF was phased out before the close of the SCORE project.</p> <p>The SMEF operated from July 2016 to April 2019. It was established to build the capacity of Somali SMEs, including applicants and grantees from the SBCF. The SMEF provided support to 861 SMEs of which 218 were SBCF applicants/grantees. In addition, the SMEF supported 514 non-SBCF SMEs with various demand-driven business development services (BDS) and technical assistance. The SMEF also trained 1,175 individuals through 45 trainings covering topics such as drip irrigation, greenhouse construction, hospitality management, fish processing, mobile phone repair, solar panels installation, photography, and many others.</p>
<p><b>Component 3: Project management (US\$2.42 million for recipient)</b></p>	
<p><b>Activity 3a: Ongoing Project Implementation Units (PIU)</b></p>	<p>PIUs are in place in Mogadishu providing coordination, procurement, and financial services. The PIU in Hargeisa is now closed as the PIU has no active vendor contracts, and the Somaliland TF closed at the end of April 2019.</p> <p>In response to a government request, the project restructuring was completed in April 2020 to (a) increase funding to Components 1 and 3, as a result of reallocation of unutilized funds, by US\$2.16 million funds under Component 2 due to scale down of SBCF and SMEF activities; and (b) extend the closing date to September 30, 2020. As a result, Component 3 allocation has been adjusted upwards by US\$220,000 to US\$2.42 million.</p>
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## SOMALI ELECTRICITY ACCESS PROJECT (SEAP)

<p><b>Timeframe:</b> 2018–22; <b>Budget:</b> US\$5.75 million</p> <p><b>Status:</b> Effective</p> <p>In the reporting period, the Bank team carried out an Implementation Support Review Mission from March 1 to 3 in the Federal Government of Somalia (FGS), and from March 4 to 10 in Somaliland.</p>	
<b>Objectives</b>	Expand access to electricity in targeted urban, peri-urban, and rural communities.
<p><b>Beneficiaries:</b> 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.</p>	
<p><b>Government counterparts:</b></p> <ul style="list-style-type: none"> <li>• FGS: Ministry of Finance, Ministry of Energy and Water Resources (MoEWR).</li> <li>• Somaliland: Ministry of Finance and Ministry of Energy and Minerals (MoEM).</li> </ul>	
<p><b>Implementation arrangements:</b> This project is implemented by (a) the MoEWR and FGS; and (b) the MoEM, Somaliland, in close coordination with the Federal Member States and regions.</p>	
<p><b>Geographic coverage:</b> The project will be implemented across the entire Somali peninsula, covering Southern Somalia (Benadir, Jubbaland, South West State, Hirshabelle, and Galmudug), Puntland, and Somaliland.</p>	
<p><b>Component 1: Electrification of households and small businesses through standalone solar home systems (US\$3 million)</b></p>	
<p><b>Subcomponents 1.1 and 1.2: Results-based Expansion Grants and Seed Grants</b></p>	<p>This provides results-based grants to off-grid solar distributors, with payment based on the number of new Lighting Global-approved units sold. These grants will be primarily targeted at businesses specializing in solar home system 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.</p> <p>The FGS and Somaliland have made progress on activities under these subcomponents (1 and 2) which include: procurement of the Grant Managers who have been contracted and are in the process of developing the Project Implementation Manuals (PIM) which will guide implementation of this component. It is expected that the Grant Managers will launch the calls for applications for competitive selection of private sector grantees by September 2020.</p>
<p><b>Subcomponent 1.3: Quality assurance</b></p>	<p>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 is in the process of recruiting a Quality Assurance (QA) Consultant to support Somaliland in designing and implementing QA activities including skills development for solar PV Installations and standards adoption and development of frameworks for renewable energy products and components. This will initiate/increase household and institutional adoption of off-grid solar solutions in Somaliland. Contracting and implementation status will be updated in the next reporting period.</p>

<p><b>Subcomponent 1.4: Consumer awareness and citizen engagement</b></p>	<p>Comprehensive consumer awareness campaigns with the objectives of improving household understanding of how off-grid solar technology works, its benefits, how to operate, maintain and dispose of the products, and 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.</p> <p>The ToRs for consumer education and awareness have been finalized and recruitment is under way, with shortlisting having been completed. Contracting and implementation status will be updated in the next reporting period.</p>
<p><b>Component 2: Analytic work for enabling electrification through solar powered/hybrid mini-grids (US\$1 million)</b></p>	
<p>This component is expected to provide solid ground for sectoral intervention that will be required to devise the appropriate strategies for mini-grid development.</p> <p>All of the activities under Component 2 are consolidated under one consultancy work (An Indicative Least Cost Geospatial Electrification Plan to Achieve Universal Access). Ongoing procurement of the consultant for geospatial analysis for least cost electrification of mini-grids is as follows: ToRs were prepared and approved; request of Expression of Interest completed; firms shortlisted; and the Request for Proposals (RFP) issued. The Ministries of Energy have finalized selection of the consultants and contract negotiations are currently ongoing. The Least Cost Geospatial Electrification Planning assignments are expected to kick-off in July 2020.</p>	
<p><b>Component 3: Technical assistance, capacity building, and project management (US\$1.75 million)</b></p>	
<ul style="list-style-type: none"> <li>• The FGS has completed recruitment of a number of PIU staff, namely project coordinator, financial management specialist, procurement specialists, and technical expert; this replaces the interim PIU that has been in operation since the inception of the project. The recruitment of a technical advisor and a legal advisor for the project is at the interviews stage and is expected to be concluded in the next reporting period.</li> <li>• In Somaliland, the PIU is composed of civil servants. The recruitment of the technical expert has, however, been concluded. The annual work plan and budget for year 2020 were submitted by the FGS and a No Objection provided in December 2019. The FGS and Somaliland are currently preparing their 2020 annual training and capacity building plans for the PIUs and Ministries of Energy personnel, and are expected to submit them for the Bank's No Objection in the next reporting period.</li> <li>• The clients also participated in a capacity-building activity in Nairobi, Kenya, in February 2020 prior to the spread of the COVID-19 pandemic. Representatives from the FGS (three) and Somaliland (three) participated in the 6<sup>th</sup> Global Off-grid Solar Expo and Forum (2020) and the Community of Champions side event convened by Lighting Global.</li> <li>• The procurement of a consultant for the preparation of Electricity Sub-Transmission and Distribution Integrated Development Least Cost Investment Plans is ongoing by the FGS (currently at the RFP stage). This is expected to be concluded in the next reporting period.</li> </ul>	
<p><b>Challenges</b></p>	
<p>The capacity of the client has improved in terms of project coordination, procurement, financial management, and proactiveness on technical issues. The Bank team continues to provide support to manage associated risks.</p> <p>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.</p> <p>Activities being implemented under Component 1 of the project are primarily disbursement of grants to SHS companies operating in-country, and the FGS Fund Manager is locally based. The efficient utilization of disbursed funds by grantees may potentially be affected if the situation in Somalia 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. The</p>	

anticipated PIM will outline how the Results Based Financing (RBF) will be designed to respond to the solar companies in the COVID-19 context.

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 may be impacted depending on the evolution of COVID-19.

Activities under Component 3 such as training programs have been affected—delayed and suspended in some cases; the client is pursuing online options to address some of the training needs. The Bank task team, therefore, continues to monitor the ongoing developments and expects to mitigate emerging risks. Lessons from the procurement and distribution of SHS products under the ongoing Emergency solar lanterns disaster relief will be relevant for SHS deployment by RBF awardees in the COVID-19 environment.

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## SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP, THROUGH DIGITAL UPLIFT PROGRAM (SCALED-UP)

<b>Timeframe:</b> 2019–2023; <b>Budget:</b> US\$31 million (IDA: US\$18 million; MPF: US\$13 million) <b>Status:</b> Effective as of August 8, 2019	
<b>Objectives</b>	Support progress towards increased access to basic digital financial and government services supporting entrepreneurship and employment, particularly for women.
<p><b>Beneficiaries:</b> The people of Somalia, especially women and MSMEs in key economic sectors, who will benefit from more formalization and growth in economic participation. Women and female owners of MSMEs will derive direct benefit from improved access to financial services through ownership of transaction accounts enabled by the digital ID system and the MSME Facility.</p> <p>Federal Government of Somalia (FGS) institutions that are key to delivery of targeted financial and government services will benefit, which include Ministry of Finance (MoF), Ministry of Commerce and Industry (MoCI), Ministry of Posts, Telecommunications, and Technology (MoPTT), Central Bank of Somalia (CBS), Financial Reporting Center (FRC), National Communications Authority (NCA), the new ID administration body, and an independent and autonomous entity to manage the MSME Facility ('Gargaara'), and participating financial institutions (PFIs). The project would enable delivery of support across Federal Member States (FMS) depending on the readiness of the States.</p>	
<b>Government counterparts:</b> MoF, MoCI, MoPTT, CBS, NCA, and FRC.	
<b>Implementation arrangements:</b> The MoF is the executing agency. The project has set up a single Project Steering Committee headed by the MoF with representatives from the MoCI, MoPTT, CBS, FRC, and NCA.	
<b>Geographic coverage:</b> The intervention will cover the entire Somali territory.	
<b>COMPONENT 1: Strengthening institutions (US\$7 million)</b>	
<b>Subcomponent 1.1: Support to CBS</b>	<p><b>Digital ID system:</b> The government endorsed the Digital ID Policy, which was published online through local news outlets and on social media sites of the Ministry of Interior, Federal Affairs and Reconciliation (MoIFAR) in May 2019. An interim 11-member Digital ID Task Force was also established at the same time as specified in the Digital ID Policy. The members of the Task Force represent a wide range of public entities and stakeholders, including the MoIFAR, MoF, CBS, Ministry of Labor and Social Affairs, banks, remittance companies, and civil society. Its main task is to operationalize the Digital ID Policy and facilitate the setting up the Federal Identification and Registration Authority (FIRA) under a digital ID law to be drafted and enacted.</p> <p>Multiple consultative meetings were conducted, including with representatives of civil society, the private sector, and select FMS. The ID Task Force will continue the dissemination of the Digital ID Policy and solicit comments from a wide range of stakeholders, including women and members of vulnerable and marginalized groups as well as organizations and individuals from different FMS, to ensure that the system's design and implementation reflect and address the needs and priorities of many and diverse segments of the population.</p> <p>In May 2020, a high-level Project Director was onboarded to implement the digital ID system, reporting directly to the office of the Prime Minister and the MoF, to lead the day-to-day implementation of the digital ID system, working in close collaboration with the digital ID Task Force. He will be supported by a core management team of local experts as well as three international advisory firms focusing on the legal, technical, and social aspects of implementation.</p> <p>The project is in the final stages of hiring a legal advisory board to commence the drafting of laws and regulations for the digital ID system.</p> <p>The technical infrastructure for the ID system was to be provided by the National Database and</p>
<b>Subcomponent 1.2: Support to FRC</b>	
<b>Subcomponent 1.3: Support to MoPTT/NCA</b>	
<b>Subcomponent 1.4: Support to new ID administration body</b>	

	<p>Registration Authority (NADRA) of Pakistan, financed through a grant by the Government of Pakistan. Due to financial difficulties faced by the Government of Pakistan, it has indicated via the Somali Embassy in Islamabad that it will no longer be able to provide financing to NADRA for deployment of the technical infrastructure.</p> <p>This has created a significant financing gap for the implementation of the ID system, which will need to be addressed urgently so as to not jeopardize the associated Project Development Objectives (1 million people having received their unique ID number; 900,000 people accessing financial services using their digital ID).</p> <p>To this end, the FGS has requested for World Bank Additional Financing to SCALED-UP project to bridge this financing gap. Until additional financing is secured, activities under Component 1 to create the legislative and enabling environment, including the set-up and operationalization of the ID Authority, can proceed as planned. The COVID-19 pandemic has further highlighted the urgency to roll-out the digital ID system in Somalia without further delays.</p> <p><b>Central Bank of Somalia (CBS):</b> The CBS licensing and supervision function currently relies heavily on manual processes with very limited technology support to exercise its regulatory responsibilities. More effective technology support is needed to establish effective regulatory capabilities to meet demands of increased scope and to maintain pace with financial sector actors whose operations rely on increasingly sophisticated technology.</p> <p>The CBS is in the process of finalizing significant amendments to the Financial Institutions Law, the basis upon which much of the regulatory and supervisory mandate is anchored. From February 2020, mobile money services were to be licensed by the CBS; the licensing process, however, has been delayed.</p> <p>It will be important that efforts already initiated but paused by CBS management to bring into play regulatory technology (RegTech) to enhance effectiveness of the licensing and supervision function at the CBS are restarted and finalized as soon as possible. In so doing, the CBS will need to review its policies on license fees and funding structures to ensure that the licensing and supervision function has adequate technology budget to sustainably equip its staff with the tools needed to effectively regulate and supervise financial institutions.</p> <p><b>Financial Reporting Centre (FRC):</b> Activities related to support to the FRC will build on the ongoing work under the Somali Core Institutions and Opportunities Program (SCORE), after the conclusion of the National Risk Assessment (NRA).</p> <p>Meanwhile, MENAFATF, the MENA region Financial Action Task Force (FATF) Style Regional Body (FSRB), to which Somalia has been admitted as an observer, will undertake the mutual evaluation of Somalia during 2024 and not 2021 as earlier anticipated.</p> <p><b>NCA/MPTT:</b> The project is supporting the hiring of experts for the NCA, including a cyber security specialist and pricing and interconnection expert. On June 1, licenses were issued by the NCA to the operators. However, the process has been challenged by the ex-chairman of the Board and the Minister of Telecommunications. This is also impeding the process of issuing mobile money licenses by the CBS.</p>
<p><b>COMPONENT 2: Enabling financial and digital services (US\$20 million)</b></p>	
<p><b>Subcomponent 2.1:</b> <b>Financial intermediary financing for MSMEs</b></p> <p><b>Subcomponent 2.2:</b> <b>Digital ID services</b></p>	<p><b>MSME Financing Facility:</b> The project has made good progress in setting up and operationalizing the MSME Financing Facility. Gargaara Company Limited ('Gargaara') was established as a state-owned entity, registered on April 30, 2019, and licensed on May 4, 2019, by the MoCI. The MoF successfully concluded the appointment of all seven members of the Gargaara Board of Directors (three representatives from the public sector, three representatives from the private sector, and one representative from the MPF donors).</p> <p>In addition, the Gargaara Board successfully concluded the selection of the Chief Executive Officer (CEO) and Treasurer in accordance with the provisions of the World Bank Procurement Regulations.</p>

**Subcomponent 2.3:  
Government and  
retail payment  
services**

**Subcomponent 2.4:  
e-registration services  
for SMEs**

The technical and fiduciary assessment of Gargaara by the World Bank task team was completed in July 2019, and the Project Agreement signed between the World Bank and Gargaara became effective in October 2019. As a result, the disbursement conditions have been fulfilled for the 'micro and small loans' window.

As of June 2020, three Participating Financial Institutions have been onboarded to participate in the MSME Financing Facility. The Gargaara Management Team has completed the two-stage due diligence process for four banks and one microfinance institution that have submitted expressions of interest in November 2019.

On March 28, 2020, the Gargaara Board issued approval to onboard three commercial banks, and all three participation agreements with Gargaara were signed in May 2020. The participation agreements include a commitment to implement institutional development plans (IDPs) prepared based on the capacity gaps identified during the accreditation process by the Gargaara team.

The first round of PFI onboarding revealed that there are remaining assessment gaps relating to verification of information and testing of internal controls as well as fitness and propriety of significant shareholders/controllers, directors, and managers.

These require extending and improving the scope and depth of the ongoing assessments and documentation of improvements made by the accredited PFI. This is what the IDPs that form annexes to the PFI participation agreement aim to achieve. It is, therefore, critical for the PFI and Gargaara management to follow through on the IDP commitments to enhance data collection, verification of information, and testing of internal controls across the board.

To this end, an independent third party monitoring agency will be used to conduct verification, testing, and analysis of internal controls and other systems to confirm baselines and capacity gaps, and monitor the implementation progress of the agreed IDPs.

In addition, the FGS has made a request for MSME financing support to respond to the COVID-19 pandemic. In response, the project is seeking additional financing to expand and scale-up Gargaara financing.

Meanwhile, given that IFC internal processing has been taking much longer than anticipated, IFC management has cleared the task team request to remove the disbursement condition for Gargaara to have a Technical Agreement in place with IFC in order to access financing under the 'large loans window' and immediately increase available liquidity in response to the COVID-19 crisis. This change will be processed through project restructuring.

On the sidelines of its first Board meeting in October 2020, Gargaara also held an MPF donor meeting. The meeting confirmed the need to enhance donor coordination around MSME access to finance agenda in Somalia and harmonization of a log-frame matrix. It was generally agreed that the scope of harmonizing the log-frame would cover results indicators and sources of verification to satisfy different requirements across the MPF donors—such as DFID, USAID, EU, SIDA, Norway, and Denmark—as well as other DFIs supporting the MSME access to finance agenda.

The other issues to be covered include (a) due diligence of financial institutions; (b) legal and regulatory reforms; (c) Islamic finance/Sharia law compliance; and (d) financial product development and delivery. This is with a view to mapping and uncovering a set of shared concerns, challenges, emerging risks or opportunities that might require a coordinated approach to tackle, as well as enhance donor effectiveness across the board.

The World Bank task team will be leading the mapping exercise and is expected to report back to the donor forum later in 2020.

**Other activities under Component 2:** Activities under the Government and Retail Services subcomponent have commenced with recruitment of consultancies under the Office of the Accountant General at various stages of the procurement process. The enactment of the Company Law in December 2019 enables the activation of the full functionality of the Business Registration System (BRS), supported by the SCORE project.

When the SCORE project closes, SCALED-UP will support expanding the BRS out to the One Stop Shop (OSS), together with integrated digital government payments. Similarly, activities under

	digital ID enrollment activities have not been initiated pending progress on documenting and endorsement of the FTSD of the digital ID system.
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**COMPONENT 3: Project management (US\$3 million)**

The SCALED-UP PIU is set up and staffed with key personnel.

The Project Steering Committee has been established. It is headed by the Director General from the MoF with representatives from the MoCI, MoPTT, MoIFAR, CBS, FRC, NCA, and the Digital ID Task Force (until the new ID Authority is established).

A Grievance Redress Mechanism (GRM) is being set up to enable the project systematically and effectively uptake and resolve project-related complaints and grievances.

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**SOMALIA CRISIS RECOVERY PROJECT (SCRP)**

**Timeframe:** 2020–2024; **Budget:** US\$137.5 million (IDA)  
**Status:** Project readiness, pending effectiveness

<b>Objectives</b>	Support the recovery of livelihoods and infrastructure in flood- and drought-affected areas and strengthen capacity for disaster preparedness nationwide.
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**Beneficiaries:** The project will support people affected by the impacts of floods and drought, as well 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 amounts 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.

**Government counterparts:** Office of the Prime Minister (OPM), Ministry of Finance (MoF), Ministry of Humanitarian Affairs and Disaster Management (MoHADM), Ministry of Agriculture, Ministry of Health, 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.

**Implementation arrangements:** The project will be implemented by a Project Implementation Unit (PIU), domiciled in the MoF, and co-managed and staffed with the MoPIED. Project activities will be overseen by a Steering Committee chaired by the OPM. The PIU will partner with, and directly fund, civil society and United Nations technical agencies to support implementation and provide advisory services, particularly for early recovery activities.

**Geographic coverage:** The project responds to multiple ongoing and overlapping crises. The SCRП will provide immediate recovery support to the 17 districts in the three FMS of Jubbaland, South-West, and Hirshabelle hit by flooding in late 2019, by supporting livelihoods and infrastructure rehabilitation. It will also respond to the country’s desert locust infestation and public health crisis, aligned with the FGS’s recent COVID-19 strategy, as well as strengthen 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.

The World Bank Board approved the SCRП on May 15, 2020, with the Financing Agreement signed in mid-June 2020. The project is effective, and the Task Team is working to achieve disbursement effectiveness by July end. This will be followed by rapid implementation of early recovery activities and the World Bank is working closely with the PIU to advance project readiness. The SCRП project was developed as a follow up to the Special Financing Facility for Local Development Project (SFF-LD, P156257) which closed in March 2020.

**Component 1: Immediate basic services and livelihood support (US\$30 million)**

<b>Status: Pending</b>	This component will provide support to the flood-affected states (of Hirshabelle, South West, and Jubbaland) and locust-affected areas nationally through (a) establishing a cash-for-work scheme for vulnerable households in flood- and/or drought-affected areas; (b) controlling the desert locust population through ground and aerial spraying operations and carrying out related impact assessment and surveillance activities; (c) restoring and protecting farmers’ capacity for agricultural production through the provision of inputs, the pro-positioning of feedstock, the control of vectors and vector-borne livestock disease; (d) revitalizing basic health provisions strengthening response services and referral pathways for survivors of GBV; and (e) supporting household hygiene promotion and treatment.
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**Component 2: Medium-term flood recovery (US\$42 million)**

**Status: Pending**

This component will rehabilitate critical public and community infrastructure in line with build-back-better and climate-resilient standards.

The component will rehabilitate water and sanitation systems, broken or nonfunctioning preexisting flood control systems (for example, embankments, drainage, irrigation canals and restoration of river channels through dredging), health facilities, bridges, and small feeder roads. It will also support local mitigation efforts for risk reduction, such as slope protection and environmental rehabilitation.

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

**Status: Pending**

This component will strengthen the institutional capacity and preparedness of governmental ministries, agencies, and departments to respond to flood- and drought-related emergencies.

This will be done through, *inter alia* (a) piloting integrated flood-drought preparedness and response solutions including community level structural and nonstructural interventions; (b) carrying out flood risk management strengthening enabling policy and institutional framework, flood risk assessment and hazard mapping, and pilot for structural flood risk reduction interventions; (c) supporting hydromet and early warning systems for the generation and dissemination of hydromet data; (d) operationalizing the National Drought Recovery and Resilience Framework Secretariat in MoPIED, institutionalizing investment planning processes, aid tracking, inter-institutional coordination and programmatic monitoring and evaluation; (e) establishing the National Emergency Operations Center and developing and rolling out public-civil society collaboration models for crisis response and preparedness; (f) establishing a locusts' early warning system; (g) strengthening the Integrated Disease Surveillance and Response System and enhancing laboratory capacity for the timely detection of pathogens (including for COVID-19); and (h) rehabilitating, developing, and equipping selected health facilities for the delivery of essential health services.

**Component 4: Project management (US\$6 million)**

This component will strengthen the institutional capacity of the PIU and State Project Teams for the implementation of the project, including: procurement and financial management; preparation of subproject designs and construction supervision; environmental and social monitoring (including GBV); quality assurance; security risk management; technical management and oversight; grievance redress mechanisms; project monitoring and evaluation (including independent verification agents and reporting requirements).

**Update:** The PIU has contracted the United Nations Office for Project Services (UNOPS) to provide advisory support for project preparation and implementation.

The Bank team approved the Project Operations Manual (POM) on June 25 (the only effectiveness condition), and all safeguards documentation are being finalized.

The PIU has submitted an initial six-month work plan and is working on stakeholder engagement as required by the SEP. Service agreements with the FAO and INGOs for implementation of the early recovery components are being finalized.

**Component 5: Contingency Emergency Response Component (CERC) (US\$20.5 million)**

This CERC is included in the project in accordance with World Bank Policy on Investment Project Financing (IPF), paragraph 12, Projects in Situations of Urgent Need of Assistance or Capacity Constraints. There is a moderate to high probability that, during the life of the project, Somalia will experience natural or man-made disasters, and major disease outbreaks of public health importance which cause a major adverse economic and/or social impact, which will result in a request to the Bank to support mitigation, response, and recovery in the areas affected by such an emergency.

In the event of such an emergency, the CERC will serve as a first-line financing option for a response. Additionally, the CERC is flexible enough to incorporate the new Crisis Response Window Early Response Allocation (CRW ERA) criteria so that it can be mobilized as part of an early response to an eligible food security crisis or disease outbreak.

**Update:** The World Bank is taking the unprecedented step of allowing the FGS to activate the CERC of the SCRCP before project effectiveness to respond to the COVID-19 pandemic in Somalia. The World Bank is working closely with the FGS to meet the requirements for CERC activation, providing technical guidance to develop a CERC operations manual and an implementation plan, including Bank-facilitated procurement.

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**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 their 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) 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.

**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 Inter-Ministerial 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 Federal Member States (FMS). These include Puntland, Galmudug, and South West State. The project is expected to expand into Somaliland at a later date.

**Component 1: Support the development of multiple use water sources (US\$15.0 million)**

This component aims at improving water availability for domestic and irrigated agriculture use. Project teams at the state level will support the development of a slew of water infrastructure investments, including small sand and subsurface dams in dry riverbeds (*wadis*) and surface water storage infrastructure (for example, *berkads* and *hafir* dams). Other interventions supported will be area infiltration measures such as semi-circular bunds or soil bunds, and rock catchments.

<p><b>Subcomponent 1.1:</b> <i>In progress</i> <b>Construction of new community water points</b></p>	<p>This subcomponent will support the rehabilitation of existing water infrastructure and small works. The menu of water infrastructure investments will include small sand and subsurface dams in dry riverbeds (<i>wadis</i>), surface water storage infrastructure (for example, <i>berkads</i> and <i>hafir</i> dams), area infiltration interventions such as semi-circular bunds or soil bunds, and rock catchments. Sand dams are particularly effective at enhancing the resilience of marginal dryland environments by helping sustain vegetation biomass during drought periods. The improved vegetation biomass and soil management, combined with the increased water availability derived from these various infrastructure investments, will facilitate agricultural activities and food production. These will, in turn, increase the targeted communities' resilience to droughts and floods. Solar units will lift water and then use gravity to feed auxiliary structures such as cattle troughs, water points for human use, and so on. In addition, if no other options are feasible, the component will support construction of boreholes for groundwater extraction. Boreholes are an important source of water during severe drought, especially for humanitarian response, and particularly in nonriverine regions of Somalia. The PIUs are currently in the procurement process of contracting a consulting firm to provide continuous backstopping engineering support for the project. Once this firm is contracted, site selection will commence. Possible potential sites were identified as part of the appraisal process and in water resource modeling workshops supported through the World Bank Trust funded projects.</p>
<p><b>Subcomponent 1.2:</b> <i>In progress</i> <b>Rehabilitation of community water points</b></p>	<p>This subcomponent will finance the rehabilitation of existing water infrastructure and small prioritizing boreholes. It will also finance associated infrastructure to provide multiple-use water services (zero-emission standpipes or shallow wells with hand or solar pumps and watering troughs for livestock). Selected project sites can include multiple interventions to ensure adequate water through periods of drought and for multiple purposes: high-quality water for domestic use and moderate quality for livestock and agricultural uses. These investments will be the anchor assets around which other project activities in each selected subcatchment will seek to capitalize and manage. The diversification of water sources based on the <i>Wadi</i> Evaluation Tool (WET), extensive ground truthing, and groundwater assessment will increase the supply of water and, therefore, mitigate the risk of droughts and climate change. PIUs have undertaken initial steps to identify sites for rehabilitation.</p>
<p><b>Component 2: Institutional and capacity development (US\$6.0 million)</b></p>	
<p>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 a more integrated and sustainable agriculture and water development.</p>	
<p><b>Subcomponent 2.1:</b> <i>In progress</i> <b>National and state institutional capacity building</b></p>	<p>This subcomponent will support strengthening of national and state institutions capacities to plan, implement, and monitor integrated agriculture and water development programs. The government needs to develop better sector oversight, establish the policies and laws to regulate the sector and ensure that infrastructure investment is sustainable. Additionally, the component will finance a technical assistance agency to support national and state government agencies in selecting, training, and monitoring non-state actors for local project implementation including sector public financial management (PFM) capacities.</p>
<p><b>Subcomponent 2.2:</b> <i>Not yet started</i> <b>Community development and demand mobilization</b></p>	<p>This subcomponent will finance a holistic community engagement approach that will support activities in Components 1 and 3 through a continuing dialogue about the community's development needs, the resources available, the priorities for managing them, and how to ensure equitable access and sustainable use.</p> <p>Among objectives, community mobilization will (a) promote informed demand and increase community ownership and sustainable management of natural and physical assets; (b) enhance the capacity for community governance by ensuring inclusion and participation, conflict resolution, and</p>

	so on; and (c) develop Community Investment Plans (CIPs) to identify priority needs that can be met by collective action and supported by specific project interventions.
<b>Component 3: Supporting sustainable land management (SLM) and livelihoods development around water points (US\$9.5 million)</b>	
<p>Linking with water infrastructure and community planning and mobilization interventions under Components 1 and 2, this component will catalyze priority investments, facilitated by participating FMS line ministries, to create and strengthen productive livelihoods among target communities. The component will stimulate the growth and development of productive and sustainable income-generating activities through two subcomponents that will (a) improve the health and sustainability of the natural resource base (that is, land, water, and vegetative cover), which underpins all agriculture and pastoralist livelihoods; and (b) facilitate the communities' access to productive assets and extension services needed for agriculture and livestock production.</p>	
<p><b>Subcomponent 3.1:</b> <b>Not yet started</b> <b>Integrated landscape management</b></p>	<p>Based on priorities from the community planning and using a microwatershed approach, this subcomponent will provide finance through cash-for-work community-led soil and water conservation measures. These include landscape rehabilitation and protection through terracing of irrigable land degraded or endangered by erosion, gully rehabilitation, planting of trees and other vegetation in upland areas, rangeland management to introduce rotational grazing and stocking rate limits, and improved management and sustainable use of existing forest and vegetation resources. Together, these activities will encourage better infiltration of water during the rainy season into the surrounding land and reduce loss of valuable topsoil from surface runoff, all contributing to the restoration and management of a healthier ecosystem, one that can more sustainably support rural communities and increase their adaptive capacity to better cope with floods and droughts.</p> <p>This subcomponent would also promote the uptake of alternative energy solutions through awareness building, demonstrations, and financing to curtail local demand for environmentally destructive and unsustainable charcoal production. The subcomponent would also finance establishment of community tree orchards for sustainable fuelwood and charcoal production, and would support the promotion and take-up of small-scale solar energy solutions for household use.</p>
<p><b>Subcomponent 3.2:</b> <b>Not yet started</b> <b>Agriculture and livestock livelihoods support</b></p>	<p>Anchored by the water assets delivered under Component 1 and guided by the CDPs developed under Component 2, this subcomponent will support the development and diversification of livelihoods among target communities. It will facilitate the demand-driven delivery of agricultural assets and extension services based on community-specific priorities and context-specific conditions, including estimates of water availability and water-use demand.</p> <p>Activities envisioned under this subcomponent include the establishment of community gardens and fruit tree groves (as demonstration plots); procurement and distribution of improved seeds and other inputs; and introduction of high-efficiency microirrigation systems, soil micronutrient assessments, and needed training. These investments will help communities increase their production of more nutritious food for household consumption and, where possible, marketable surpluses.</p> <p>Training would focus on promoting farmer adoption of climate-smart farming techniques that can improve household food and nutrition security while optimizing usage efficiency of available water resources. Beyond soil and water conservation, training would focus on promoting adoption of drought-resistance crops and seeds, intercropping and crop diversification, integrated pest management, fodder production and storage, animal health treatment, and household kitchen gardens using harvested rainwater. These training activities (and other activities provided through this subcomponent) will increase the beneficiaries' resilience to floods (through soil conservation) and droughts (through the remaining activities).</p> <p>Component activities will be overseen by technical line ministries and delivered through service provider contracts (that is, NGOs and UN agencies).</p>

<b>Component 4: Project management, M&amp;E, knowledge management, and learning (US\$9.0 million)</b>	
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.	
<b>Subcomponent 4.1: Project Management</b>	<p>This subcomponent will ensure that the project is implemented efficiently, on time, and in accordance with the Financing Agreement. A strong PIU will be established and staffed by a team of experts at the national, state, and district levels. This subcomponent will support (a) the incremental operating costs for managing the project; (b) the cost of procurement and FM specialists; and (c) outreach and communications on the government’s role and leadership on the project to the broader Somali community.</p> <p>Project mobilization is well under way with working PIUs established at the federal and state level (that is, in Puntland, South West, Galmudug) and project coordinators in place. Procurement is ongoing to fully staff the remaining positions. The project has disbursed its first advance and project funds have also been transferred to project accounts to FMS. The efficiency regarding the funds transfer has alleviated one of the FMS’s concerns and set the tone for strong inter-governmental fiscal transfer and collaboration. Proposals and Bill of Quantities (BOQs) have been received for a number of Ministry offices buildings, and/or rehabilitations, vehicles, IT and office equipment procurements are either complete or under way.</p>
<b>Subcomponent 4.2: M&amp;E, knowledge management, and learning</b>	The project would support continuous learning and adaptable knowledge management. A web-based management information system (MIS) will be set up to track real-time performance of the project and is linked to an M&E system to focus on project results and outcome. This subcomponent will finance baseline, concurrent monitoring of inputs and outputs and monitoring of safeguards, conflict, and gender, and focus on developing and disseminating knowledge generated through various project activities. Subcomponent activities will incorporate modern technology such as geo-tagging of site investments, collection of field data with tablets/smartphones, and application of geospatial imaging for quantifying before and after comparisons for specific indicators. To obtain more information and knowledge on the extent and period of floods, this subcomponent will support technical work such as flood mapping and support to information sharing.
<b>Challenges</b>	
<p>The challenges are largely political in nature as Somalia tries to come together from a post conflict setting. State building that can deliver to its people and function well with equal representation is the biggest challenge. This is reflected in the form of challenging and unsettled asymmetric government between Somaliland and Somalia, the weak and fractured relations between the federal government and FMS. On a lesser scale, and as might be expected from a sub-Saharan country that still is struggling to come out of decades of conflict, are the weak institutions and capacity. Finally, though the footprint of al-Shabaab has highly minimized, being forced to attack and run guerilla style, an ‘all clear’ has not been declared yet and this creates a difficult operational environment. This, on one side, increases the project’s supervision budget and, in extreme cases, restricts the project from reaching a substantial part of the country.</p> <p>With regard to Somaliland’s participation in the Biyoole project, talks between Mogadishu and Hargeisa continue but are yet to produce a definitive breakthrough on the key issues. Among these are arrangements on the distribution of aid resources, including from IDA.</p>	
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## URBAN INFRASTRUCTURE PORTFOLIO

The Urban Infrastructure portfolio financed four active projects. Three of these are recipient-executed investment projects; one is an analytical/advisory project, the Urbanization Review, which closed during the reporting period. The MPF provides financing worth US\$87.3 million. The portfolio is co-financed with US\$50 million in IDA FY20 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)

<b>Timeframe:</b> 2016–2021; <b>Budget:</b> US\$9.77 million (original: US\$6.77 million; additional: US\$3 million)	
<b>Status:</b> Effective	
<b>Objectives</b>	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.
<b>Beneficiaries:</b> Residents of Kismayo and Baidoa.	
<b>Government counterparts:</b> Municipalities of Kismayo and Baidoa.	
<b>Implementation arrangements:</b> 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.	
<b>Past achievements</b>	
Under the original SUIPP (US\$9 million, 2016–2017), feasibility studies, preliminary engineering designs, and safeguards instruments have been completed 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. 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 undertaken for Kismayo and Baidoa, which identified key urban infrastructure needs in both cities and recommended “quick wins” or infrastructure/services and shelter provisions that can be prioritized for implementation under the SUIPP and second phase of the SURP (SURP II). Currently, all designs and bidding documents for prioritized road investments in Kismayo and Baidoa are ready to be financed under SURP II. Institutional assessments for both municipalities were completed in March 2020 and key findings on technical staffing and skillsets among civil servants were shared with respective inter-ministerial committees.	
<b>Component 1: Kismayo (US\$1.47 million)</b>	
<b>Subcomponent 1: Institutional assessment and capacity building</b>	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 that will be undertaken under the 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.
<b>Subcomponent 2: Feasibility and preliminary design studies for priority investments</b>	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. Feasibility studies, safeguards assessments, detailed engineering designs and bidding documents for 19 priority roads totaling 31.1 km have been completed. The first tranche allocation under the SURP II will finance two packages of eight roads, two priority trunk drainage outfalls, an office block that will house the PIU staff and supervision consultants, and a material testing laboratory building.

<b>Component 2: Baidoa (US\$1.47 million)</b>	
<b>Subcomponent 1: Institutional assessment and capacity building</b>	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 that will be undertaken under the 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.
<b>Subcomponent 2: Feasibility and preliminary design studies for priority investments</b>	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. Feasibility studies, safeguards assessments, detailed engineering designs and bidding documents for nine prioritized roads totaling 22.1 km have been completed. The first tranche allocation under the SURP II will finance three packages of five roads, two box culvert bridges, and a laboratory block.
<b>Component 3: Cross-cutting activities (US\$0.6 million)</b>	
<b>Program management</b>	A program coordinator has been assigned in Mogadishu to help the two new cities liaise with the federal government, and also to foster peer-to-peer learning across the four cities supported under the SUIPP.
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## SOMALIA URBAN RESILIENCE PROJECT (SURP)

<b>Timeframe:</b> 2018–21 (Phase I); <b>Budget:</b> US\$9 million (MPF Grant) <b>Status:</b> Effective	
<b>Objectives</b>	Strengthen public service delivery capacity at the subnational level and support the reconstruction of key urban infrastructure in targeted areas.
<b>Beneficiaries:</b> (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) BRA and Garowe Municipality staff benefitting from capacity-building initiatives in this project.	
<b>Government counterparts:</b> Municipalities of Mogadishu and Garowe.	
<b>Implementation arrangements:</b> Government-executed through the municipalities of Mogadishu and Garowe.	
<b>Geographic coverage:</b> Cities of Mogadishu and Garowe.	
<b>Component 1: Mogadishu Municipality (US\$6.5 million)</b>	
<b>Ongoing Rehabilitation of 15 roads across seven districts of Mogadishu; setting up and capacity-building support to the Project Implementation Unit (PIU)</b>	<p><b>Implementation of civil works:</b> The scope of works involves construction of 15 roads (7.2 km) across seven districts, which is a variation from the original scope.<sup>3</sup> The changes were made following community consultations conducted by the BRA in Boondhere, Warta-Nabada, and Shangani districts. Some roads were dropped from the list and replaced with the community’s high priority roads after considering road connectivity, constructability, ease of draining the roads, and possible displacement of IDPs who had settled on areas meant for stormwater catchment. The width of some roads has also been increased and road drainage provided to accommodate higher traffic.</p> <p>To date, works are about 62 percent complete and 96 percent of the contract time has been spent. Works are completed in six roads (3.1 km) across two districts and ongoing in three roads (2.2 km) across three other districts, while the contractor is starting works in a new road (0.65 km) in one other district. Works have yet to commence on five roads (1.28 km) in two districts.</p> <p>The original contract period of 14 months started on March 15, 2019, and ended on May 15, 2020. To complete the works, the BRA has approved the contractor’s request for no-cost extension of time of four months to September 30, 2020, to complete the works.</p> <p><b>Community engagement:</b> As of March 31, nearly 12,008 labor days have been created in the overall project and 21 women engaged as unskilled labor. In addition, the BRA has established road Maintenance Committees (MC) in six districts where works are in progress. The MCs comprise seven members each including representatives from the district administration, community elders, members of district women and youth groups, and one BRA staff member from the Engineering Department.</p>
<b>Component 2: Garowe Municipality (US\$2.5 million)</b>	
<b>Ongoing Rehabilitation of four roads in Garowe; setting up</b>	<p><b>Implementation of civil works:</b> All civil works in Garowe were completed by June 30, 2020. Construction of four urban roads (4.93 km) and associated side drains has been completed, except for road furniture and markings.</p> <p>The original contract period was for 12 months ending March 30, 2020; however, a three-month</p>

<sup>3</sup> The original scope consisted of 19 roads (7.6 km) across seven districts.

<p><b>and capacity-building support to the Project Implementation Unit (PIU)</b></p>	<p>extension to June 30, 2020, was granted due to some delays in construction.</p> <p>The project piloted the use of Otta seal<sup>4</sup> in Garowe for the first time where previous road surfacing was asphalt concrete. However, Otta seal does not achieve an appealing uniform appearance like asphalt concrete which was the community’s expectation. Moreover, during the construction of Otta seal surfacing, the community raised concerns about dust since vehicles were moving at high speed over the spread gravel. This was addressed by the municipality by providing traffic wardens to control and direct traffic during construction as the gravel was embedded in asphalt. To improve the road surfacing, a final Otta seal layer was carried out during the extension period.</p> <p>Both Garowe and UNOPS have carried out a joint final inspection and issued the contractor a completion certificate on June 23. A handover certificate was issued on June 30 after the contractor completed rectification of all construction defects.</p> <p><b>Community engagement:</b> As of March 31, nearly 7,268 labor days have been created in the overall project and eight women engaged as unskilled labor. In addition, the PIU established one Maintenance Committee comprising seven members including representatives from the department of Public Works and Public Relations, community elders, representatives of women and youth groups, and IDPs.</p> <p><b>Monitoring and evaluation:</b> 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 will also be contracted to carry out an end line survey in both cities. The survey will commence in January 2021 but procurement for this consultancy will start in August 2020.</p>
<p><b>Component 3: Contingency Emergency Response (US\$0 million)</b></p>	
<p><b>Not yet triggered</b></p>	<p>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.</p> <p>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.</p> <p>To date, this component has not been triggered.</p>
<p><b>Other updates</b></p>	
<p><b>Somalia Urban Resilience Project II:</b> 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 64.</p>	
<p><b>Challenges</b></p>	
<p><b>COVID-19 impacts:</b> Given that 35 percent of works in Mogadishu still need to be completed, the potential impact of COVID-19 on workers in Mogadishu is high. Some risk mitigation measures put in place include: (a) increasing the number of nurses on site; (b) daily screening of contractor personnel by the Mogadishu municipality health department; (c) awareness raising about COVID-19 by the contractor among the workers; (d) providing hand sanitizers and wash stations on site; and (e) shifting to online meetings to the extent possible and communicating/reporting through WhatsApp groups.</p> <p>Going forward, however, if the situation in Mogadishu further deteriorates due to COVID-19 and the government issues a city- or nationwide lockdown, civil works would need to be temporarily suspended, resulting in significant delays in the</p>	

<sup>4</sup> 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.

completion of the works.

**Physical relocation in Mogadishu:** Two of the roads in Shangani district (Madbacada and Sharif Abow road) have not yet been handed over to the contractors as it involves the physical displacement of Project Affected People (12 families are impacted). The Mayor of Mogadishu has now allocated land for these families, but their relocation has been delayed due to the recent pandemic. The PIU expects to relocate these families around late July to allow for the construction to be completed by late September 2020.

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## SOMALIA URBAN RESILIENCE PROJECT II (SURP II)

<p><b>Timeframe:</b> 2019–24; <b>Budget:</b> US\$112 million (IDA: US\$50 million; MPF: US\$62 million)  <b>Status:</b> Effective</p>	
<p><b>Objectives</b></p>	<p>Strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.</p>
<p><b>Beneficiaries:</b> 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.</p>	
<p><b>Government counterparts:</b> The project will be implemented on behalf of the Federal Government of Somalia by the municipalities of Mogadishu, Garowe, Kismayo and Baidoa. Dhusamareb (Galmudug) and Beledweyne (Hirshabelle) have recently been selected to join the SURP II and will start preparatory works. A Project Coordination Unit (PCU) at the federal Ministry of Public Works will provide coordination and technical support to municipalities as needed.</p>	
<p><b>Implementation arrangements:</b> This project will be implemented through the Federal Government of Somalia. 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 would outline the respective roles and responsibilities of these entities in the project. A federal inter-ministerial 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 inter-ministerial 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, and Baidoa municipalities with support from an engineering supervision consultant. In addition, a PCU will be 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.</p>	
<p><b>Geographic coverage:</b> 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).</p>	
<p><b>Links to past/ongoing projects</b></p>	
<p>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.</p> <p>SURP II will strengthen urban resilience by (a) providing capacity building support to municipalities and strengthening government systems at the subnational level by channeling funds on-budget; (b) financing prioritized urban infrastructure investments in cities; and (c) generating short-term income generation opportunities for the vulnerable such as women, urban poor, IDPs, and returnees. 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.</p>	

<b>Component 1: Urban infrastructure and services (US\$89 million)</b>	
<p><b>Ongoing</b> <b>Preparation and implementation of infrastructure investments across four cities (Kismayo, Baidoa, Garowe, and Mogadishu)</b></p>	<p><b>Mogadishu.</b> The municipality will receive funding for priority urban investments from the first tranche of SURP II. These include the Jaale Siyaad primary road (6.4 km) and 10 community roads (12 km) in 10 districts with a total cost estimate of US\$14.6 million. Local consultants undertaking designs for the Jaale Siyaad road did not manage to submit the draft detailed designs by April 30 as planned. The delay is attributed to security issues along those roads and increased scope of work for the design of a drainage system. The draft design report will be submitted before end-August 2020. Additionally, Terms of References (ToRs) for the 10 community roads studies under SUIPP-AF have been prepared with UNOPS expected to prepare the designs. Design reports for the community roads are expected by October 2020.</p> <p><b>Garowe.</b> Preparation of designs for “quick win” investments is in progress. This includes five urban roads (10 km in total) and is estimated to cost US\$6 million. Detailed designs for these road investments have already been prepared. Concurrently, designs for the Hospital Bridge are delayed since an Environmental and Social Impact Assessment (ESIA) is required and is expected to be carried out in August 2020.</p> <p><b>Kismayo.</b> Detailed engineering designs for priority trunk drainage for the Airport Road have been prepared by UNOPS. The design includes three trunk drainage outfalls and key primary branches estimated to cost US\$1.2 million. However, this only partly addresses the city’s flooding issues. A comprehensive solution will require both a citywide assessment and major infrastructure investment, which are not included in the current project. In this regard, a prefeasibility assessment on urban drainage improvements was prepared by UNOPS. ToRs for a citywide drainage study were also drafted to develop long-term solutions for the city’s flooding issue.</p> <p><b>Baidoa.</b> Four roads—30 KA Road, Ali Amhar Road, Hanano Road, and Hospital Road—will be financed under the first tranche of SURP II and bundled into three packages. Bidding documents for Package 1 (US\$4.6 million), Package 2 (US\$ 4.2 million) and Package 3 (US\$2 million) have been prepared. The construction period for each package is estimated to be 15 months.</p>
<b>Component 2: Institutional strengthening and analytics (US\$5 million)</b>	
<p><b>Under preparation</b> <b>Technical assistance and related analytics for informal settlements, urban infrastructure operation and maintenance, and urban governance service delivery</b></p>	<p>This component supports three 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; and (c) TA on urban governance and services that analyzes bottlenecks of solid waste management in Mogadishu and identify means for the BRA to hold the service provider accountable.</p> <p>TA activities are delayed due to travel restrictions under COVID-19 that prevent consultants from travelling to the country. Draft TORs for the three TAs have been prepared. Recruitment of consultants will commence in September 2020.</p>
<b>Component 3: Project management and capacity building (US\$18 million)</b>	
<p><b>Ongoing</b></p>	<p><b>Project staff recruitment.</b> This component will finance 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 is being established at the Federal level within the Ministry of Public Works to help coordinate and support the PIUs.</p> <p><b>Signing of subsidiary agreements with Galmudug and Hirshabelle states.</b> Discussions were recently held with the Galmudug and Hirshabelle states on city selection with the state level inter-</p>

	<p>ministerial committees endorsing Dhusamareb and Beledweyne, respectively.</p> <p>The signing of the subsidiary agreements is planned following endorsement on city selection by the Project Steering Committee at the Federal level and assignment of SURP II technical focal points by the respective states.</p>
<p><b>Component 4: Contingent Emergency Response (US\$ 0)</b></p>	
<p><b><i>Not yet triggered</i></b></p>	<p>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.</p>
<p><b>Alignment to NDP</b></p>	
<p>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 the 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.</p> <p>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”.</p>	
<p><b>Challenges</b></p>	
<p><b>Security risks.</b> SURP II includes areas with higher security risks than the ongoing SURP, especially in Mogadishu. The nature of the project (that is, visible and significantly large urban infrastructure projects, government-managed and World Bank-funded) may attract possible al-Shabaab attacks. While the security management plan will be prepared and implemented in each municipality, the security risks will need to be carefully managed throughout implementation.</p>	
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**SOMALIA URBANIZATION REVIEW**

<p><b>Timeframe:</b> 2018–20; <b>Budget:</b> US\$0.9 million  <b>Status:</b> Effective</p>	
<p><b>Objectives</b></p>	<p>Improve the understanding of complex issues pertaining to urbanization in Somalia and to identify priority interventions that can help better manage it.</p>
<p><b>Beneficiaries:</b> Direct beneficiaries are the Government of Somalia and development partners engaged in urban work in Somalia.</p>	
<p><b>Government counterparts:</b> The team set up an inter-ministerial high-level committee to liaise with multiple government agencies. The Mayor of Mogadishu/BRA Governor is the Chair, and members comprise MoPIED, Ministry of Trade and Commerce, Office of the Prime Minister, Ministry of Public Works, Water and Energy, Interior, Humanitarian Affairs and Disaster, and BRA. Subnational governments such as Kismayo, Baidoa, and Bosaso municipalities are also consulted.</p>	
<p><b>Implementation arrangements:</b> These activities are executed by the World Bank.</p>	
<p><b>Geographic coverage:</b> The analysis covers the entire country but focuses on key cities.</p>	
<p><b>Context</b></p>	
<p><b>Somalia’s cities have served as anchors of development over the past three decades. If managed well, urbanization can help Somalia to develop faster and further.</b> Though Somalia’s high urban growth rate can present challenges, fast growing cities can be powerful catalysts for economic growth, innovation, and improved service delivery. Evidence shows that incomes rise as the share of population living in urban areas increases. On average, for every increase in urbanization of 1 percent, GDP per capita increases by 4 percent. Cities generate more than 80 percent of GDP worldwide. Densities found in cities promote productivity and offer opportunities to improve people’s livelihoods and quality of life, eventually helping lift many out of poverty. For firms and workers in urban areas, proximity makes skills’ matching and job searching more efficient. For governments, basic public services and infrastructure can be provided at a lower cost due to economies of scale.<sup>5</sup> Cities also offer a broader range of opportunities and services, helping citizens to manage risk.</p> <p><b>On the other hand, failure to meet the needs of growing urban populations and emerging risks threaten to undermine Somalia’s modest successes and wider stability.</b> Though Somali cities are growing rapidly, the absence of adequate planning and uneven, contested governance risks restricting the potential development and economic growth Somali cities can generate. Unplanned growth is resulting in slum expansion and environmental degradation. Basic public goods like roads, water and sewer systems, and access to the power grid are complicated by unplanned growth. Settlement patterns are typically highly segregated by ethnic groups/clans. Meanwhile, cities are receiving large waves of forcibly displaced people and other rural-urban migrants, which risk shifting clan dynamics in ways that are destabilizing. The rights of urban internally displaced persons (IDPs) are contested and their settlements are often cut off from basic services. Poor and marginalized groups, more broadly, are often excluded from access to land and basic services. And property disputes in neighborhoods where real estate is a prized and scarce commodity are a major source of violence and communal tension. As promising as Somalia’s cities’ economic successes have been, the risks of targeted political violence, communal clashes, and terrorist attacks makes them vulnerable. The Somali cities of Mogadishu, Merka, and Kismayo were recently ranked the three most fragile cities in the world.<sup>6</sup></p> <p><b>Given the central role cities play in Somalia’s development and stability, managing Somalia’s urbanization is crucial. Yet, the political and administrative complexities in Somalia do not allow for a conventional approach to addressing urbanization.</b> Urban management is stymied by a combination of inadequate demographic data nationally; lack of clarity on city boundaries; disputed, unclear, and overlapping jurisdictions over cities between federal, state, and district authorities; the lack of a strong formal-legal role and adequate capacity and resources for mayors and municipalities, particularly in</p>	

<sup>5</sup> Lall, S. V., J. V. Henderson, and A. J. Venables. 2017. *Africa’s Cities: Opening Doors to the World*. Washington, D.C.: World Bank.

<sup>6</sup> Urban Gateway. “These are the World’s Most Fragile Cities”. <http://new.unhabitat.org/news/these-are-worlds-most-fragile-cities>

south central Somalia; a pluralistic, disputed, and conflict-ridden set of systems for property titling, sales, and dispute management; and, as noted below, the existence of numerous non-state actors making claims on political authority or service provision.

### Description of the study

**Somalia’s urban centers feature a complex mix of different state and non-state authorities, a political landscape described as ‘hybrid governance’.** In addition to the presence of multiple state actors—from the federal government and Federal Member State governments, to district administration—much to most *de facto* authority resides in the hands of traditional clan elders, business leaders, militia leaders, civic groups, religious authorities. These non-state actors were in some cases already an important source of political authority in the years before the civil war. Their roles greatly expanded and were tested during the long period of war and state collapse in Somalia, when they constituted the only source of governance in the country. Their relations with one another range from routinized cooperation and power sharing, open rivalries, separate divisions of labor to a set of options citizens may select from. When this authority is expressed in quasi-judicial roles involving rulings on crimes or disputes, it reflects a form of legal pluralism in which residents may opt for civil, customary, or religious law, or a combination of more than one. These hybrid governance arrangements are fluid and variable in their degree of local legitimacy, capacity, and roles. With the partial exception of al-Shabaab, which can impose its decisions, most of Somalia’s panoply of informal governance actors rely heavily on negotiation.

**Put simply, Somalia is not yet at a point where conventional urban development policies and programs can be effective.**

The country needs to maximize the positive contributions its cities can make to overall development, employment, peace, and good governance, but currently lacks the effective, empowered, and financed local institutions to provide the requisite governance framework and directly provide services. Somalia’s cities do not lack for committed leadership—both large and small cities have attracted some of the most dedicated and effective leaders over the past 25 years.<sup>7</sup> But those leaders have had few tools to work with and have faced resistance from many quarters.

**A transitional strategy for engaging and strengthening urban governance and service delivery is required and unavoidable.** Ongoing efforts to strengthen local government capacity and clarify the roles of federal, state, and district authorities in Somalia must be twinned with pragmatic strategies aimed at working with local capacities that exist in order to deliver badly needed governance and services to urban populations.<sup>8</sup> Such an approach is less likely to result in “premature load bearing”,<sup>9</sup> whereby Somali government institutions are made to shoulder too much, too soon. Working with what exists may require a mindset change—a willingness on the part of cooperating partners (especially development partners) to embrace hybrid, “good enough” solutions in order to improve the success rate of service delivery and parts of governance such as those related to land dispute resolution, while always mindful of the need to assess the acceptability of local non-state actors as partners. For the government, it would require willingness to embrace, at least as an interim strategy, the concept of a “third-party service delivery” model, common in a number of countries like the United States, in which the government partners with or outsources roles to the private sector, civil society, and others, for the delivery of critical services.<sup>10</sup> This outsourcing model is embraced in some cases because it is viewed as a more efficient means of service delivery; in other cases, because it is more effective. This approach requires that all stakeholders understand and agree on the formal and informal rules, regulations, norms, behaviors, and accountability mechanisms that undergird third party government service delivery models.

**Managing urbanization in Somalia should be a process by which a wide range of formal and informal rules and systems surrounding governance and service delivery incrementally come to have greater coherence, complementarity, credibility, and capacity.** “Coherence” necessitates different systems and institutions to shift from competition against one another to cooperation, so they broadly move in the same direction, with similar standards rather than contradicting or undermining one another. “Complementarity” requires that formal and informal systems find a way to not only coexist but

<sup>7</sup> For example: In 1996, the Mayor of Hargeisa, Hashi Elmi, was awarded the UN Habitat Scroll of Honour Award for his work in developing a planned neighborhood for returning refugees. Also see, for instance: (a) Andrew Harding. 2016. *The Mayor of Mogadishu: A Story of Chaos and Redemption in the Ruins of Somalia* (New York: St. Martin’s Press); and (b) Ken Menkhaus. 2014. “If Mayors Ruled Somalia.” Nordic Africa Institute Policy Note 2, <http://nai.diva-portal.org/smash/get/diva2:714676/FULLTEXT01.pdf>

<sup>8</sup> RVI (2019).

<sup>9</sup> Andrews, M., L. Pritchett, and M. Woolcock. 2017. *Building state capability: Evidence, analysis, action*. Oxford University Press.

<sup>10</sup> Young, Dennis. “Third Party Government.” In Steven Ott and Lisa Dicke (eds.): *The Nature of the Non-Profit Sector*, 3rd ed. (Boulder: Westview Press, 2015); Aspen Institute. March 2007. “Nonprofits as Contractors for Local Governments: Challenges and Benefits.” Snapshots No. 44.

also help fill in each other’s gap, leveraging respective comparative advantages. No single entity can address the vast urban governance and service delivery challenges. “Credibility” signifies that the process and the outcomes of such an endeavor need to be perceived as legitimate by all to ensure political support. It is particularly important to ensure the state’s acceptance and buy-in on approaches that seek to leverage and partner with “hybrid” governance actors for service delivery where it is warranted. Finally, “capacity” will need to be strengthened among both formal and informal actors to enable them to play more complex and expansive roles.

**The corresponding policy question then is how different actors—citizens, private firms, policymakers, customary authorities, and the international community—can coordinate their actions in ways perceived by all to be legitimate, to facilitate this process.** This amounts to working incrementally with both formal and informal rules and systems, facilitating to move them from competition to cooperation, leveraging the existing systems that work (albeit imperfectly) and evolving them to become more expansive, inclusive, and equitable.

**The Somalia Urbanization Review aims to improve our understanding of the complex issues pertaining to urbanization in Somalia and to identify priority interventions that can help better manage it.** There is wide consensus among the government as well as development partners on the critical importance of urbanization for Somalia’s development. Yet, there has been little comprehensive analysis that serves as a basis for a coherent urban development strategy. The Urbanization Review draws on both technical and political economy analyses to provide a better understanding of a broad range of urban issues in Somalia. The report aims to facilitate a more informed dialogue between the government, private sector, civil society, the development partners and other stakeholders on a more comprehensive urban development strategy in Somalia. It also aims to inform the World Bank’s future urban projects by identifying priority areas of intervention.

The study was finalized in June 2020. The team is currently finalizing the report for publication. Starting September, the team plans to hold a series of consultations with various stakeholders to discuss how to operationalize some of the policy recommendations of the Urbanization Review.

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