MPF Project Briefs
July–December 2020

Contents

ABBREVIATIONS AND ACRONYMS .......................................................................................................................... 2

EFFECTIVE, ACCOUNTABLE GOVERNMENT PORTFOLIO ......................................................................................... 4
  CAPACITY INJECTION PROJECT (CIP) ....................................................................................................................... 5
  CIVIL SERVICE STRENGTHENING PROJECT (CSSP) ............................................................................................ 8
  DOMESTIC REVENUE MOBILIZATION AND PUBLIC FINANCIAL MANAGEMENT CAPACITY STRENGTHENING PROJECT
  (DRM/PFM) ............................................................................................................................................................... 11
  ENGAGEMENT IN SOMALIA’S HEALTH SECTOR ...................................................................................................... 17
  ENHANCING GOVERNANCE DIALOGUE ON SOMALIA ......................................................................................... 20
  MPF KNOWLEDGE FUND ....................................................................................................................................... 22
  RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM ................................................................. 26
  SOMALIA SHOCK RESPONSIVE AND SOCIAL SAFETY NETS ............................................................................ 30
  SOMALI INTEGRATED STATISTICS AND ECONOMIC PLANNING CAPACITY BUILDING PROJECT ............. 37
  SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE (FGC) .......................................................... 40

ENABLING ECONOMIC GROWTH PORTFOLIO .................................................................................................. 43
  SOMALI CORE ECONOMIC INSTITUTIONS AND OPPORTUNITIES (SCORE) PROGRAM ..................................... 44
  SOMALI ELECTRICITY ACCESS PROJECT (SEAP) ............................................................................................... 48
  SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP, THROUGH DIGITAL UPLIFT PROGRAM
  (SCALED-UP) ......................................................................................................................................................... 51
  SOMALIA CRISIS RECOVERY PROJECT (SCRP) .................................................................................................. 57
  WATER FOR AGRO-PASTORAL PRODUCTIVITY AND RESILIENCE, OR ‘BIYOOLE’, PROJECT ....................... 61

URBAN INFRASTRUCTURE PORTFOLIO .................................................................................................................... 69
  SOMALI URBAN INVESTMENT PLANNING PROJECT (SUIPP) ........................................................................ 70
  SOMALIA URBAN RESILIENCE PROJECT (SURP) .............................................................................................. 72
  SOMALIA URBAN RESILIENCE PROJECT II (SURP II) ...................................................................................... 74
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
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MoHADM</td>
<td>Ministry of Humanitarian Affairs and Disaster Management</td>
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<tr>
<td>MoIFAR</td>
<td>Ministry of Interior, Federal Affairs, and Reconciliation</td>
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<tr>
<td>MoLSA</td>
<td>Ministry of Labor and Social Affairs</td>
</tr>
<tr>
<td>MoPIED</td>
<td>Ministry of Planning, Investment, and Economic Development</td>
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<td>MoPTT</td>
<td>Ministry of Posts, Telecommunications, and Technology</td>
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<td>MPF</td>
<td>Multi-Partner Fund</td>
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<td>MSME</td>
<td>Micro, Small, and Medium Enterprises</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<td>NCA</td>
<td>National Communications Authority</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NGO</td>
<td>Nongovernmental Organization</td>
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<td>NPS</td>
<td>New Partnership for Somalia</td>
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<td>OoP</td>
<td>Office of the President</td>
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<td>PAC</td>
<td>Pre-Arrears Clearance</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>PLR</td>
<td>Performance and Learning Review</td>
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<td>POM</td>
<td>Project Operations Manual</td>
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<td>PSS</td>
<td>Puntland State of Somalia</td>
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<td>RCRF</td>
<td>Recurrent Cost and Reform Financing Project</td>
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<td>SBCF</td>
<td>Somali Business Catalytic Fund</td>
</tr>
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<td>Scaled-Up</td>
<td>Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project</td>
</tr>
<tr>
<td>SCORE</td>
<td>Somali Core Economic Institutions and Opportunities Program</td>
</tr>
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<td>SDRF</td>
<td>Somalia Development and Reconstruction Facility</td>
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<td>SEAP</td>
<td>Somalia Electricity Access Project</td>
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<td>SEU</td>
<td>Somalia Economic Update</td>
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<td>SFF-LD</td>
<td>Special Financing Facility for Local Development</td>
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<td>SIF</td>
<td>Somali Infrastructure Fund (AfDB administered)</td>
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<td>SL</td>
<td>Somaliland</td>
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<td>SMEF</td>
<td>Small and Medium Enterprise Facility</td>
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<td>SMEs</td>
<td>Small and Medium-sized Enterprises</td>
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<td>SMP</td>
<td>Staff-Monitored Program</td>
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<td>SNHCP</td>
<td>Somalia Shock Responsive Safety Net for Human Capital Project</td>
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<td>SNLRP</td>
<td>Somalia Shock Responsive Safety Net for Locust Response Project</td>
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<td>SPS</td>
<td>Social Protection System</td>
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<td>SUIPP</td>
<td>Somali Urban Investment Planning Project</td>
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<td>SURP</td>
<td>Somali Urban Resilience Project</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>WFP</td>
<td>World Food Programme</td>
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EFFECTIVE, ACCOUNTABLE GOVERNMENT PORTFOLIO

This portfolio financed 13 active projects. Of these, eight are recipient-executed investment projects and five are analytical/advisory projects. The MPF provides financing worth US$194.7 million. The portfolio is co-financed with US$278 million in IDA resources. It represents the largest portfolio within the MPF; many of the projects are closely interlinked. Under the Country Partnership Framework, the World Bank Group is strengthening ongoing governance programs with a new focus on fiscal space and improving access to—and the quality of—key social services and resilience. This portfolio aligns with CPF Focus Area 1: Strengthening Institutions to Deliver Services.
**CAPACITY INJECTION PROJECT (CIP)**

**Timeframe:** 2015–21; **Budget:** Appraised at US$40 million, currently allocated US$26.25 million  
**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>To strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core government functions.</th>
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</table>

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

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

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

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

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

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

| Subcomponent 1.1: Ongoing  
Supporting harmonized and government-led capacity injection in priority institutions | 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 2021. CIM salaries continue to be funded by the RCRF project. |
|---|---|

| Subcomponent 1.2: Ongoing  
Providing specialized training and coaching support for new recruits and their teams | The TA to the FGS School of Management and Public Administration (SOMPA) to design and deliver training programs for civil servants and develop a curriculum is ongoing. The Kenya School of Government (KSG) is providing this TA through a twinning arrangement. A draft National Training Policy and a Training Needs Assessment Report has been submitted to the Bank for review. The PSS is finalizing the procurement of a similar TA (KSG). The Bank continues to advise both the FGS and PSS to ensure that KSG works closely with the managerial and academic staff of SOMPA and IPAM (that is, the Institute of Public Administration and Management), respectively, on knowledge and skills transfer. |

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

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

| Subcomponent 2.1: Ongoing  
Supporting priority | The development of an organizational ordinance providing more clarity on mandates, vision, mission, functions, accountabilities, structures, staff complement, and establishment ceilings from the organizational review recommendations has been delayed in the FGS due to the pending conclusion of a review of organizational review reports. The Bank has advised the |
| Subcomponent 2.2: Ongoing | Civil service management subsidiary legislation: In the FGS, administrative regulations and procedures out of the HR policies that were developed have been concluded. The policies are undergoing translation and will be submitted to the Cabinet for endorsement. The PSS’ administrative regulations and procedures out of the HR policies have been endorsed by Cabinet.

Pay and Grading policy and system: The FGS TA on Pay and Grading is ongoing. The PSS is working on extending the Pay and Grading TA’s contract to enable them to expand the coverage of job evaluations and revise the financial modeling data that had been analyzed under phase I of the assignment. Both the FGS and PSS have been advised to ensure that the TA supports them in developing an implementation plan that addresses the inter-related issues of:

- Ensuring fiscal sustainability throughout the implementation period.
- Gradually aligning total remuneration of staff hired thought the capacity injection mechanism (CIM) and other donor-financed staff serving essentially (if not actually) as civil servants with the new civil service remuneration levels.
- “Grandfathering” salary levels of those civil servants whose salaries under the new system will fall below those they are currently receiving, until such time as annual upward adjustments in the salary scale brings their new system scale-mandated salary up to at least the same level as their presalary-reform level.

Public Sector Pension Reform: The FGS Cabinet has endorsed the Pension policy. The draft pension bill will be submitted to Parliament for enactment. The PSS is finalizing the revision of its Pension Law. The Bank has advised both the FGS and PSS to identify the most practical and viable pension scheme and to accelerate the submission of the draft Bills since the lack of a pension system and procedures to release from service, both prevents government from releasing civil servants who have attained retirement age from service and limits injection of additional capacity and new skills into the civil service. Regulations will be drafted out of these laws. |
|---|---|
| Subcomponent 2.3: Ongoing | HR Audit and Payroll Cleaning: The FGS has shared with the Bank an English version of the Cabinet endorsement and decisions made on the HR audit and biometric registration. In the PSS, the development of electronic and hard copy personnel files for civil servants covered by the HR audits have also been completed.

HRMIS design and implementation: Both the FGS and PSS are procuring TA for development and deployment of the HRMIS: (i) Phase I will comprise business process mapping, reorganization, and reengineering of the HR processes to inform the design of a future robust and comprehensive HRMIS; determination of functional and user requirements’ specifications; technical requirements specifications—such as ICT, hardware, software development framework and tools, interoperability framework, data hosting arrangements, security and ICT management and replacement plan; governance structure and quality assurance arrangements; and HRMIS development roadmap to be endorsed and approved by management; and (ii) Phase II will entail the development of HRMIS modules in line with the approved roadmap; quality assurance of modules from development to live environment; training and change management; postimplementation support and exit; and postimplementation review. Introduction of the fully-functioning HRMIS is crucial for facilitating compliance with the regulations and procedures established by the Civil Service Law and its subsidiary legislation, including on performance management and establishment control. The Bank has also advised the FGS and PSS to include monitoring of actionable governance indicators as part of the functional requirements for the HRMIS and provided a |
guidance note on the actionable governance indicators, which was shared with both the FGS and PSS.

**Biometric attendance system:** The FGS has put in place a biometric attendance system (to date, not all attendance recording points are functioning). The Bank has advised the FGS to develop a framework for linkages with the payroll and to ensure Cabinet endorsement of the rewards and sanctions policy guiding implementation of this system.

**Public Sector Reform Strategy:** 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.

### Subcomponent 2.4: Ongoing

**Strengthening the ethical foundation of the civil service**

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

### Component 3: Strengthening policy management, coordination, and monitoring capabilities at the center of government

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

#### Subcomponent 3.1: Target achieved and activity completed

This subcomponent supported strengthening capacity for aid coordination and monitoring and evaluation of the Somali Compact. The Ministry of Planning, Economic Development, and International Cooperation (MoPEDIC) continues to publish aid data (including Puntland’s), with the support of the UN and World Bank.

#### Subcomponent 3.2: Ongoing

**Developing basic policy management capabilities**

Policy planning, M&E, and Statistics units have been established in targeted institutions, and the Office of the Prime Minister (OPM) and the MoPEDIC are jointly coordinating delivery of flagship programs. The FGS is finalizing the procurement of TA to support it in improving Cabinet processes and developing a Cabinet manual/handbook. In the PSS, TA is in place to develop a Cabinet Management Information System.

#### Subcomponent 3.3: Ongoing

**Strengthening leadership for change and delivery**

**Executive Leadership Program:**

FGS and PSS: This has been included in the training programs to be delivered through the twinning program with the KSG.

### Component 4: Project management and coordination (US$6 million)

**Ongoing**

Both the FGS and PSS continue to submit high quality quarterly progress reports on the project.

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CIVIL SERVICE STRENGTHENING PROJECT (CSSP)

<table>
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<tr>
<th>Timeframe: 2016–21; Budget: US$10 million</th>
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<tbody>
<tr>
<td>Status: Effective</td>
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<tr>
<td>Objectives: Strengthen basic functions for payroll, human resources, and policy management in selected central agencies and line ministries.</td>
</tr>
<tr>
<td>Government counterparts: Main implementing agencies: Somaliland Civil Service Commission (CSC), Somaliland Ministry of Finance, Somaliland Ministry of Labor and Social Affairs, Somaliland Ministry of National Planning and Development, and Ministry of Presidency.</td>
</tr>
<tr>
<td>Implementation arrangements: Government-executed.</td>
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<tr>
<td>Geographic coverage: The project aims to roll-out targeted capacity and organizational reforms in specific Ministries, Departments, and Agencies (MDAs) of Somaliland; it also supports opening regional offices of the Civil Service Commission. As a smaller subset but distinct element of the Series of Projects (SOP), this project is designed to address the unique public administration challenges of Somaliland. Within the overall SOP financing mechanism, this project complements the CIP (appraised at US$40 million) supporting the FGS and Puntland in the first phase, and other member states in subsequent phases.</td>
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</table>

Component 1: Strengthening the policies, procedures, and systems for civil service management (US$4.40 million)

HR and payroll audits: The Government of Somaliland (GoSL) has conducted the first payroll audit and used the new payroll list for payroll cleaning; the cleaned payroll records are being uploaded in the recently activated SLFMIS payroll module. Recently the government has completed a sample-based attendance assessment (results are being compiled). A further HR audit covering additional agencies, including those that are expected to fall under the Civil Service Commission, is planned (approximately 8,500 people) and will be followed by payroll cleaning and uploading cleaned payroll lists into SLFMIS. Hard copy and electronic personnel records are being developed across the MDAs. All records will be also entered in the HRMIS (upon its completion).

HRMIS: The GoSL is currently procuring TA for development and deployment of the HRMIS: (i) Phase I will comprise business process mapping, reorganization and reengineering of the HR processes to inform the design of a robust and comprehensive HRMIS; determination of functional and user requirements specifications; technical requirements specifications for the ICT, hardware, software development framework and tools, interoperability framework, data hosting arrangements, security and ICT management and replacement plan; governance structure and quality assurance arrangements; and HRMIS development roadmap to be endorsed and approved by management; and (ii) Phase II will entail the development of HRMIS modules in line with the approved roadmap; quality assurance of modules from development to live environment; training and change management; postimplementation support and exit; and postimplementation review. Introduction of fully functioning HRMIS is crucial for facilitating compliance with the regulations and procedures established by the Civil Service Law and its subsidiary legislation, including on performance management and establishment control.

Civil Service Law: The Civil Service Law has been revised to cover additional institutions in the public service.

Pay and Grading policy and system: GoSL is currently evaluating the Expressions of Interest for the TA on Pay and Grading (P&G). The Bank has advised GoSL to ensure that the TA includes development of an implementation plan that addresses the inter-related issues of:

- Ensuring fiscal sustainability throughout the implementation period.
- Gradually aligning total remuneration of Talent Management Program (TMP) staff and other donor-financed staff serving essentially (if not actually) as civil servants with the new civil service remuneration levels.
- “Grandfathering” salary levels of those civil servants whose salaries under the new system will 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 (relevant advisory note was prepared and shared with the GoSL).

**Public Sector Pension Reform:** The GoSL and the Bank have had intensive discussions on the pension policy and the draft Bill. The drafts are currently going through the government review and validation process before being submitted to the Cabinet for approval. The Bank has provided 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. The lack of a pension system and procedures to release from service forces civil servants who have attained retirement age to stay in service, therefore preventing the government from injecting additional capacity and new skills into the civil service.

**Component 2: Strengthening core capacity of targeted ministries (US$2.90 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. Organizational review of another eight MDAs is planned under the project. The GoSL has requested for additional World Bank support in conducting organizational reviews for all remaining MDAs. Options for this support will be considered in the design of CSSP II.

**Civil Service Talent Management Program:** 27 TMP positions (35 percent female) have been filled. The GoSL is currently finalizing the recruitment and selection of another 24 TMP staff. Staff salaries and allowances will be covered by the funds released against achievement of DLIs and upon achievement of the required eligible expenditure program by the GoSL.

The GoSL has reviewed needs for TMP staff and identified MDAs with crucial needs for TMP staff, therefore reducing the TMP footprint from the planned 80 hires to 57 (that is, by 28.75 percent). This move shows increasing maturity and self-reliance of the Somaliland Civil Service Commission and GoSL at large. The results framework has been revised through a restructuring, to reflect this reduction.

**Management and Common Service Training:** The TA by the Ghana Institute of Management and Public Administration (GIMPA) to the Somaliland Civil Service Institute (CSI), to improve its capacity in designing and delivering training programs for civil servants as well as in curriculum development, is under way.

**Component 3: Strengthening policy management capabilities at the center of government (US$0.20 million)**

The project has supported the development of a national M&E framework, and M&E guidelines have been developed. TA is being provided to the Ministry of Planning to develop a National Planning Policy. A draft bill is also being developed. Following the assessment of the existing policy management capacities of the Office of the President (OoP), an action plan for strengthening this function has been developed and procurement of TA to support this activity will begin once policy and legal staff attached to the cabinet secretariat office are recruited. The OoP is yet to advertise these positions.

**Status of Performance-Based Conditions (PBCs, formerly known as Disbursement-Linked Indicators)**

- **PBC 1** (Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality) is pending full achievement.
- **PBC 2** (Payroll audits to identify and control weaknesses and “ghost workers”) has been achieved and the Bank has sent a confirmation of achievement of this PBC to the GoSL. Disbursements of funds upon achievement of this PBC will be made once the GoSL achieves the required eligible expenditure program, or EEP (salaries and allowances for TMP staff).
- **PBC 3 and PBC 4:** The Office of the Auditor General has concluded the verification of achievement of PBC 3 (Number of improved HR procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet) and PBC 4 (newly established or reorganized HR units in targeted MDAs adequately staffed) and the GoSL has submitted the verification report to the Bank for review.
- **PBC 5** (Talent Management Program manual) has been achieved and verified, and funds disbursed against achievement.
**Component 4: Project management and support in delivery (US$2.5 million)**

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

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

**Timeframe:** 2015–2022; **Budget:** US$50 million (MPF: US$30 million; IDA: US$20 million)

**Status:** Ongoing

|---|---|

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

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<th>Implementation arrangements: Recipient-executed (RE).</th>
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<tr>
<th>Geographic coverage: Mogadishu, Garowe, and Hargeisa.</th>
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**Project restructuring and additional financing (AF)**

The AF will continue to benefit the Puntland State of Somalia (PSS) and Somaliland in addition to the FGS. Overall, the activities are consistent with the original project activities even though there was a modification to the Project Development Objective (PDO) to explicitly include the DRM support. Even though the activities in the AF were consistent with the original, the components were realigned and reduced from six to four. There was also an extension of the closing date of the original project by two years, from June 30, 2020, to June 30, 2022, to allow for the successful implementation of the project’s original and new activities.

The changes will strengthen the overall development impact of the original project and better align 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 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.

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**Component 1: Strengthening tax policy and inland revenue administration systems**

*This component is expected to strengthen tax policy and selected inland revenue systems and capacity.*

<table>
<thead>
<tr>
<th>Subcomponent 1.1: Improving organizational capacity for tax policy</th>
<th>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.</th>
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Generally, the implementation of this component is moderately satisfactory.

The TPU 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; inter-governmental fiscal coordination; and national tax system harmonization. In this context, 15 potential trainers have been identified from the FGS, PSS, and Jubbaland State of Somalia (JSS) for training, adopting ‘Train the Trainer’ methodology.
Such an approach is expected to contribute to sustainability, internalizing the capacity-building process, better mitigating the COVID-19 pandemic-generated risks and, more importantly, contribute to the harmonization agenda for national tax system development. The three governments highlighted the need for continued strengthening of their TPUs, and it was agreed to continue the trainings virtually until COVID-19 conditions allow on-site support.

**Subcomponent 1.2: Improving systems for inland revenue administration**

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

The three states have made good progress. The FGS and PSS have successfully concluded dialogue and agreed to source one service provider to design the Somalia Fit-for-Purpose tax administration system (ITAS). A contract was signed with KPMG to design the system, and later support its procurement and quality assurance. Authorities agreed to identify and assign FGS counterparts, in preparation for the ITAS design contractor, to work with and understudy the design consultant. In SL, the government has made good progress in procuring the services of a consulting firm (AARC) to carry out needs assessment for the development and implementation of an integrated revenue automation system/integrated tax administration systems. Government assigned counterpart staff and kicked off the TA that has been constrained by the COVID-19 pandemic. Regarding the Large and Medium Taxpayer Office (LMTO), in the FGS 17 staff members have been deployed; it is now functional and has enhanced service delivery. The tax audit unit comprising five staff members was set up and a draft Tax Audit Strategy prepared, supported by the Bank. The Unit commenced desk-based payroll audits, completing three audits in the review period. Training Needs Assessment (TNA) of tax audit staff was completed, and follow-up virtual trainings delivered by the Bank. In the PSS the establishment of the LMTO has been initiated as a result of Project support. Such support will continue, including contribution to the PSS and FGS LMTOs harmonization.

The three states have made good progress on the taxpayer identification number (TIN). In the FGS about 430 Somalia Financial Management Information System (SFMIS) generated TINs have been issued. In the PSS 1,600 Puntland Financial Management Information System (PLFMIS) generated TINs have been issued. Similarly, the Inland Revenue Department in SL has adopted a new structure for the unique TIN following technical advice from both the Bank and 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.

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

**Capacity Building:** In the FGS a Human Resource and Capacity Building Unit has been set up to strengthen the Director General–Revenue’s office in managing the capacity-building function. The authorities have been successful in training 74 officials, including 22 (or about 30 percent) women; in the PSS 124 officials, including 20 (or about 16 percent) women, have been trained—all supported by the Project. In addition, the African Development Bank (AfDB) concluded and handed over a new revenue training building to the FGS. The AfDB has agreed to equip the facility with minimal furniture, which will be complemented by the Project. This calls for fast tracking of the TNA and development of the curriculum plus learning materials. The PSS TNA as well as taxpayer service charter has been completed, for both the inland revenue and customs, supported by the Project. Likewise, the PSS is making good progress to prepare a: training plan based on the TNA; Human
| Subcomponent 1.3: Taxpayer education and facilitation to promote voluntary compliance | 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.  

The three states have made good progress on taxpayer orientation/education and facilitation workshops. The FGS 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 PSS was able to hold numerous taxpayer education and facilitation workshops, including in the regions, resulting in the engagement of 200 taxpayers, including 22 (or about 11 percent) women. Also, the taxpayer Helpdesk is functional and gave feedback to 242 taxpayers, including 61 (or about 25 percent) women, during January to April 2020. In SL, the Taxpayer Education Awareness and Communication Unit concluded a survey of more than 265 taxpayers supported by the DFID PROFR program. The 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. |

| Subcomponent 1.4: Supporting the Revenue Bill consultations and bridging operationalization upon enactment | 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.  

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. |

| Component 2: Strengthening capacity for public financial management control and accountability | 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. |

| Subcomponent 2.1: Strengthening systems of treasury management, budget execution, procurement, accounting, and | This component supports the FGS, Puntland, and Somaliland to strengthen their budget execution, accounting, and reporting and auditing systems; work is progressing well, but at varying degrees.  

In the FGS, the government has enacted the PFM Act and the amended Procurement Act. The related regulation for the procurement has also been passed and government has confirmed that the related PFM regulations have also now been completed and posted on the Ministry of Finance (MoF) website. The FGS has also fully implemented the International Public Sector Accounting Standards (IPSAS) cash basis of reporting and Financial Statements (FS) are prepared on this basis. The Quality Assurance (QA) review of the IFMIS for both FGS and Puntland are ongoing and draft |
Financial Reporting

The FGS and PSS have both committed to implementing the key findings and recommendations that are contained in the QA firm’s report to help enhance their systems. The FGS office of the Accountant General has committed to establishing an internal audit unit within her office to strengthen controls and help establish the same in critical/key MDAs. The External Assistance Fiduciary Section (EAFS) in the FGS, located in the office of the Accountant General, is being strengthened to ensure that it can provide the required FM staff to all new development projects for the FGS. The framework has been put in place to help operationalize this decision going forward.

In Puntland, the PFM Act is being reviewed and revised and it is expected to be well aligned with that of the FGS to ensure uniformity of the PFM legal framework within the federation. The project has also supported the integration of the PFMS functions with the Puntland State Bank banking system to facilitate online payment operations. This also allows direct payments of staff payroll into individual bank accounts, provide real time bank balances, and facilitate cash management processes and planning. The Cabinet has also approved the Treasury Single Account (TSA) framework for implementation. All other ongoing activities are progressing well.

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

Subcomponent 2.2: Strengthening the integrity systems

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

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

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

**Subcomponent 2.3: Professionalization of PFM staff**

**This component provides support to expand the government’s professionalization of the PFM staff program.**

**Puntland:** The PFM Staff Professionalization Certificate Program was extended to benefit the other FMS, where eight candidates have joined the program with the Puntland team. In addition, Puntland is running the Diploma level program, where 14 candidates have already passed the first module and are preparing for the second module. The program continues to face attendance challenges, which management is addressing.

**In Somaliland,** where the program is also running at the Diploma level, 10 candidates have also passed the first two modules. In addition, there were some 11 candidates who were approved to re-sit the certificate; out of these only two candidates have passed. The project will not be able to support these re-sit candidates again, given the multiple chances they have received but have not been able to complete the program successfully.

In total, from the start of the program, the number of candidates that have passed the certificate level is over 166—FGS: 65; Somaliland: 33; and Puntland: 68. Out of this number, 21 are women (FGS: 6; Somaliland: 8; and Puntland: 7). Most of these candidates have been successfully deployed in various PFM institutions in governments of the FGS, Puntland, and Somaliland.

**Component 3: Rapid Response Facility (RRF)**

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

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

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

**Component 4: Public financial management reform oversight, coordination, and management**

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

In the **FGS,** the project coordination unit (PCU) continues to support all the components’ heads and all related procurement has either been completed successfully or is ongoing. In August 2020, the Project Coordinator of the DRM/PFM Project resigned, and government is in the process of filling the vacant position. The procurement process has been delayed but is now at the shortlisting stage and qualified candidates are expected to be invited for interview within the next month. This will ensure that a new project coordinator is selected before end of February 2021.

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

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

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

- **Business process mapping, modernization, and automation**: Challenges still exist with the TIN structure, more specifically with the FGS/PSS. The government is still using the old design to issue TINs, which 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** is making progress but only gradually. After the submission of the draft report, steps of submitting comments for finalization have delayed and steps being taken to address identified weaknesses and actions to address them have not been developed. One of the key weaknesses raised in the QA review is that of sustainability of the system. These concerns have been raised several times but governments, especially in the FGS and Puntland, have not taken any concrete steps, actions, and measures to start addressing this sustainability issue. In this regard, Somaliland has taken action and put in place measures to address its sustainability concerns.

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

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

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

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

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

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### ENGAGEMENT IN SOMALIA’S HEALTH SECTOR

<table>
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<tr>
<th>Timeframe: 2018–20</th>
<th>Budget: US$1.2 million</th>
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<td>Status: Effective</td>
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#### Objectives
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.

#### 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 assignment has been completed and two reports generated—one for Somalia and another one for Somaliland. The recommendations of the report have been instrumental in the design of the ‘Improving Health Services Project (Damal Caafimad)—the flagship Somalia Health project that seeks to support the government to provide services to its people. Further, under this ASA, the team completed “a situational assessment of birth spacing and reproductive health interventions” which revealed key gaps in the availability and demand for modern contraception in Somalia. The findings of the report provide good background for the new project under design by the WB and other partners, particularly the DFID.

#### 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) **Support for strengthening the Pillar Working Group’s multistakeholder engagement capacity, including inter-governmental coordination and partner coordination.**
(d) Cross-country contract management learning, such as a multicountry workshop or a cross-country study tour.

The ASA is a joint landscaping analysis of the pharmaceutical sector in Somalia in partnership with the DFID. The consultancy was awarded to HERA in Quarter 3 of 2020. The findings will 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 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 an Essential Package of Health Services (EPHS) on behalf of the government. The implementation is expected as soon as the new health project is approved. The team is currently providing support to the government to review the EPHS and to undertake costing. A draft costed EPHS has been developed and shared with partners for validation. The costing exercise has been completed and EPHS finalized, and is ready for the next steps of contracting.

There are two pending activities:

- TA to support private sector organizations (associations and federations)—a firm has been hired to do a deeper dive and develop a roadmap for supporting private sector associations. The budget for the four-year support has been included in the new health project.
- Landscape assessment for regulatory status in Somalia—this has been delayed and is likely to be canceled because of limited time to implement the project. The task will likely be undertaken at a later stage with funding from another source.

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 canceled. 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.
- Limited number of consultants with experience in Somalia—this has been made worse by the persistent insecurity that has compromised the ability of teams to move around Somalia and gather data.

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## ENHANCING GOVERNANCE DIALOGUE ON SOMALIA

<table>
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<tr>
<th>Timeframe:</th>
<th>2019–2023; Budget:</th>
<th>US$1,050,000 (including a contribution from the Swiss embassy) (until the end of FY21)</th>
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<td>Status:</td>
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### Objectives
- Improve policy dialogue and coordination necessary for reform progress, achievement of governance projects’ objectives and governance integration in sectoral operations.

### Beneficiaries:
FGS and FMS ministries and institutions.

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

### Implementation arrangements:
Bank-executed.

### Component 1: Thought leadership
by convening stakeholders (government and partners) and facilitating discussions on some critical economic governance issues, including engagement with Multi-Partner Fund (MPF) donors, and Pillar Working Groups.

Following increased engagement with the team in charge of anti-corruption in the Ministry of Justice, the Task Team Leader made a presentation on the lessons of the fight against corruption all over the world to MPF donors and UN agencies in October 2020. He also recommended what should be prioritized in the Somalia context.

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

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

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

Key just-in-time inputs and papers were undertaken during the reported period:
- A comprehensive public financial management (PFM) assessment in Federal Member States (FMS) was carried out with a large team to cover revenue, budget, procurement, audit, and citizen engagement aspects (among others). This was the first assessment of this type and was an opportunity to take stock of the outcome of reforms undertaken in previous years.
- A policy note on inter-governmental transfers was finalized in September 2020, which was an input for discussion for policymakers in Somalia. It has defined short- and long-term recommendations in the area of transfers with possible options. The note was written by an external consultant.

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

During the reporting period, 10 full team meetings were organized (with minutes) to share information and updates on the various governance-led projects and programs. Such events are, de facto, held every two weeks and have led to more collaboration between the various teams.

Key papers, such as the study on PFM in FMS, were presented to the country unit (after a presentation to the Foreign, Commonwealth, and Development Office [FCDO] development director in February 2021).
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<th>Challenges</th>
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<td>• Canceled missions that make dissemination and convincing to change/amend policies more difficult.</td>
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<tr>
<td>• Delays in the recruitment of the inter-governmental fiscal advisor (financed by the Swiss Embassy). This will be finalized in early 2021.</td>
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**Contact**: Gael Raballand: graballand@worldbank.org
### MPF KNOWLEDGE FUND

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**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 main activities under this component involved implementation, scale-up, and completion of the Somalia High Frequency Surveys (SHFSs), [Wave 1](#) and [Wave 2](#), which provided critical data for comprehensive poverty analysis and related socioeconomic indicators to shed light on the underlying poverty and vulnerability conditions across the country. The SHFSs data has continued to underpin analytical work, policy dialogue and reforms, and development interventions.

The component’s activities highlighted the need to provide further capacity support to government authorities and fill existing data gaps in the next three years. In this regard, an IDA project, Somali Integrated Statistics and Economic Planning Capacity Building, amounting to US$25 million was approved by the Board on June 30, 2020 and implementation is under way. The project is aimed at strengthening the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities across the country.

The activities under this component have been completed. The following are the key outputs:

- Somalia High Frequency Surveys: [Wave 1](#) and [Wave 2](#).
- The SHFSs data was used to prepare: [Somali Poverty Profile 2017](#), [Somali Poverty and Vulnerability Assessment 2019](#), and a report titled [Improving Access to Jobs for the Poor and Vulnerable in Somalia](#).

### Component 2: Macrolfiscal framework (US$1.2 million)

**Shine a spotlight on Somalia’s economy, assess economic trends, and provide regular**

The fifth edition of the Somalia Economic Update (SEU), ‘Impact of COVID-19: Policies to Manage the Crisis and Strengthen Economic Recovery’, was virtually launched in October 2020. The report highlighted Somalia’s triple crisis—the COVID-19 global pandemic, the devastating floods, and desert locust infestation, which combined to interrupt the country’s growth trajectory. This edition distilled available data to provide a detailed on recent economic developments and outlook in light of the COVID-19 crisis and the country’s March 2020 milestone of reaching the HIPC Decision Point. It
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<th>Component 3: Public Expenditure Reviews (PER) and fiscal federalism (US$0.9 million)</th>
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| **Subcomponent 1: PERs** | The Public Expenditure Reviews (PERs) subcomponent seeks to support prudent fiscal policy and management to enhance service delivery. While implementation of fiscal policy has improved in the last three years, challenges remain. Expenditure priorities have remained unchanged with almost all expenditure being nondiscretionary in nature and skewed towards security and administrative services, hence crowding out social and economic sectors. Additionally, many outside actors undertaking service delivery in various sectors do not necessarily coordinate or share with governments their programming, financing, and information on these sectors. The PER subcomponent, undertaken through a modular approach presents fiscal policy progress including options to address these challenges.

Five PER modules were completed, internally reviewed, and findings shared in different forums with government authorities, development partners, and other stakeholders. These include:

- Overview PER;
- Public Wage Bill Management: Trends and Way Forward;
- Domestic Resource Mobilization in Somalia;
- Public Expenditure Management Assessment; and
- Moving the Federalism Agenda Forward.

| Subcomponent 2: Fiscal federalism | The focus of the Fiscal Federalism work has been knowledge dissemination and creating momentum and space for dialogue. This subcomponent sought to provide continued 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. This included analytical products and presentations to inform the ongoing fiscal federalism dialogue and technical assistance to move the agenda forward.

Initially, the subcomponent supported the establishment of the Finance Ministers’ Fiscal Forum and its continued operations through facilitation, presentations, and analytical papers on specific topics such as tax policy and customs harmonization, revenue sharing, and functional assignment. This Forum’s initial key milestone was signing of the first ever agreement on harmonization of taxes on khat, tobacco, and departure tax in September 2017. Tax policy reforms and customs harmonization dialogue has
continued progressively through this Forum and in collaboration with other operational programs including World Bank’s RCRF and PFM and DRM CSP projects, the Customs Reform and Trade Enhancement Somalia project (CRATES)—a joint initiative by FGS MoF, DFID, USAID, and EU—as well as through other initiatives by the World Bank and IMF. Notable progress has been achieved through these initiatives including an interim agreement on the division of functions and assignment of revenues in November 2019, the enactment of the Revenue Administration Law in October 2019, and an agreement to share revenues from fisheries between the FGS and the FMS on an equitable basis.

Analytical products on fiscal federalism includes a PER module (also highlighted under PER subcomponent above), Moving the Federalism Agenda Forward, which was virtually disseminated in July 2020. The module aimed to contribute to the continued efforts to deepen and sustain fiscal federalism agenda by: (a) explaining federalism and its relevance to the Somali context; (b) provide a stocktaking exercise of where the country 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) present some forward looking options to inform the policy dialogue and stimulate wider debate among the various stakeholders in Somalia. Other outputs included:

- A joint WB-UNDP stock taking exercise on functional assignment which concluded with a report on ‘State of Affairs on Federalism in Somalia’ and examined laws, regulations and practices on the ground in eight selected sectors.
- A consultant report on revenue and functional assignment.
- A study on customs revenue potential across Somalia ports including Mogadishu, Kismayo, and Bosaso by World Customs Organization expert with presentation of the findings to internal teams, government authorities, and to other related stakeholders’ forums.
- A conference organized for the Somalia Federalism Network (SFN) and held in Djibouti 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)

The component sought to guide the Somalia authorities in developing economic policies, rebuilding institutions of economic management, and provision of infrastructure and social services, to generate stable economic growth and reduce poverty. This was mainly through deep dives into sectoral issues in the Somali economy.

All the activities under this pillar were concluded in 2019. The analytical products delivered included Somalia CEM: Modules 1 (2018) and Module 2 on ICT (2018), livestock, trade, and fisheries sectors.

The CEM module 1—Agriculture, jointly by the World Bank and FAO, formed the foundational base for the Somalia Livestock Sector Development Strategy (LSDS) 2019 and has provided background for both government and development partners strategies/interventions including the Somalia NDP9.

The second module of the CEM covering ICT, financial services, transport and energy formed the basis for a distilled special focus of the third edition of the SEU on financial sector development synthesizing mainly the ICT and financial services chapters.

The Fisheries sector development note (2016) provided a comprehensive analysis of the Somali fisheries value chain and describes the political economy of Somalia, evolution of the marine and fisheries economy, areas of priority engagement, and opportunities and challenges.

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

This Pillar was established in 2019 to meet the FGS’ request in the preparation of the NDP9 and selected activities of the NEC. The support was channeled through the UNDP and was fully implemented by December 2019. It constituted technical support in the drafting the NDP9 and countrywide consultations with stakeholders—government authorities, NGOs, private sector, and the general public. The NDP9 was approved by the Cabinet in October 2019 and a review by the
Bank and the IMF though a Joint Staff Advisory Note (JSAN) done in February 2020. NEC support was mainly towards preparation of key technical papers on topical issues regional integration, private sector development, fiscal federalism, and domestic revenue mobilization. The NEC 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.

**Results and Lessons Learnt**

The Somalia Knowledge Fund has achieved its development objective to leverage development impact of domestic policies and development partner interventions through knowledge work and collecting and compiling key socioeconomic statistics. This has continued to support strategic planning, policy dialogue and reforms, inform development interventions, and promote basic accountability at both federal and subnational levels. The analytical products, specifically Somalia Economic Updates, Public Expenditure Reviews, Fiscal Federalism, and growth studies, are foundational bases for reform progress and technical assistance.

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

SHFSs Wave 1 and 2 implemented under Pillar 1 provided critical data on poverty and other key socioeconomic indicators. After more than 25 years of conflict, the knowledge gap in Somalia was extensive. In the absence of representative household surveys not much was known about Somali population, particularly the extent of poverty and vulnerability. This lack of vital information posed a threat to the design and implementation of policies and programs needed to support poverty reduction, economic resilience, and development. The SHFSs filled many critical data gaps, from poverty estimates to providing household consumption daily per capita baseline for estimating GDP components. The data shed light on the vulnerabilities of Somali households in a country facing recurrent shocks.

Somalia’s political economy and governance poses a challenge in the design and implementation of interventions. This is mainly due to political contestation among key entities (Federal and subnational governments, line ministries, and other government agencies). In Somalia’s context, preparing a comprehensive nationwide report or program calls for extensive consultations and collaborations which are not always fruitful and cause delays in implementation (for example, data collection, data sharing, development plans). Nationwide data production including methodology, design of data collection instruments, data analysis and presentation, harmonization, and data sharing requires consensus and commitment among the key partners early in the process; clear objectives of activities and roles; and putting in place memorandums of understandings.

Other lessons learnt:

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

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RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM

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<th>RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM</th>
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<tr>
<td><strong>RCF II: Timeframe:</strong> 2015–22; <strong>Budget:</strong> US$206 million (MPF: $146 million; IDA: $60 million; MPF grant value: $88 million)</td>
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<tr>
<td><strong>RCRF III: Timeframe:</strong> 2020–23; <strong>Budget:</strong> US$68 million (IDA)</td>
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<td><strong>Status:</strong> Effective</td>
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| 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. |


| 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 and effective as of December 16, 2020, complements RCRF II with an enhanced focus on inter-governmental fiscal federalism, citizen engagement, and service delivery.

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

(a) Introducing reform benchmarks to incentivize reforms and associated funding within the FMS for improved governance and 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 III will also contribute to COVID-19 response and recovery through scaled-up fiscal support to FMS through fiscal transfers for education and health service delivery and scale-up of the Marwo Caafimaad Female Health Worker (FHW) Program and retraining for COVID-19 response.

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

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

| Subcomponent 1.1: Ongoing Financing eligible civil service salaries | Subcomponent 1.1 continues to provide a ‘baseline’ level of input-based financing of the FGS civil service wage bill. This financing supports the timely payment of civil service salaries over the five-year period (US$33.9 million in total) through the advance-replenishment model of payroll financing already successfully established under the RCRF. 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. FGS civil service wage bill payments were processed in a timely manner throughout the |
second half of 2020 despite the fiscal stress related to the COVID-19 pandemic. Subcomponent 1.1 also provides a continued source of financing for the FGS’ Capacity Injection Mechanism (CIM) recruits (recruited through the support provided by the World Bank CIP). Financing 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.)

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<tr>
<th>Subcomponent 1.2: Ongoing Financing eligible civil service salaries in FGS: Reform benchmarks (PBCs/DLIs)</th>
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<td>Affected by COVID-19 related limitations, the FGS has made mixed progress on implementation of the 2020 RCRF reform benchmarks or ‘Disbursement-Linked Indicators (DLIs) in 2020. A report regarding progress on the 2020 DLIs has been submitted by the Office of the Auditor General (Independent Verification Agent) for Bank review and was cleared by the World Bank as follows, with three out of six Disbursement-Linked Results (DLRs) met and the associated funds to be reimbursed to FGS as follows:</td>
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<td>(a) Draft Policy paper including: (a) principles to guide FGS transfer allocations to FMS/BRA; (b) comparative analysis, reflecting regional context; and (c) long-term views, tabled at Finance Ministers Fiscal Forum.</td>
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<td>(b) FGS fiscal transfers execution rate to FMS equal to or greater than the outturn rate for domestic revenues (Year 2).</td>
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<td>(c) Proficiency testing of teachers conducted in at least two eligible FMS/BRA as an annual exercise, establishing a minimum competency level of teachers (Year 2).</td>
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<td>The remaining three DLIs are expected to be met in 2021. Those include DLIs on customs automated system, integrated tax administration system, and auto reconciliation of balances in SFMIS system.</td>
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<td>(See Appendix 3, on page 90 of the MPF Progress Report [July–December 2020], for a full overview on progress against 2020 reform benchmarks/DLIs under RCRF II.)</td>
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<th>Component 2: Strengthen inter-governmental fiscal relations (forums and Secretariat) (US$1.8 million by RCRF II and US$17.8 million by RCRF III)</th>
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<td><strong>Subcomponent 2.1. Supporting inter-governmental Fiscal Forums and Secretariat (US$3.2 million)</strong></td>
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<td>Inter-governmental fiscal coordination between the FGS and FMS has continued during 2020 despite the COVID-19 pandemic. In place of face-to-face meetings, for the first time, the FGS and FMS undertook virtual meetings of the Finance Ministers’ Fiscal Forum (FMFF), 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.</td>
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<td>The first face-to-face FMFF since COVID-19 pandemic took place on August 10–12, 2020, in Mogadishu. A policy paper was presented and endorsed, which included:</td>
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<td>(a) principles to guide FGS transfer allocations to FMS/Region Administration;</td>
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<td>(b) comparative analysis, reflecting regional context; and</td>
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<td>(c) long-term views on scale-up of inter-governmental transfers.</td>
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<td>The fiscal forum Secretariat is also now fully staffed in support of inter-governmental fiscal forums at both technical and ministerial levels.</td>
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<th>Subcomponent 2.2: Reform benchmarks for improved governance and service delivery at FMS level</th>
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<tr>
<td>RCRF III has introduced new reform benchmarks for improved governance and service delivery at FMS level. The first round of service delivery transfer agreements in the health sector were prepared and submitted for the World Bank review in January 2021. The agreements are accompanied by Annual Community Health Service Delivery Plan, including</td>
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<td>FMS level (US$11.7 million)</td>
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| Subcomponent 2.3: Strengthening resource management systems (US$4.7 million) | During implementation of RCRF II, it has become apparent that further investments are required in FMS capabilities to strengthen PFM and service delivery. This new subcomponent will finance the following four main activities:  
(a) Support a “common approach” to implementation of World Bank operations at FMS-level, including investments in ministries of finance (notably External Assistance Fiduciary Sections or EAFS), PFM and contract management capability in ministries of education and health, and social safeguards.  
(b) Support a comprehensive plan to coordinate with other PFM projects at FMS level on sustained skills’ improvement (in areas of finance, accounting and financial reporting, procurement, HR, and internal audit), with a focus on improved PFM, education, and health service delivery.  
(c) Extend the PFM staff professionalization program, started under RCRF II, in collaboration with the DRM/PMF project, to train more PFM staff in the PFM institutions and MDAs of all FMS.  
(d) Support inter-governmental collaboration to improve automatic fiscal data sharing between the FGS and FMS and harmonization of budget classifications, to support automation of fiscal reports including IT equipment, if needed. |
| Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS (US$54.7 million by RCRF II and US$30.9 million by RCRF III) | During June-December 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). |
| Subcomponent 3.1: Financing core government functions in FMS (US$23.1 million + US$10.8 million) | The RCRF education component made mixed progress in the second half of 2020, due to COVID-19 related restrictions, political tensions between the FGS and FMS Ministries of Education, and changes in the MoECHE management. After several delays in 2020 teacher salary payments, the underlying reasons for delays were successfully resolved, and teacher salaries in all FMS were paid up to December 2020. In addition to financing salaries of eligible teachers, the project financed the salaries of eligible nonteaching education workers, including of the newly recruited regional and district education officers, regional education accountants, and supervisors in Galmudug, Hirshabelle, Jubbaland, and Puntland. The FGS and FMS adopted an agreement clarifying roles and responsibilities in the administration of harmonized national exams, common curriculum framework, and syllabus for basic education. Additionally, a Memorandum of Understanding between the FGS MoECHE and Benadir Regional Authority (BRA) was signed to further decentralize education responsibility of the Benadir region to the BRA. After successfully piloting in Benadir, in March 2020, the FGS MoECHE rolled out Teacher Proficiency testing exercise in Hirshabelle, Jubbaland, South West, and Galmudug. A total of 1,816 public and private primary and secondary teachers |
| Subcomponent 3.2: Financing education service delivery (US$16.5 million + US$10.8 million) | During June-December 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). |


participated in the proficiency testing and a virtual validation workshop was conducted in July 2020.

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

The health subcomponent aims to establish the foundations necessary to improve health service delivery and health outcomes through the development of FHWs’ cadres and strengthening of the government’s stewardship and management capacities. 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. Negotiations with the first-ranked consultancy firm took place in November-December 2020, and the contract is expected to be signed in March 2021. In the meantime, the Ministry of Health proceeded with the selection of more than 500 new FHWs and FHSs in all FMSs and BRA and the master training of trainers. The training and deployment of new FHWs are planned for April-June 2021. The inter-governmental coordination agenda was further advanced through the conducting of quarterly health coordination meetings at FMS level and a National Inter-Governmental Health Coordination in Mogadishu to discuss overall health issues in the state and the progress made on the FHW program.

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

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

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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 an 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 SHOCK RESPONSIVE SAFETY NET FOR LOCUST RESPONSE PROJECT (SNLRP)
Timeframe: June 2020–June 2022; Budget: US$40 million, funded through an IDA grant
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.

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.

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

Government counterparts: Federal Ministry of Labor and Social Affairs.

Implementation arrangements: The SNHCP and SNLRP are implemented by the MoLSA on behalf of the FGS, in partnership with the World Food Programme (WFP) and United Nations Children’s Fund (UNICEF) and with implementation and supervision support by the World Bank, 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 FMS authorities, as well as the relevant UN agencies, and in consultations and collaboration with development partners (DPs), and relevant humanitarian agencies and NGOs involved in supporting the Social Policy (SP) agenda.

The SNHCP serves as the umbrella project supporting the FGS to operationalize the national Social Protection (SP) Policy and develop a national shock responsive safety net system in Somalia. Specifically, it supports the government-led cash transfer (CT) program, known as ‘Baxnaano’, which means ‘uplifting’ in Somali. 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 beneficiaries during shocks.
potential beneficiaries in times of shocks and enhance coordination across social programs. Given the limited FGS capacity, the MoLSA signed standard Output Agreements with the WFP and UNICEF to support implementation of the cash transfer and system building, respectively. Activities are closely coordinated with the joint SP program funded by the Sustainable Development Goal (SDG) Fund and implemented by the International Labor Organization (ILO), UNICEF, and WFP, as well as with the United Kingdom Foreign, Commonwealth and Development Office (UK FCDO), Somalia Cash Consortium, and the Somalia Donor Working Group on safety net.

The SNLRP operationalizes the shock responsive aspect of the SNHCP, developed in response to the impacts of the locust outbreak. It aims to provide emergency cash transfers (ECTs) to locust-affected households for a period of six months. The SNLRP is implemented using existing SNHCP/Baxnaano delivery arrangements, through a standard Output Agreement that the MoLSA signed with the WFP to deliver the ECTs. The MoLSA PIU is also implementing the SNLRP.

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

For the purposes of this report, the SNHCP is considered the parent project, which is supported by the ASA, 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, which are specified below.

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

**Progress of activities/deliverables**

**Nutrition-linked unconditional cash transfer (SNHCP) and Emergency Cash Transfers (SNLRP)**

**SNHCP:** Component 1 provides predictable and nutrition-linked CTs to chronically poor and vulnerable households (HHs) with children under five years of age in rural areas underserved by humanitarian interventions to help them meet their immediate consumption gaps and protect against food insecurity and malnutrition risks. The geographic targeting has been concluded following in-depth consultations with FMS and district authorities, which ensured full ownership and commitment to the implementation of the CTs, and 880 villages from 21 districts across Somalia have been selected. As of December 2020, the WFP has registered 156,543 HHs, of which 110,084 HHs have been verified and enrolled in the program, and 73,478 HHs have received their third quarterly payment (each HH receives US$60 per quarter). The full caseload of 200,000 HHs is expected to be reached by June 2021. Challenges to the provision of the SNHCP CTs have included complex political dynamics and challenging relationships between the FGS, FMS, and Somaliland; shift to mobile money payments modality in response to COVID-19 risks requiring rigorous and time intensive beneficiary validation processes to ensure fiduciary accountability; and slow distribution of SIM cards to beneficiaries due to COVID-19 related travel restrictions.

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

In addition to the reliable and predictable nutrition-linked CTs provided under the SNHCP, the SNLRP provides emergency CTs to poor and vulnerable HHs whose livelihoods depend on activities related to agriculture or livestock either as subsistence farmers or as farm laborers that have been impacted by the locust outbreak. Selected beneficiaries will receive a temporary cash assistance for a total of six months, with HHs already benefiting from Baxnaano and residing in locust-affected areas receiving a temporary top-up of US$40 per household per month for six months, in addition to their regular benefit of US$20 per household per month, while HHs that are not regular Baxnaano beneficiaries will be paid US$60 per household per month for six months.

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

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

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

The objective is to build capacity of the FGS/MoLSA to gradually take over direct implementation of the Baxnaano program and lay the foundations for a more comprehensive SP system in Somalia. As such, ASA activities contributed to the SP policy and governance structures; TA contributed to the design of the national CT program and delivery systems, targeting methodology/systems, and unified social registry under Baxnaano; and capacity-building activities. Progress of activities is described below, including the areas that the MPF-funded ASA is specifically supporting.

**SP Policy and governance structures**

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

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

**National SP Steering Committee.** This activity supported the establishment of a National SP Steering Committee, a body with the policy and decision-making power to: guide and support the development and implementation of relevant legal and regulatory frameworks, determine and oversee strategic social protection priorities, support intra-governmental collaboration, and execute an oversight role over implementing ministries/authorities. The Committee is chaired by the Deputy Prime Minister and co-chaired by the MoLSA, and comprises key FGS and FMS ministers, representatives from the Office of the Prime Minister, and Heads of the National Economic Council and National Commission for Refugee and IDPs. The terms of reference (ToR) for this Steering Committee were prepared by the MoLSA with TA support by UNICEF (under SNHCP Component 2) and technical input by the World Bank (via the ASA). It was endorsed by the Cabinet in August 2020. *(ASA Component 1: Directive/Decree: Government-issued directive for a governance structure of the “high level SP commission”. Deliverable due: December 2019—completed)*

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

**TA for the development of safety net delivery systems**

**Design of a national cash transfer program and delivery systems.** This activity is supporting the development of payment delivery systems (among other delivery systems) for Baxnaano for government direct implementation, with TA by UNICEF (under Component 2, SNHCP) and technical support by the World Bank (via the ASA). The World Bank provided technical input to the concept of the delivery system TA and to the ToRs of the lead TA firms. UNICEF has onboarded Development Pathway for TA on the CTs delivery system, and the inception report is currently under review by the World Bank. The
MIS firm’s ToR is expected to be finalized by end-February 2021 for UNICEF to begin the procurement process. This activity will also support the development of payments’ regulatory and technical requirements for FGS endorsement, and will be informed by a parallel 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 (USR).** 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 finalized with FGS/MoLSA. With World Bank support (via the ASA), UNICEF drafted the ToR for a TA firm and has onboarded Development Pathway to design and develop a functional social registry by March–June 2021 (one of the triggers for completion of the debt relief process under the Heavily Indebted Poor Country [HIPC] Initiative), identify the hardware requirements of the USR, and provide one-year follow-up support and maintenance. In addition, the World Bank is preparing a concept note (via the ASA) to articulate the definition of the basic functionality requirements of the USR for HIPC completion trigger. To facilitate the development of the registry, the World Bank also consulted widely on the contents of a Common Registration Form (CRF) with potential users (that is, development and humanitarian partners, sector ministries, and so on) for future data collection and data sharing to build the government’s social registry. This activity will collaborate with the World Bank-funded 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 CT program for FGS endorsement for when the government starts implementing the Baxnaano program directly. As a starting point, the World Bank has developed (via the ASA) an overview of common CT targeting options, strengths, weaknesses, and applicability to the Somali context; and elaborated a potential targeting approach that leverages multiple targeting approaches. This is being further fleshed out by the World Bank (via the ASA) through a note on the Targeting Options for wider consultations in February 2021. In addition, the findings from the international consultancy firm (funded by the ASA and FDCO) recruited by the World Bank to conduct a targeting evaluation of the SNHCP, will also 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— In progress)*

**FGS capacity building**

**Conferences, workshops, trainings, and study tours.** The World Bank held a virtual workshop in August 2020 for key stakeholders on the key elements of a CRF to support development of a national unified social registry USR, following on from the workshop provided in January 2020 on the key aspects of the USR. Participants included: MoLSA; government agencies including the ID task force; members of the Donor Working Group (for example, UK FCO, EU, ECHO, Italian Development Cooperation, USAID, and so on); the Somalia Cash Consortium; and a multi-GP team from the World Bank, among others. The MoLSA has prepared a Capacity Building and Knowledge Management Plan with TA support from UNICEF (SNHCP Component 2) and input by the World Bank (via the ASA). The activities will focus on developing the capacity of the MoLSA PIU and relevant government staff at all levels on the elements directly related to the operationalization, management, implementation processes, and administration of the Baxnaano program and the USR. Nonetheless, the COVID-19 pandemic has continued to impact efforts around training and study tours. For example, the planned South-South Social Protection Community of Practice learning event, in which Somalia was going to be a participant, was canceled. Given the travel restrictions related to COVID-19, online options for relevant training are now being explored. *(ASA components: Conferences, workshops, training, and study tours. Deliverable is ongoing—In progress)*
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 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 the SNHCP, SNLRP, 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 five-year strategic roadmap for government endorsement; the output agreements with the WFP and UNICEF; and related safeguards instruments; as well as guidance and inputs on all technical and policy reports and operational documents, as discussed above. (ASA Component 2: Technical and operational implementation support to the safety net project. Deliverable due: September 2020 to February 2022—In progress)

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

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

PIU. The MoLSA PIU at the FGS level is now fully established with 10 staff members; five SNHCP Liaison Officers at the FMS level to support implementation of activities on the ground and to coordinate with relevant actors at the FMS and local level; and four GRM Call Center Operators for the newly established GRM Call Center in the MoLSA for labor-related GRM and general inquiries and referrals.

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

Productive Safety Net (PSN) Pilot. In June 2020, the World Bank presented potential PSN design options to the MoLSA, outlining various program modalities and experiences from other fragility, conflict, and violence (FCV) affected countries in the region, to facilitate thinking on the design of the Somali PSN pilot. Thereafter, the World Bank hired a consultant (via the ASA) to review design models of labor-intensive public works (LIPWs) programs focusing on operations in FCV or low capacity countries in Africa that target youth and skilled and unskilled job seekers. This activity will be complemented by a MoLSA PIU review of the humanitarian agencies’ designs and experiences in implementing PSN interventions in Somalia. Findings from these activities will inform the ongoing dialogue on the design of the PSN pilot.

Monitoring and evaluation

Third-party monitoring (TPM). The World Bank provided technical input to the TPM ToR for quarterly monitoring and verification of Baxnaano CTs, with the TPM firm onboarded by MoLSA in July 2020. The firm has conducted direct observation of registration activities in 11 villages in Puntland, which was the only location with active registration by the time the firm was onboarded. The first quarterly TPM report for the SNHCP is expected in early March 2021. In the meantime, procurement processes are under way by the MoLSA to also use the same TPM firm for the SNLRP, expected to be finalized by February 2021.

DFID MESH system. The World Bank is collaborating with the UK FCDO to use its MESH call center for soliciting feedback

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1 Regular bi-weekly virtual meetings were held until end-December 2020, and changed to monthly meetings from January 2021 due to increased capacity of implementing partners.
from the SNHCP beneficiaries with privacy/security protocols agreed between the WFP and FCDO/MESH. Between June 30 and August 31, 2020, MESH surveyed 1,089 SNHCP/Baxnaano beneficiaries who had received their first and second quarter payments, key findings of which are provided above. MESH will conduct the next round of the survey of following Q3 payments and share the report in late February 2021.

**Targeting evaluation.** The World Bank contracted Samuel Hall and Development Pathway in June 2020 to implement the targeting evaluation. The inception report and survey instruments have been developed and approved, and the firm is currently seeking permission from the relevant authorities to conduct fieldwork. The final report is due by March 30, 2021. The evaluation is co-financed by the ASA and UK FDCO.

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

**Knowledge management**

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

### Opportunities

- Cabinet’s endorsement of the Somali Social Protection Policy and the five-year roadmap, ‘Social Protection Policy Implementation Framework’, provides the policy and strategic framework necessary for the activities of the ASA, SNHCP, and SNLRP.
- The FGS' commitment to the SP and human capital agenda, as reflected in the Ninth National Development Plan, is facilitating an enabling environment for longer-term government-led predictable and reliable safety net system in the country.
- The endorsement of the GDWG provides the platform for SP related dialogue and decisions and to bring them to the attention of the high level SP Steering Committee, exploring options for coordinating and aligning SP programs and technical assistance, and for promoting a shift from humanitarian assistance to a consolidated development approach led by government.
- The institutional and governance capacity of the FGS/MoLSA are limited, albeit growing. The PIU is fully established and is actively engaging with the FMS and other stakeholders and is increasingly building institutional knowledge and capacity on project implementation from learning-by-doing.
- The FGS has identified the development of the social registry as a priority and a key instrument for advancing social protection support in Somalia, as well as one of the triggers for completion point of the HIPC Initiative. This provides the impetus for engaging UN, humanitarian, and donor agencies to share beneficiary data, using the soon-to-be finalized Common Registry Form, to build the social registry.
- The SNHCP provides the opportunity to test various options of delivery systems (supported by the ASA) and learn-by-doing, leading to further enhancement of such systems, as well as to test various options for a productive safety net to support youth employment.
- The SNLRP provides an opportunity to operationalize and demonstrate a government-led shock response to leverage existing cash transfers/humanitarian aid towards a national sustainable social safety net system able to respond to shocks and learn for future responses.
- The SCALED-UP’s national ID activities provide an opportunity to build the foundations for linking beneficiary data from other agencies/development partners (as feasible) to the national registry by using the foundational ID as the unique identifier for the social registry, as well as facilitating access of the CT beneficiaries to the foundational ID.
- The development of the discussion paper, *From Protracted Humanitarian Relief to a State-Led Safety Net System: The Case of Somalia,* provides an opportunity to analyze and document the design and delivery of the Baxnaano program, and share lessons and inform projects in Somalia and other FCV contexts.
<table>
<thead>
<tr>
<th>Challenges</th>
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<tbody>
<tr>
<td>• There is a funding gap for Baxnaano cash transfers beyond the fourth quarter payment (March 2021), which will require additional financing (AF) and, if delayed, could result in beneficiaries missing one (or more) quarter cycle of payments, risking their food security and posing reputational risk of the FGS and the Baxnaano.</td>
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<td>• There has been greater than anticipated infestation of locusts, requiring additional financing to respond to the threat to food security and livelihoods.</td>
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<td>• Financing will also be required to undertake registration of Baxnaano and SNLRP beneficiaries in the USR using the full USR registration form that provides the basis for the USR database. Beyond the short-term, expanding intake coverage of the USR beyond Baxnaano and SNLRP households will also require financing.</td>
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<td>• The upcoming elections pose several challenges with growing unrest on the ground that may impact the targeting evaluation and TPM. Potential changes in leadership and key officials may reduce commitment and increase risks of elite capture for the program.</td>
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<tr>
<td>• Relations between the FGS and member states continue to be complex, which impact on the implementation of the SNHCP and SNLRP. Continuation of MPF funding and Word Bank support as a neutral convening power, in collaboration with UN partners and other donor agencies, are key positive enablers in this process.</td>
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<tr>
<td>• The COVID-19 pandemic has caused implementation challenges and delays due to travel restrictions and the need to shift to mobile money payments, as described above. Under the ASA, the World Bank will continue to closely monitor and provide TA to expedite payment delivery, as appropriate.</td>
</tr>
<tr>
<td>• There is a risk of delay in achieving USR functionality to meet the HIPC completion trigger, as the government needs to endorse the data protection policy, which is currently planned under the SCALED-UP project and has been delayed.</td>
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<tr>
<td>• Signing of the data sharing agreement between WFP and the World Bank could delay fielding of the targeting evaluation.</td>
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### SOMALI INTEGRATED STATISTICS AND ECONOMIC PLANNING CAPACITY BUILDING PROJECT

<table>
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<tr>
<th><strong>Timeframe:</strong> July 2020–August 2025; <strong>Budget:</strong> US$25 million (IDA)</th>
<th><strong>Status:</strong> Effective</th>
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| **Objectives** | Strengthen the national statistical system in the collection, processing, and dissemination of poverty and selected macroeconomic data to inform development policy and poverty reduction activities. |

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

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

| **Implementation arrangements:** Government-executed. |

| **Geographic coverage:** All of Somalia. |

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

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

| **Subcomponent 1.1:** Ongoing | Supporting the development and coordination of the NSS |

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

| **Subcomponent 1.2:** Ongoing | Somali Integrated Household Budget Survey (US$6 million equivalent) |

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

| **Subcomponent 1.3:** Ongoing | Strengthening sources of business and administrative data needed for the compilation of national accounts and key social |

This will address key data gaps needed to produce quality national accounts statistics that meet the basics of the System of National Accounts, 2008 (2008 SNA) and other international statistical standards. The specific goal is to enable the production of estimates based on the production approach and make available additional and better-quality data sources for the expenditure approach estimates. |
### Subcomponent 1.4: Not yet started
Strengthening human capacity in poverty, CPI and national accounts statistics

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

### Subcomponent 1.5: Not yet started
Development of a compendium of statistical concepts and definitions, data access and information dissemination policy

This activity will support improvement in data management and dissemination practices to strengthen statistical confidentiality and microdata sharing. In Somalia, most statistical data are being produced with very low dissemination strategies in place. Therefore, it is important to develop a dissemination policy for all statistical information.

### Component 2: ICT infrastructure and equipment of the National Statistical System (US$0.92 million)

This component supports the ICT infrastructure in the DNS (headquarters and field offices), and selected key federal level MDAs mentioned in Component 1. This component will provide computers, laptops, and related IT networking equipment. The infrastructure and equipment provided will improve the administrative data compilation and dissemination process, enhance information access to the public, and make best use of information technology channels and storage systems. IT equipment will be provided to DNS and statistics units in the selected key federal MDAs mentioned earlier.

### Component 3: Data utilization for M&E and planning

**Subcomponent 3.1: Not yet started**
Strengthening MED capacity

This subcomponent will strengthen the capacity of the M&E Department MED of the Ministry of Planning to monitor the implementation of public projects and programs of the Ninth Somalia National Development Plan (NDP9).

**Subcomponent 3.2: Not yet started**
Supporting economic policy analysis and planning capacity

This subcomponent seeks to support the FGS authorities in developing economic policies, rebuilding institutions of economic management, and enhancing institutional capacity necessary for policy formulation and implementation. The subcomponent activities will constitute (a) supporting the National Economic Council (NEC) and its Economic Policy Analysis Unit (EPAU) operations; and (b) providing training on macroeconomic-fiscal analysis, forecasting and reporting, particularly in the macroeconomics and revenue departments in the FGS.

### Component 4: Project management (US$3.5 million equivalent)

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

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

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SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE (FGC)

| **Timeframe:** 2015–23; **Budget:** US$2 million (approx.) |
| **Status:** Effective |

**Objectives:** 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.

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

**Government counterparts:** 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.

**Implementation arrangements:** Bank-executed.

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

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

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

The FGS has made tangible progress 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.

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

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

Since its inception in 2014, the FGC has published periodic progress reports, prepared assessments of individual government contracts, and produced Advisory Notes on specific topics. During this reporting period, the FGC published its annual Financial Governance Report (FGR). The report assesses the progress made by the Federal Government of Somalia in strengthening financial governance over the period of July 2019 to June 2020. It also sets out the financial governance priorities the FGC believes need to be addressed in the coming year to strengthen state-building efforts and capitalize on this year’s achievement of International Financial Institution (IFI)
A novel feature of the 2020 FGR is the inclusion of a chapter dedicated to one particular area of FGS financial governance (a ‘spotlight issue’). The intention is to take a deeper dive into the selected topic to describe the state of play, and to look beyond the FGR’s single-year time frame to identify lessons, persistent barriers to progress, and potential reform priorities. The 2020 FGR’s ‘spotlight’ is on FGS procurement and concessions, which have been a consistently strong focus of the FGC since its formation in 2014.

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

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

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

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

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

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

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

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

The FGC has also closely followed the developments around the Oil and Gas Licensing Round and has engaged with the Ministry of Petroleum. During this period, the FGC emphasized the need for legal requirements to be complied with...
before launching the licensing round. This includes both adherence to the Procurement Act and also ensuring no Production Sharing Agreements (PSAs) are signed before the Extractives Industries Taxation Act has been passed.

**Component 2: Strengthening high value public procurement and concessions (approx. US$0.35 million)**

Since its establishment, the FGC has published four reports on FGS contracts and concessions, and issued confidential assessments on 49 contracts, which the FGS has used to inform decision making. Of the contracts reviewed by the FGC, 10 incorporated FGC amendments and were signed, eight did not proceed, seven were canceled, five will be reviewed again by the FGC once tender process or a new contract is available, two are under renegotiation, one was allowed to expire, two partially incorporated recommendations and then expired, and only two did not incorporate recommended amendments. The FGC’s comments on the remaining 12 continue to be addressed.

During this reporting period, the following reviews were conducted:

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

The FGC has continued to provide oversight to the renegotiation of the port concession contract, which was concluded during this reporting period. This support included review of the renegotiated agreement and advice on how to approach the final discussions with Albayrak. Compared to the original 2013 agreement, the revised agreement includes improvements such as new provisions on port investment, commercial basis, operating requirements, taxation, monitoring and reporting, and termination

Support was also provided on the preparations to retender the Passports contract, during which both the Minister of Internal Security and the Director General of Immigration attended the FGC. As a result, external lawyers funded by the EU reviewed the legal aspects of the contract, to ensure that the interests of the FGS were adequately protected.

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

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

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

The CBS continues to pursue accounts in the United Kingdom and Italy. Progress at the beginning of the reporting period was made regarding recovery of GBP 2.5 million; however, discussions had stalled by the end.

The CBS has been briefing the FGC on the impact COVID-19 has had on the Money Transfer Businesses (MTB), financial sector, and mitigating measures. The FGC was also briefed on progress towards implementation of mobile money regulations. The CBS has started the process of issuing licenses to mobile money service providers now that the National Communications Agency (NCA) has also started issuing licenses to telecom companies. Finally, the FGC also followed up on financial sector issues arising from the UN Panel of Experts’ Report on Somalia and Global Initiative Against Transnational Organized Crime Report.

**Challenges**

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

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ENABLING ECONOMIC GROWTH PORTFOLIO

This portfolio financed five active projects, all of which are recipient-executed investment projects. One of these, the Somali Core Economic Institutions and Opportunities (SCORE) Program (P152241) closed in September 2020 during this reporting period. The MPF provides financing worth US$48.7 million to this focus area. The portfolio is co-financed with US$179.5 million in IDA resources. This portfolio aligns with the 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.
Timeframe: 2016–2020; Budget: US$28.5 million
Status: Effective

Objectives
- Improve the enabling environment for private and financial sector development.
- Catalyze private investment and job creation.

Beneficiaries:
Primary beneficiaries: Central Banks, Ministries of Commerce, Port Authorities, and enterprises receiving matching grants through the SBCF and connected business support services through the SMEF.


Implementation arrangements: Component 1 is mainly recipient-executed. Component 2 is executed by the World Bank on behalf of the government.

Geographic coverage: The SCORE Program covers the entire Somali peninsula—FGS (including Puntland) and Somaliland.

Component 1: Strengthening CORE economic institutions (US$11.83 million)

Activity 1a: Ongoing
Strengthen Central Bank supervision and regulation through an overarching and longer-term financial sector development agenda and continuous capacity building

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.

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, which was eventually folded into discussions on introducing WB reform benchmarks for CBS for the first time using performance based conditions (PBCs) under SCALED-UP additional financing as of February 2021.

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, which was initiated in July 2020, is still ongoing and support folded into SCALED-UP at the closure of SCORE in September 2020.

The FRC had a self-imposed internal deadline to deliver the NRA by December 2020, which was...
missed. Concerted efforts are being made by the FRC to ensure that the extended NRA delivery timeline is not compromised, even in the COVID-19 context. Added WB support has been folded into SCALED-UP.

The CBS has taken steps to mobilize all payment system stakeholders to develop a coherent 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, which was achieved.

Due to the COVID-19 pandemic, the initial deployment of cloud-based solutions had been prioritized for the ATS and Switch initiatives. The physical delivery of hardware and implementation of the production environment on premise was folded into SCALED-UP at the closure of SCORE in September 2020 as delivery timelines got extended due to delays occasioned by disruptions to supply chains and shipments. Use of the cloud solution allowed for the delivery of the ATS and Switch before the project closed in September 2020.

**Activity 1b: Ongoing**

**Improve the business environment by reducing the time and cost of starting and operating a formal business**

The objective of this subcomponent is to reduce the time and cost of doing business, enhance formalization, and contribute to economic growth.

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. This work was successfully folded into SCALED-UP and, as of February 2021, nearly 200 businesses managed to complete online regulations. 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.

**Activity 1c**

**(Developing the Port Sector): Concluded**

**Strengthening the governance capacity of public authorities for strategic planning and improving the institutional structure of port sector management**

This activity has been concluded, as reported in the last bi-annual report. All deliverables under this subcomponent have been completed and delivered to the client as summarized below:

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:

   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.

   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 be identified with more clarity; the same applies for the volumes of cargo and containers handled by the Port.

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.

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).

### Component 2: Expanding economic opportunities (US$14.25 million)

| Activity 2a: SBCF | The 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 canceled in order to focus efforts building foundations for market-based financial intermediation, thereby supporting enterprise growth, jobs, and livelihoods on a sustainable basis. Accordingly, the SBCF and SMEF were restructured at the MTR to phase out before the closure of SCORE. Of the initial 101 grantees, 67 completed their projects. Others did not complete their activities either within the timeline or grants and were canceled for inactivity, or they failed to implement the project in accordance with the grant agreement or the grantee’s own volition. |
| Concluded | Providing matching grants to support small and medium-sized enterprises (SME) via the Somalia Business Catalytic Fund (SBCF) |

| Activity 2b: SMEF | The SMEF was phased out before the close of the SCORE project. 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. |
| Concluded | Promoting the development of SMEs through direct and indirect capacity-building support via an SME Service Facility (SMEF) |
### Component 3: Project management (US$2.42 million for recipient)

<table>
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<tr>
<th>Activity 3a: Ongoing Project Implementation Units (PIU)</th>
<th>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. 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.</th>
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SOMALI ELECTRICITY ACCESS PROJECT (SEAP)

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

**Status:** Effective

In the reporting period, the Bank team:

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

**Objectives**

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

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

**Government counterparts:**

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

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

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

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

**Subcomponents 1.1 and 1.2: Results-based expansion grants and seed grants**

This provides results-based grants to off-grid solar distributors, with 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.

The FGS and Somaliland continue to make progress on activities under these subcomponents (1 and 2) which include: the grant managers completed inception reports; prepared implementation manuals for the disbursement of the grants; the calls for grant applications were formally launched; and the fund manager’s selection of solar companies to benefit from grants is at advanced stage. The PIUs are working on the monitoring and evaluation system to support the selection of firms and subsequent validation of outputs.

**Subcomponent 1.3: Quality assurance**

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 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.

**Subcomponent 1.4: Consumer awareness and citizen engagement**

Comprehensive consumer awareness campaigns with the objective of improving household understanding of how off-grid solar technology works, its benefits, how to operate, maintain and dispose of the products, 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. In the FGS, the consultant for consumer awareness and citizen engagement campaign design and implementation has been recruited (contract signed on August 1, 2020) and contract is under implementation in the FGS. The consultant completed the inception phase; the preparation of a consumer awareness strategy, and implementation, is under way. In Somaliland, contracting of consultants for consumer awareness and citizen engagement campaign design and implementation are at an advanced stage. The status of activities under implementation by the consultants will be updated in the next reporting period.

**Component 2: Analytic work for enabling electrification through solar powered/hybrid mini-grids (US$1 million)**

This component is expected to provide solid ground for sectoral interventions that will be required to devise the appropriate strategies for mini-grid development.

All of the activities under Component 2 are consolidated under one consultancy work (An Indicative Least Cost Geospatial Electrification Plan to Achieve Universal Access). The procurement of consultants to undertake the preparation of geospatial least-cost electrification options analysis for use by the government in preparation of electrification strategy and investment pipeline for mini-grids, has been completed by both the FGS and Somaliland. The outputs of the geospatial work will inform the investment for mini-grids under the proposed Somali Electricity Sector Recovery project (P173088) expected for board delivery in FY21. The Least Cost Geospatial Electrification Planning assignments are ongoing and will be updated in the next reporting period. In Somaliland, however, the consultant declined to sign the contract without providing reasons; and Somaliland continues to get support through the Energy Sector Management Assistance Program (ESMAP) team.

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

The Somalia government secured US$1.45 million in additional financing from the Somalia Multi-Partner Fund, increasing the recipient-executed project budget from US$5.75 million to US$7.2 million. This additional financing has been used to increase the funding allocation for implementation of activities under Component 3 from US$1.75 million.

The FGS has prioritized the development of energy policies, laws, and regulations to enable investment in Renewable Energy and Rural Electrification. The National Energy Policy and the Electricity Bill were prepared, underwent stakeholders’ consultations, were submitted to the Cabinet, and received approval on December 17, 2020. The Electricity Bill has been submitted to Parliament and is pending approval.

The energy sector studies to be to be financed include:

- Options Analysis for the Electricity Sub-Transmission and Distribution Integrated Development Least Cost Investments for major load centres in Somalia;
- Identification and prioritization of public facilities for grid and off-grid electrification;
- Carrying out Strategic Environmental and Social Assessment for the energy sector;
- Support implementation of the Multi-Tier Framework (MTF) Electricity Access baseline survey to establish households’ access to electricity and modern energy cooking services; and
- Strengthening of the capacity of the PIU of the MoEWR and related agencies towards preparation and implementation of electrification projects.

In terms of implementation progress:

- Given the proposed heavy investments under the upcoming electricity sector recovery, recruitments are under way in the FGS and Somaliland (SL). The FGS completed recruitment of a number of PIU staff while SL constituted
a PIU largely from the civil service; both PIUs are in operation. In Mogadishu, the PIU has replaced the interim PIU team, which was in operation since the inception of the project, with the recruitment of a project coordinator, procurement specialist, and financial management specialist; a legal advisor, technical expert, and monitoring and evaluation (M&E) specialist have also been recruited. In the FGS, to build the capability of the PIU on environmental and social issues, the process is at the shortlisting stage for an environmental specialist as well as a social specialist, and is expected to be concluded soon. In SL, the recruitment of a procurement specialist has been concluded and the contract signed.

- Sector studies are under way.
- The procurement of consultants for the preparation of Electricity Sub-Transmission and Distribution Integrated Development Least Cost Investment Plans and environmental and social studies is ongoing by the FGS.

**Challenges**

The capacity of the client has improved in terms of project coordination, procurement and financial management, and proactiveness on technical issues. The Bank team continues to provide support to manage associated risks. The Bank task team recognizes the ongoing COVID-19 global pandemic and anticipates some delays in implementation as a result of challenges in supply, importation and distribution of SHS products due to risks facing manufacturing in China, restricted freight operations and services globally, and Somali government response measures to the pandemic, such as restrictions on movement and interaction. Activities being implemented under Component 1 of the project are primarily disbursement of grants to SHS companies operating locally, and the fund managers are locally based. The efficient utilization of disbursed funds by grantees may potentially be affected if the situation worsens, which could affect the supply chain and SHS companies’ ability to purchase and import solar products; and deploy them at scale, particularly to remote areas. Further, activities requiring local travel and mobilization of project beneficiaries, such as consumer awareness creation, may be affected.

Activities being implemented under Component 2 of the project are analytical work which can partially be conducted remotely through desktop review and any additional data collection can be undertaken by locally based staff of the consultants’ teams. However, collection of primary data and validation of outputs will need to be conducted in-country and these plans have been impacted as the pandemic has evolved. Activities under Component 3 such as training programs have been affected—delayed and suspended, in some cases—and the client is pursuing online options to address some of its training needs.

The Bank task team, therefore, continues to monitor the ongoing developments and expects to mitigate emerging risks.

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

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

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

**Timeframe:** March 2019 – Jun 2023;

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

**Status:** Effective as of August 2019

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

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

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

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

**Component 1: Strengthening institutions (US$7 million equivalent)**

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

**Subcomponent 1.1: Support to CBS (US$1.5 million equivalent)**

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

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

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

The Somalia Transaction and Reporting System (STARS)—which consists of an Automated Transfer System (ATS+) solution integrating functionality of a Real Time Gross Settlement System (RTGS) and an Automated Clearing House (ACH) for low value and bulk payment processing in a single system along with Instant Funds Transfer (IFT)—and the Somalia Payment Switch (SPS) were installed, tested, and accepted on cloud as scheduled on September 30, 2020, marking the first-ever ATS+ deployment on cloud globally. At the same time, the telecommunication networks and
modular tier-3 data center were deployed, marking the first-ever very private fiber optic network in Somalia interconnecting Somali financial institutions and the central bank. The successful deployment on cloud of STARS and SPS has resulted in the projects being delivered remotely ahead of the planned November 2020 schedule. Implementation of the telecommunication networks (fiber and microwave) establishes a private secure data exchange network between the CBS and participant financial institutions—with the modular data center providing world class secure housing of core IT assets for the CBS. These digital solutions improve market infrastructure and increase transaction transparency. The national payment system initiative has now entered the participant onboarding phase to kickstart transaction exchange and settlement using interbank mechanisms.

Preparations for stakeholder feedback on the draft National Payment Systems (NPS) Law, FIL, and Insurance Law are in advanced stages. The CBS has onboarded Mohamed Gitau Advocates, a legal advisory firm, to facilitate the stakeholder consultations and draft transitional regulations on payment system oversight and operations under the Central Bank of Somalia Act of 2012. Once stakeholder consultations are finalized, the package of the draft pieces of legislation will be processed through Parliament later in 2021.

**Subcomponent 1.2: Support to FRC (US$1.5 million equivalent)**

This subcomponent provides technical and financial support to the FRC, Somalia’s financial intelligence unit (FIU) established as the central agency for receiving, analyzing, and disseminating financial information concerning suspected proceeds of crime and potential financing of terrorism. This subcomponent builds on the foundations laid under SCORE, aimed at strengthening FRC operational capability and core systems needed for effective analysis and investigation of suspected cases of money laundering or financing of terrorism (AML/CTF).

In the context of some recent high-profile international reports highlighting the gaps in Somalia’s AML/CFT system, the importance to rapidly conclude the preparation of the National Risk Assessment (NRA) has become even more salient. The FRC had earlier committed to December 2020 as an internal deadline to deliver the NRA, which has since been missed. As expected, lack of data has emerged as an issue. Training to judges and prosecutors to improve their understanding of AML/CFT issues, as well as a mock mutual evaluation to help authorities establish a benchmark and prepare for the evaluation by MENAFATF, are planned for 2021, after the completion of the NRA and technical compliance assessment.

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

**Subcomponent 1.3: Support to MPTT and NCA (US$2 million equivalent)**

This subcomponent supports MPTT/NCA activities contributing to enhancing citizens’ access to digital services and maximizing the development impact of ICT, including improving affordability and service quality, as well as enabling efficient, secure, and reliable digital transactions and innovation. Activities under this subcomponent build on the recently closed ICT Sector Support in Somalia Phase II project.

SCALED-UP is supporting institutional strengthening and capacity building in the MPTT, which is keen to support further policy and operational work related to cybersecurity, anchored in robust analysis. The World Bank secured in-kind support for a Cybersecurity Maturity Assessment Model (CMM), a standardized tool to assess the cybersecurity ecosystem, through its framework partnership agreement with Oxford University and affiliates, which will be implemented by the Cyber Capacity Center for Southern Africa (C3SA).

The MPTT needs to urgently pivot towards putting in place enabling legislation for the digital economy which is critical to the digital ID initiative such as general data protection legislation, as well as legislation on e-transactions—setting out, inter alia, equivalence of digital authentication,
digital documents, and digital contracts—and on cybersecurity.

SCALEd-UP is also supporting institutional strengthening and capacity building at the NCA. After significant delays, the NCA Board of Directors approved the main licensing category under the unified licensing framework (ULF)—Communications Infrastructure and Services License (CISP) during an emergency meeting held in July 2020—and four operators have since paid said fee in full. On this basis, licenses had been requested by three members of the Hormuud conglomerate—Hormuud, Golis, and Telesom; Sometel is reportedly also in the process of doing so. The other two licensing categories—Communications Infrastructure Provider License (CIP) and Application and Services Provider License (ASP)—were provisionally approved subject to further industry consultation.

Legal clarity needs to be established on the appropriate role of the NCA Board of Directors vis-à-vis its management, particularly in cases where the Board fails to meet, to avoid causing undue delays to regulatory actions proposed by the NCA. For all licensing processes, the NCA needs to play its role effectively as an independent regulatory body by ensuring that a transparency process and requirements for industry consultation outlined in the Communications Law are met, including requirements on publishing draft/adopted terms and conditions for licenses granted.

**Subcomponent 1.4: Support to new ID Authority (US$2 million equivalent)**

This subcomponent is supporting the creation of a robust enabling environment and institutional framework for a digital ID system, which is expected to provide at least one million people with a biometrically supported unique ID number and will serve as a platform for financial access, digital payments, and delivery of government, humanitarian, and private sector services.

The FGS adopted a Bill to establish the Digital ID agency, which was approved by the lower house of Parliament in October 2020. Significant gaps remain in the enabling legal and institutional framework, about the legislation governing the ID system specifically, as well as more generally applicable enabling legislation such as data protection, cybersecurity, and e-transactions. Even with the adoption of the Bill on the ID agency, many important features of the ID system covered in the Digital ID Policy—such as the purpose, technical architecture, and data to be collected by the ID system; criteria and process for enrollment and issuing ID credentials; acceptance/use of ID credentials issued; and grievance redress mechanisms—remain to be set out in legislation.

The foregoing notwithstanding, there has been a slowing down of implementation progress due to limited dialogue between FGS officials and the SCALED-UP team on the digital ID initiative since July 2020. Activities affected relate to legal support on development of a comprehensive legal and regulatory framework beyond the Bill relating setting up of the ID agency, dialogue on the technical setup and support of the ID agency and capacity building. Consequently, the MoF requested and received a concise briefing from the World Bank, setting out the key actions FGS could take to restore previous momentum and ensure swift and smooth implementation of the digital ID activities.

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

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

**Subcomponent 2.1: Financial intermediary financing for MSMEs (US$15 million equivalent)**

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

Gargaara Company Limited and the MSME Financing Facility is fully operational on both lending windows, and three Participating Financial Institutions (PFIs) are onboard. First disbursements under small and microloans window were made in June 2020 and reached a total US$1.45 million
as of September 2020 to 76 beneficiaries; a further US$0.85 million are in the immediate pipeline. The large loans window was activated in December 2020 following the removal of the disbursement condition linked to Gargaara having a Technical Agreement with IFC in July 2020 and the Gargaara Board of Directors endorsement of modifications to the MSME Subprojects Manual in November 2020. This was after IFC management conveyed that, from their perspective, it would be fine to remove this disbursement condition due to the ongoing internal discussions on the scope of the IFC’s engagement. During the period under review, disbursements under the large loans window were yet to be made.

Process of recruiting a new Chief Executive Officer (CEO) for Gargaara is under way. The contract for the previous CEO ended in July 2020 and interim acting arrangements have been put in place until a suitable replacement is found. Concerted efforts need to be exerted by the Gargaara Board of Directors and management to incorporate operational experience and lessons learnt over the first year in order to strengthen financial control, governance, and fiduciary arrangements.

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<tr>
<th>Subcomponent 2.2: Digital ID services (US$3 million equivalent)</th>
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<tbody>
<tr>
<td>This subcomponent is supporting the registration of at least one million people to enable greater financial access and lay the groundwork for further scale-up of the digital ID system. As reported above under subcomponent 1.4, there has been a slowing down of implementation progress and limited dialogue between FGS officials and the SCALED-UP team on the digital ID initiative since July 2020. Activities affected relate to consulting services related to stakeholder engagement, elaboration of an inclusive enrolment strategy for the digital ID, and integrating the use of digital IDs in the financial sector, including for KYC and payment systems. Resuming regular and open dialogue on digital ID agenda is a top priority for the MoF and SCALED-UP team in order to accelerate implementation progress and ensure alignment with good practices, enabling greater financial access for the poor and addressing the AML/CFT challenges confronting Somalia, as well as the establishment of a functional unified social registry implemented by the Ministry of Labor and Social Affairs (MoLSA), which is a trigger for reaching the HIPC completion point.</td>
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<tr>
<th>Subcomponent 2.3: Government and retail payment services (US$1 million equivalent)</th>
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<tr>
<td>This subcomponent is financing the integration of the mobile money services into the payment switch, different retail payment service providers using interbank payment mechanisms. The aim is to construct interoperable retail payment services economywide, covering key use cases such as person-to-person (P2P), bill pay, cash-pull from bank account, and cash-push to bank account, as well as to facilitate direct government-to-person (G2P) and government-to-business (G2B) digital payments and vice versa. This subcomponent builds on the foundations laid under SCORE for digital solutions that improve market infrastructure and increase transaction transparency. Intertec Systems/Hamilo, an IT services firm, has been hired by Office of the Accountant General (OAG) to provide consulting services for design and deployment of an electronic document management system for accountable documents to aid workflows, data analytics, financial control, cash management thereby enabling secure and transparent G2P and G2B digital government payments and vice versa. Project initiation phase has been completed and migrated into the critical development phase. Key risk identified and resolved related to the nonavailability of ‘on-premises’ infrastructure environment for development and production environment. The project initial design was based on on-premise hosting, assuming that the MoF would invest in on-premises data centers that can host project hardware and applications. During requirement gathering in the project initiation phase, it has become clear the infrastructure environment would not be available. Given the cost and time implication of procuring new data centers, Intertec Systems/Hamilo suggested, and the OAG agreed, to change design to take advantage of cloud hosting and online subscription of services. This new approach of cloud hosting and online subscription has the advantage of low investment budget compared to full on-premises datacenter procurement and installation, accelerated project delivery, and flexibility for future expansion for extra load or added features.</td>
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**Subcomponent 2.4: e-Registration Services for SMEs (US$1 million equivalent)**

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

Webmaster, a digital serviced and solutions firm, has been rehired by the MoCI to advance reforms and automation of business registration services in Somalia, including the operationalization of full functionality of the online business registration system (BRS) in Mogadishu. One of the major impediments to full implementation of BRS functionality initiated under SCORE was that the Company Act had not been enacted at the time of the ‘soft launch of the system in April 2019; the MoCI, therefore, could not take full advantage of the BRS technology capabilities. The passage of the Company Act 2019 on December 26, 2019, has paved way for the completion of the earlier initiated work under SCORE by enabling rollout of the full functionality of the online business registration system under SCALED-UP. It is expected that the enhanced system will go live by March 2021.

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

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**Component 3: Project management and coordination (US$4 million equivalent)**

This component is funding project management and coordination activities. This includes financing a single Project Implementation Unit (PIU) anchored in the MoF in Mogadishu. The PIU is responsible for day-to-day project management and coordination with MDAs and implementing entities covering the project target areas. The PIU will also coordinate activities across the FGS, including the FMS, depending on the readiness of the states. Activities financed by this component include provision of goods, consulting services, training, and operating costs of the PIU, monitoring and evaluation (M&E), project-level grievance redress mechanisms (GRM), and management.

The PIU is set up and staffed with key personnel, that is, a financial management specialist, an environmental and social safeguards specialist, a procurement specialist, and a contract management consultant. The SCALED-UP Project Steering Committee has been established and operational. It is headed by the Director General from the MoF with representatives from beneficiary MDAs. A project-level GRM has been set up to enable systematic handling of project-related complaints and grievances. The process of recruiting a new project coordinator for SCALED-UP is under way. The contract for the previous project coordinator ended in May 2020 and interim acting arrangements have been put in place until a suitable replacement is found. Concerted efforts need to be exerted by the Somali authorities to incorporate operational experience and lessons learned under SCORE and over the first year of SCALED-UP implementation in order to strengthen financial control, governance, and fiduciary arrangements.

**Challenges**

Overall, implementation support risks have increased in the context of the COVID-19 pandemic. To mitigate these risks, the SCALED-UP task requested and received management support to onboard the monitoring agent (MA). The MA will deliver an added layer of capacity to undertake implementation reviews, monitoring, and reporting on all performance aspects of SCALED-UP in the field. COVID-19 is also presenting unprecedented challenges that have the potential to delay procurement by the PIU. Application of flexibilities as provided for in the World Bank new procurement framework as well as innovative procurement systems will continue to be utilized to mitigate this risk. Also, in the context of COVID-19, preparation of SCALED-UP Additional Financing (AF) project is under way. This is in response to the request received from the MoF in May 2020 aimed to scale-up and expand support under SCALED-UP to MSMEs and enabling digital government services and remote working capabilities. The SCALED-UP team is working with the Somali authorities to arrive at the final design of the AF project for SCALED-UP while maximizing coordination with MPF donors along the way,
that is, around Gargaara, development finance institution (DFI) investments and the broader financial sector work. There has been limited dialogue between FGS officials and the SCALED-UP team on the digital ID initiative since July 2020, thereby slowing down implementation progress and making uncertain alignment with good practices. Consequently, the MoF requested and received a concise briefing from management setting out the key actions the FGS could take to restore previous momentum and ensure swift and smooth implementation of the digital ID activities. These include (a) need for effective coordination by building strategic consensus on the FGS ID Policy, and MoF to coordinate the digital ID initiative across various FGS MDAs, including briefing the Office of the Prime Minister (OPM); (b) need to clarify the scope of National Database and Registration Authority (NADRA) engagement in the digital ID initiative by focusing initial discussions between the FGS and NADRA on communicating the FGS digital ID Policy in greater detail; (c) need for recommitment to ID Policy by ensuring that ID-enabling legislation is anchored by ID Policy, and a focus on a foundational ID, with first use cases being financial inclusion/social protection and adding other applications later; and (d) restarting regular communication with WB teams and meetings of ID task force by FGS nominating officials with line functions at MDAs to act as dedicated counterparts leading dialogue between the FGS and World Bank on digital ID.

There are moderate shortcomings in the elaboration of the criteria for selection of beneficiary MSMEs by participating financial institutions (PFIs) under Gargaara Company Limited (the MSME Financing Facility) including awareness of environmental and social screening processes and excluded activities. Complaints that PFIs have imposed prohibitive and diverging conditions for eligibility to funding have been filed directly with the World Bank by stakeholders. The SCALED-UP team is continuing to invest in workshops and building capacity of counterparts on fiduciary and safeguards aspects.

Gargaara financing has started to reach end beneficiaries in Somalia. On account of COVID-19, maintaining this support via on-lending to MSMEs will be needed. The higher risks on account on inability to supervise in-field and the SCALED-UP team is maintaining regular virtual contact and exploring use of an MA to ascertain, document, and verify development outcomes and progress. In September 2020, the World Bank Grievance Redress Service (GRS) received complaints relating to SCALED-UP. The complainants represent several companies in the fisheries, agriculture, livestock and small industry sectors and allege that the participating financial institutions (PFIs) under Gargaara have imposed prohibitive and different conditions for eligibility to micro financing loans supported by SCALED-UP that contradict the objective of the project to facilitate access to finance for intended beneficiaries. They claim that no financial assessments for companies are carried out or flexible repayment plans offered. They also claim that microfinancing is only provided if companies have property (land or house) as collateral.

Working with the MA, the SCALED-UP task team is undertaking a fact-finding exercise and following up with Gargaara and PFIs. The aim is to assess whether the evaluations of the loan applications conducted by the PFIs were in line with the project guidelines. This will involve contacting complainants to obtain detailed explanations including copies of all documents that relate to the complaint. After the facts have been gathered and information evaluated, the task team will notify the complainants of the outcome of the complaint. Project implementation arrangements under Gargaara are such that prospective borrowers are assessed by PFIs based on the creditworthiness criteria set by PFIs within the project boundaries before being submitted to Gargaara for financing. Implementation activities under Gargaara are still at early stages, so efforts are still under way for the PFIs to update and set up their own systems to effectively carry out any analysis of the borrowing applications, especially for new customers in new sectors.

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**SOMALIA CRISIS RECOVERY PROJECT (SCRP)**

<table>
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<tr>
<th>Timeframe: 2020–2024</th>
<th>Budget: US$137.5 million (IDA)</th>
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<td><strong>Status:</strong> Effective</td>
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**Objectives:** Support the recovery of livelihoods and infrastructure in flood- and drought-affected areas and strengthen capacity for disaster preparedness nationwide.

**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 comes to over 1.6 million persons. The most vulnerable populations, farming communities, IDPs, rural and urban communities, and host communities will be supported through multiple interventions.

**Government counterparts:** Office of the Prime Minister (OPM), Ministry of Finance (MoF), Ministry of Humanitarian Affairs and Disaster Management (MoHADM), Ministry of Agriculture and Irrigation (MoAI), Ministry of Health (MoH), Ministry of Planning, Investment, and Economic Development (MoPIED), and other relevant technical Federal Government of Somalia (FGS) and Federal Member State (FMS) ministries, departments, and agencies.

**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 SCRP will provide immediate recovery support to the 17 districts in the three FMS of Jubbaland, South West, and Hirshabelle hit by flooding in late 2019, by supporting livelihoods and infrastructure rehabilitation. It will also respond to the country’s desert locust infestation and public health crisis, aligned with the FGS’s COVID-19 strategy, as well as strengthen governmental systems and capacity for disaster preparedness. For the locust and 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 SCRP on May 15, 2020, with the Financing Agreement signed in mid-June 2020. The Project is effective, with current disbursements standing at US$19.3 million (14 percent of project total), and implementation of early recovery activities ongoing.

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

| Status: In progress | Rapidly providing support to communities on livelihoods and food insecurity: The project has commenced locust control and livelihood support activities through a US$10 million component being implemented by the Food and Agriculture Organization (FAO) of the United Nations under a service agreement signed in July 2020 with the FGS. To date, FAO has contracted and trained three national partners and also contracted 83 local traders in three priority districts to stock fertilizer, seeds, tools, and hermetic storage bags. Under the component, FAO, together with the MoAI, has thus far provided 7,050 vulnerable agro-pastoral and farming households in south-central districts with quality agricultural inputs. FAO has also secured agreements with state MoAI officials in Puntland, Somaliland, and Galmudug to sustain aerial spraying with bio-pesticides and insect growth regulators (IGR). FAO surveyed more than 10 million ha. by aircraft, and ground teams have sprayed 37,000 ha. between October-November 2020. In total, FAO has so far treated 4,532 ha. in the three FMS. Ground control has also recently commenced in vulnerable farming communities in 30 districts in which personal protective equipment (PPE), sprayers, and malathion are distributed to farmers by the respective FMS MoAIs. |

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Page 57 of 77
**Delivering on early recovery:** The use of NGO consortia as a model for rapid delivery on the project’s early recovery activities is based on a thorough assessment of their capabilities and proven partnership model with government under the previous Special Financing Facility for Local Development (SFF-LD) project. Through a sectoral and geographic mapping of consortia coverage, the PIU is at advanced discussions with three NGO consortia for a total of US$20 million. This engagement will maintain flexibility to adjust project interventions based on local level needs to be assessed through community consultations and aligned with PIU-led prioritization results with the FMS.

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

**Status: In progress**

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

The PIU is in the process of signing a contract with FAO to provide support on design and construction supervision of flood management infrastructure, including the rehabilitation of flood relief canals and open river breakages along the Jubba and Shabelle basins. The FMS have been encouraged to find ways to rapidly advance with medium-term infrastructure rehabilitation schemes, such as concurrently preparing engineering designs and site-specific environmental and social safeguards instruments. The PIU/FMS will need to develop a step-by-step breakdown of all activities planned for the next six or 12 months, and institute processes to monitor and document the execution of works for urgent and priority activities.

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

**Status: In progress**

**Strengthening flood risk management.** The PIU has facilitated setting up a partner group on flood-risk management to ensure coordination and alignment of investments. Through a mapping of current and proposed partner flood investments, the PIU has provided up-to-date information on who is doing what and where the investment gaps are. The SCRP will support a government-led framework for collaboration with donors/partners and for coordination among FMS and provide resources to plug key gaps where it can, but the needs far exceed project resources.

**Supporting hydromet and early warning systems.** The technical team has been using trust fund resources from the Global Facility for Disaster Reduction and Recovery (GFDRR) to support hydromet and early warning services in two strands. First, technical specialists from ministries and agencies (that is, the MoEWR, MoHDAM, MoA, Somali Civil Aviation Authority [SCAA] at federal and state levels) were engaged in a training program. This program covered topics such as hydromet observation, data management, and the development of services. Secondly, a strategic assessment of hydromet services was undertaken, focused on actions in the short term (within two years), medium term (two to five years), and long term (five years and beyond). These activities
were conducted with the FGS, led by the Hydromet Working Group (HWG) and other development partners (notably FAO-SWALIM,\(^2\) UNDP, and regional partners including IGAD Climate Prediction and Applications Centre (ICPAC).

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

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

The World Bank will soon begin an Emergency Preparedness Assessment of the country that will lead to the preparation of an action plan and investment plan that will guide future SCRP NEOC investments. This will include a review of the emergency preparedness and response (EP&R) legal and institutional framework, clarification of the mandates of all MDAs at national and federal governments as well as of public and private stakeholders.

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

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

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

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\(^2\) SWALIM, the Somalia Water and Land Information Management project, is an information management program, technically managed by the United Nations’ (UN) Food and Agriculture Organisation (FAO) in Somalia and funded by the European Union, the United Nations Children's Fund, and the Common Humanitarian Fund. SWALIM serves Somali government institutions, nongovernmental organizations, development agencies, and UN bodies engaged in assisting Somali communities whose lives and livelihoods depend directly on water and land resources. The program aims to provide high quality water and land information, crucial to relief, rehabilitation, and development initiatives in Somalia, in order to support sustainable water and land resources development and management.
## Component 4: Project management (US$6 million)

### Signing of Memorandum of Understanding (MoU)

The MoF has signed MoUs with the three participating FMS for project implementation of the flood recovery related project components—a significant step forward for cross-government collaboration and project ownership.

### Setting up state project teams

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

### Operationalizing the Project Operations Manual (POM)

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

## Component 5: Contingency Emergency Response Component (US$20.5 million)

The Bank cleared the FGS’ request for the activation of the SCRP Contingency Emergency Response Component (CERC) in September 2020 for an initial amount of US$4 million in response to the COVID-19 pandemic.

Progress on CERC activation was significantly delayed, but the PIU has finalized the recruitment of a health consultant and service agreements now need to be urgently put in place for the agreed CERC implementing partners—the International Organization for Migration (IOM), United Nations Children’s Fund (UNICEF) and World Health Organization (WHO)—which will deliver on the initial activities.

There are only nine months left for the implementation of the activated CERC amount and implementation needs to be fast tracked. The government, with support from partners, needs to plan for utilization of the remaining US$16.5 million. Because the management of the pandemic is now moving towards the deployment of the COVID-19 vaccine, some of these resources may be channeled towards supporting (not including procurement of the vaccine) the roll-out of COVAX as a complement to the initial support that Somalia will receive from the global COVAX financing facility. This would form part of the Bank’s global support for COVID-19 vaccine roll-out which seeks to repurpose existing Bank funds.

### Contacts

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**WATER FOR AGRO-PASTORAL PRODUCTIVITY AND RESILIENCE, OR ‘BIYOOLE’, PROJECT**

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<tr>
<th>Timeframe: 2019–2023; Budget: US$42 million (IDA)</th>
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<td>Status: Effective</td>
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**Objectives**

Develop water and agricultural services among agro-pastoralist communities in dryland areas of Somalia. The Biyoole project aims to deliver improved water and agriculture services to agro-pastoral communities in drought-prone dryland areas of Somalia and improve their productivity and resilience to climate-induced shocks. The project will achieve its development objectives by strengthening community-level watershed management and promoting the uptake of sustainable land management and productivity-enhancing technologies and practices. The Biyoole project focuses primarily on (a) improving access to multiple-use water resources (for human consumption, livestock, small-scale irrigation, and environmental services) in drylands of Somalia; (b) 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.
Subcomponent 1.1: In progress
Construction of new community water points

This subcomponent supports 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 (wadis), surface water storage infrastructure (for example, berkads and hafir 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 in nonriverine regions of Somalia.

The backstopping engineering firm procurement process was completed for Puntland and consultants are onboard; the process is ongoing for South West and Galmudug States. This will result in backstopping engineering and construction support for site selection and water source construction monitoring. Sites have been previously identified but need to be confirmed with the support of the available technology.

In Puntland, the site selection process is ongoing and six sites have been selected. The Construction Investment Reports of the sites have been submitted to the Puntland Government to start the implementation of the water points.

On October 23, the Biyoole National Project Coordination Unit (NPCU), in collaboration with the state project implementation units (PIUs), organized the first Biyoole Water Sector meeting in Cadado town in Galmudug, at which all the FGS and FMS Ministries of Water were present. The meeting presented the experiences gained from the Water for Agro-Pastoralist Livelihoods Pilot (WALP) project, and shared the lessons learned and knowledge gained during WALP. A meeting organized on the sidelines of the Water Sector meeting focused on the different modalities of the procurement of contracts in the Biyoole project.

Hydrological monitoring equipment (GPS tools) has been procured in Puntland to establish the impact of the wadi developments on (a) downstream water needs of the people and the environment; (b) shallow groundwater reservoirs; and (c) deeper groundwater recharge.

A team—consisting of the NPCU, state PIUs, federal and state focal points of the project, sector specialists from federal government ministries, Galmudug and South West state ministries—visited two water point sites (Laaso Dawaco and Mindigale) in Puntland. The objective was to learn more about the implementation and structure of sand dams, and to study the whole process from planning and construction to operation, maintenance, and monitoring.

Subcomponent 1.2: In progress
Rehabilitation of community water points

This subcomponent finances 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 Wadi 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.

The Puntland Water Development Agency (PWDA) visited two water sites—Laaso Dawaco and XamXamaa—previously constructed under the WALP project, which were damaged during recent heavy rains. It is planning to undertake the rehabilitation of the existing water points with the support of the backstopping engineering firm. The backstopping engineering firm will help the
identification of other sites that the project will rehabilitate. During the Biyoole sector meetings, WALP end line reports have been distributed to the state PIUs for reference and learning purposes.

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

This component acknowledges the need for strengthening the capacity of the Federal Government of Somalia (FGS) and FMS to deliver essential services and optimize the usage of the country’s natural resources. Therefore, the project implementation teams will oversee the building of a strong institutional foundation for a gradual transition to a more integrated and sustainable agriculture and water development.

| Subcomponent 2.1: In progress National and state institutional capacity building | This subcomponent supports 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. The PCU at federal level provided technical training and guidance to the state PIUs on project implementation frameworks, procurement (using Systematic Tracking of Exchanges in Procurement [STEP] system), finance (establishment of project accounts), work plans, procurement plans, and budget preparation. The NPCU team visited the implementing FMS to provide technical assistance and support to PIUs and sector ministries in the preparation of the 2021 work plans and budgets as well as finalization of outstanding procurement activities. The NPCU also met state level PIUs and implementing ministries’ focal points in Garowe on September 27, to review project implementation progress. During this reporting period, virtual capacity building and training sessions/workshops were conducted by the World Bank on: virtual procurement (on July 16); Biyoole Environmental and Social Safeguards (on October 24 and 27); Public Financial Management and WFA—WB Finance and Accounting (on October 14); and Gender training addressing fundamental concepts, gender-based violence, and grievance response mechanisms (on November 10). The Puntland PIU has helped other participating staff members from the project state ministries to develop the relevant materials and build their own skills that will be needed to implement the project. The PIU provided technical guidance to the beneficiary institutions on project implementation frameworks, procurement procedures, finance, work plans, procurement plans, and budget preparation. The NPCU and the PIUs have established offices in their ministries of planning; buildings/offices for the ministries in the states have been rehabilitated, and vehicles for FGS and FMS project implementing ministries have been delivered. The project has also supported the furnishing and equipping of the federal and state line ministries. Some ministries that have no permanent offices benefitted from the project and are now building new ministry offices. A Capacity Needs Assessment consultant has been recruited to support the preparation of a Capacity Needs Assessment Report—which will identify and analyze capacity weaknesses (individual, institutional, and societal) and highlight financial and physical asset deficiencies in the region—for the implementing entities. |

| Subcomponent 2.2: In progress Community development and demand | This subcomponent is financing a holistic community engagement approach that will support activities in Components 1 and 3 though 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. Community mobilization will (a) promote informed demand and increase community ownership |
mobilization and sustainable management of natural and physical assets; (b) enhance the capacity for community governance by ensuring inclusion and participation, conflict resolution, and 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.

Community Driven Development (CDD) operational guidelines were developed by an FAO-supported consultant in consultation with the NPCU, PIUs, and community development specialists. The aim is to initiate engagement with target communities—developing the CIPs under this component is a top priority so that the project can begin to identify the types of support needed by the community in terms of goods and services, which will be delivered under Components 1 and 3.

A Validation Workshop for publication and sensitization of the guidelines was conducted on December 6 and 9 in Mogadishu. The NPCU will approve and operationalize the CDD guidelines.

During this final quarter, the Puntland PIU, along with implementing ministries and sector specialists, reviewed the community development planning outcomes for WALP project sites (Laaso Dawaco, Meeladeen, Reydable, and XamXamaa). A team visited all four sites from September 15 to 25 to review project progress, review challenges faced by the communities, and document the lessons learned from the community development planning process and implementation.

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

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.

#### Subcomponent 3.1: In progress

**Integrated landscape management**

- Based on priorities from the community planning effort and using a microwatershed approach, this subcomponent provides 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.

- This subcomponent also promotes 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 also finances establishment of community tree orchards for sustainable fuelwood and charcoal production and supports the promotion and take-up of small-scale solar energy solutions for household use.

- The Directorate of Environment of Climate Change (DECC) under the Office of the Prime Minister (OPM) developed Environmental and Social Impact Assessment Regulations. This will help guide the modalities for conducting, preparing, and submitting environmental and social impact assessments of planned activities, ensuring environmentally and socially sound and sustainable development. Safeguard Regulations were also developed under the leadership of DECC–OPM.

- The Puntland Ministry of Environment Agriculture and Climate Change (MoEACC) conducted a 16-day field visit to all the four WALP communities (Laaso Dawaco, Meeladeen, Reydable, and XamXamaa) from October 12 to 27. The aim was to conduct community consultation meetings and
assess sites for intervention in rangeland rehabilitation.

On October 7 and 8, the Rangeland Management Specialist conducted a two-day orientation for the team undertaking the assessment and site selection—before its deployment to the field—on the different tools to be used from the set criteria, questionnaire, and relevant sections of the community engagement guidelines.

A Biyoole Environment Sector Meeting was held in Garowe on November 15 and 16.

Throughout this quarter, the Puntland PIU, together with the MoEACC, has developed rangeland rehabilitation and gully control methods, designs, and BOQs. These have been finalized and the teams are using it for site selection.

The MoEACC conducted rangeland assessment in Dharoor, XamXamaa, Laaso Dawaco, and Reydable. Together with the MoEACC, the PIU has developed a series of survey tools for making these assessments.

**Subcomponent 3.2: In progress**

**Agriculture and livestock livelihoods support**

Anchored by the water assets delivered under Component 1 and guided by the CDPs developed under Component 2, this subcomponent supports 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.

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 the required training. These investments will help communities increase their production of more nutritious food for household consumption and, where possible, marketable surpluses.

Procurement of Mobile Veterinary Clinics has been finalized, and the contract has been awarded to the supplier. The clinics will be delivered to the Ministry of Livestock and Animal Husbandry (MoLAH) of Puntland State in early 2021. 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).

Component activities will be overseen by technical line ministries and delivered through service provider contracts (that is, NGOs and UN agencies).

The NPCU initiated Biyoole sectoral meetings and the states organized the meetings: South West State hosted a Livestock Sector meeting in Baidoa, which all livestock ministries from Puntland, South West, Galmudug, and Federal Government participated along with the NPCU. The Livestock Sector meeting marks an important milestone in the Biyoole project, pointing to potential opportunities and challenges of livestock in Somalia.

The Biyoole Agriculture Sector meeting was held in Garowe, where the Federal Ministry of Agriculture and Irrigation and all FMS agriculture ministries and PIU teams participated. The meeting also opened the door for discussion and networking for the agriculture sector representatives of the Federal Government and the FMS.
Component 4: Project management, M&E, knowledge management, and learning (US$9 million)

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

| Subcomponent 4.1: Project management | This subcomponent ensures 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. The National Inter-Ministerial Project Steering Committee is meeting regularly and providing overall oversight on project implementation processes and activities. 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. Rehabilitation of the ministries’ offices in South West and Puntland has been completed. The offices of the NPCU and PIUs have been furnished/equipped, and the teams are now operational; office equipment has been provided for the federal Biyoole line ministries. Similarly, in Galmudug, the project has also provided office furniture and equipment for all Galmudug Biyoole implementing agencies. The PIU has rented offices, which the Ministry of Planning and International Cooperation (MoPIC) is also using. Vehicles have been delivered to South West and Puntland Biyoole implementing agencies. FGS and Galmudug vehicles are in the final stages of the procurement process. The staffing of all the PIUs, seconded and contracted specialist staff, has been completed successfully. In September 2020, the NPCU traveled to Galmudug State, South West, and Puntland. The tour was led by the National Project Coordinator, and the purpose was to visit all FMS and review the final quarter of the 2020 Biyoole budget. It was also aimed at preparing the 2021 budget and work plans—which were finalized and submitted to the Bank for clearance after the steering committees’ approval. The final budget has been shared with the MoF budget department. The FGS team led this preparation and provided the required technical guidance; the team visited all the participating FMS and reviewed the process of the budget preparation. The quarterly operation budget, which is used for the payment of operation activities, was also developed and shared with the Bank. Financial management was reviewed during the virtual implementation support for World Bank-supported projects implemented by the FGS. Political instability and elections in Galmudug resulted in the delay of the project staffing and implementation process. The ministers linked to the Biyoole project implementation were changed and new ministers were nominated in their place. The visit to Galmudug was, thus, prioritized in order to update and train both the Galmudug newly elected ministers and the PIU about the Biyoole project. Sectoral meetings between the NPCU and the federal line ministries of the Biyoole project were organized regarding project activities, particularly work plans, mandatory involvement and supervision of the Biyoole project activities, and capacity development of the institutions. |
Subcomponent 4.2: In progress
M&E, knowledge management, and learning

The project supports continuous learning and adaptable knowledge management. A web-based management information system (MIS) will be set up, once the Quality Enhancement and Implementation Support contract has been awarded, 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 geotagging 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.

The NPCU organized a Project Implementation Progress meeting on September 26–27 in Garowe. On September 27, a joint meeting was also held in the Puntland MoPIC. The aim of the meeting was to discuss project implementation progress and visit the WALP water sites in Puntland for learning and exchange of experiences and ideas about the new water technology of sand dams in Somalia.

Given the nascent institutional capacity of multisectoral rural resilience in Somalia—the Puntland implementation unit conducted several meetings between PIUs and each ministry, as well as one coordination meeting in which all parties participated, to discuss the progress of the project.

The Puntland M&E specialist developed the quarterly M&E workplan during the final quarter of the year; reporting templates for daily and monthly activities were also developed.

Together with a team from the MoEACC, the PIU M&E specialist conducted an 11-day visit to the four WALP communities (Laaso Dawaco, Meeladeen, Reyable, and XamXamaa) from September 15–25, to assess the status of the dams and the projects. The team documented the challenges faced by the communities and the lessons learned from the community development planning process and implementation.

Coordination of project activities

The project held sector meetings in different FMS—a Water Sector meeting in Galmudug; a Livestock Sector meeting in Southwest; and an Agriculture and Environment Sector meeting in Puntland—to improve coordination and harmonization of the project activities. Meeting reports were prepared and shared with the Bank.

The project is in the process of establishing its grievance redress mechanism (GRM). All the PIUs in each of the participating FMS (Galmudug, Puntland and South west) have a dedicated safeguards specialist. A safeguards induction workshop was conducted on August 24–26. Moreover, the preparation of community engagement guidelines and manuals is at an advanced stage. The guidelines, manuals, and accompanying in-field facilitation tools, after going through an iterative review process, were ready for use and rolled out by the end of 2020. Amidst these important preparatory activities, the process to put the GRM in place was impeded due to the pandemic. However, efforts to put in place the GRM are ongoing and it is expected to be in place by early 2021.

Following the project’s promising start-up phase, including the construction/rehabilitation of nine ministry buildings, and in anticipation of works contracts on small water structures commencing in coming months, the project team is considering how best to respond to expressed interest of the FGS and growing demand by other FMS (Hirshabelle, Jubbaland) to expand project activities to the rest of the country. In this regard the NPCU is preparing a scaling-up proposal to submit to the Bank before the end of FY21.

With the establishment of the NPCU and PIUs in each FMS participating in the project, all of them well staffed, equipped and furnished, as well as with a functional project steering committee, the institutional aspect of the project implementation is improving by the day. Federal ministries have been mobilizing sector planning workshops with their state-level counterparts to ensure close collaboration on planning and implementation of activities. Moreover, as implementing agencies get more clarity, the project design is becoming clearer as a multisectoral platform to strengthen rural resilience in Somalia.
Challenges

The challenges are largely political in nature as Somalia tries to come together from a postconflict 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.

With regard to Somaliland’s participation in the Biyoole project, implementation of the project in Somaliland remains on hold pending the signing of a subsidiary agreement between the Federal Government of Somalia and Somaliland. 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. The Somaliland challenge has meant that about US$14 million of the project resources is held up, without a solution to this issue in the very near future.

Weak federal government and FMS relations and fractured relations sometime lead to deliberate nonrecognition of the federal government’s authority or that of the NPCU. This requires careful navigation by the NPCU to address some of the implementation issues.

In their quest to secure more resources for sector-related issues, federal level line ministries’ understanding of the project objectives is weak. This has led to inadequate utilization of the resources allocated to them.

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. Additionally, 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.

The project has faced challenges due to the COVID-19 pandemic, such as restrictions on market availability, travel restrictions, and coordination with service providers and government institutions. The entire implementation schedule has also been affected because most activities have been deferred. Goods and services were not readily available, and prices have gone up. Some of the procurement processes have been delayed or canceled because of COVID-19.

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The Urban Infrastructure portfolio financed three active projects, all of which are recipient-executed investment projects. The MPF provides financing worth US$79.6 million. The portfolio is co-financed with US$50 million in IDA resources. This portfolio aligns with the Country Partnership Framework under Focus Area 1: Strengthening Institutions to Deliver Services, specifically Objective 1.4: Build the capacity of Somali municipalities for urban resilience.
### SOMALI URBAN INVESTMENT PLANNING PROJECT (SUIPP)

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

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries:</td>
<td>Residents of Kismayo and Baidoa.</td>
</tr>
<tr>
<td>Government counterparts:</td>
<td>Municipalities of Kismayo and Baidoa.</td>
</tr>
<tr>
<td>Implementation arrangements:</td>
<td>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.</td>
</tr>
</tbody>
</table>

#### Past achievements

Under the original SUIPP (US$9 million, 2016–2017), feasibility studies, preliminary engineering designs, and safeguards instruments were prepared for the rehabilitation of urban secondary and tertiary roads in Mogadishu and Garowe to improve people’s access to basic services. Activities were completed by December 2018 and the investments are currently being implemented under the Somalia Urban Resilience Project (SURP). Investments for Hargeisa were unfortunately not followed through due to budget constraints. The additional financing for SUIPP (SUIPP AF) builds on the findings of an urban assessment previously undertaken for Kismayo and Baidoa. UNOPS has provided technical assistance for the design of priority urban investments. Currently, the project is almost fully disbursed. All feasibility studies, detailed engineering designs and bidding documents for prioritized road and drainage investments are already prepared and are ready to be financed under the second phase of the SURP (SURP II).

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

| Subcomponent 1: Institutional assessment and capacity building | This subcomponent consists of an assessment of Kismayo municipality/district government’s technical, financial, and administrative capacity to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities 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. |
| Subcomponent 2: Feasibility and preliminary design studies for priority investments | Based on the preliminary consultations with the government and findings of the rapid urban assessment undertaken in Kismayo, investments that have been prioritized include urban roads, along with corresponding drainage systems, sidewalks, and streetlights. UNOPS completed the safeguards assessments, feasibility studies, detailed engineering designs and bidding documents for 18 priority roads (31.1 km). Priority investments to be financed under the first tranche allocation of SURP II are organized into two packages of eight roads totaling 11.65 km, two priority trunk drainage outfalls, an office block that will house the PIU and supervision consultants, a material testing laboratory building, and survey and laboratory equipment. Bidding documents for another three packages for 10 roads (19.5 km) have also been prepared for possible funding under the second tranche of SURP II. |
### Component 2: Baidoa (US$1.47 million)

<table>
<thead>
<tr>
<th>Subcomponent 1: Institutional assessment and capacity building</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcomponent 2: Feasibility and preliminary design studies for priority investments</td>
<td>Based on the preliminary consultations with the government and findings of the rapid urban assessment undertaken in Baidoa, investments that have been prioritized include urban roads, along with corresponding drainage systems, sidewalks, and streetlights. UNOPS completed the safeguards assessments, feasibility studies, detailed engineering designs and bidding documents for nine priority roads (22.1 km) and a laboratory building. Roads contracts are organized into four packages, three of which will be funded under the first tranche of SURP II. The three packages consist of five roads (13.7 km), and two box culvert bridges, as well as a material testing laboratory building. The fourth package consisting of four roads (8.4 km) has also been prepared for possible funding under the second tranche of SURP II.</td>
</tr>
<tr>
<td>Component 3: Cross-cutting activities (US$0.6 million)</td>
<td>Program management</td>
</tr>
<tr>
<td>Contact: Makiko Watanabe: <a href="mailto:mwatanabe1@worldbank.org">mwatanabe1@worldbank.org</a></td>
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</table>
### SOMALIA URBAN RESILIENCE PROJECT (SURP)

**Timeframe:** 2018–21 (Phase I); **Budget:** US$9 million (MPF Grant)

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Strengthen public service delivery capacity at the subnational level and support the reconstruction of key urban infrastructure in targeted areas.</th>
</tr>
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</table>

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

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

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

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

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

**Ongoing Rehabilitation of 14 roads across seven districts of Mogadishu; setting up and capacity-building support to the Project Implementation Unit (PIU)**

***Implementation of civil works***: The scope of works involves the construction of 14 community roads (6.03 km) across seven districts, which is a variation from the original scope.³ The changes were made following community consultations conducted by the BRA in Boondhere, Warta-Nabada, and Shangani districts. As of end-October 2020, seven roads (2.91 km) and 160 streetlights have been completed, three roads (2.26 km) were in progress, and four roads (0.86 km) were expected to commence in November. Overall works progress is estimated to be 75 percent, having spent 90 percent of the revised contract time. Due to delays in the completion of works, the original contract period increased from 14 months to 21 months, which consequently pushed the expected completion date from May 15, 2020, to December 30, 2020. However, it is more likely that the contractor will complete all remaining works by April 2021 due to foreseeable construction challenges. The BRA has initiated the extension of both the works and supervision contracts.

**Community engagement**: As of September 30, 2020, more than 6,554 labor days have been created in the overall project. In addition, Maintenance Committees (MCs) established by BRA in the six districts where roads are completed or in progress continue to assist BRA in the maintenance of SURP-financed roads. Each MC comprises seven members, including representatives from the district administration, community elders, women and youth groups, and one BRA staff from the Engineering Department.

### Component 2: Garowe Municipality (US$2.5 million)

**Ongoing Rehabilitation of four roads in Garowe; setting up and capacity-building support to the Project Implementation Unit (PIU)**

***Implementation of civil works***: 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. The project piloted the use of Otta seal⁴ in Garowe for the first time where previous road surfacing was asphalt concrete. The roads were officially handed over to Garowe Municipality on August 1, 2020, in a ribbon cutting ceremony attended by the Mayor of

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

⁴ 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.
### Building Support to the Project Implementation Unit (PIU)

Garowe, the Minister of Interior, Federal Affairs and Democratization, and other government officials. Meanwhile, the certificate of completion was issued on June 23, 2020, following UNOPS’ recommendation that the contractor address all notified defects. The defects liability period of 12 months will close on June 22, 2021.

**Community engagement:** As of September 30, 2020, an estimated 42,512 labor days have been created in the overall project—more than 10 percent of those employed were women. In addition, the PIU has established one MC comprising seven representatives from the Department of Public Works and Public Relations, community elders, women and youth groups and IDPs. The committee is responsible for supervising the routine cleaning of roads contracted by the municipality. Furthermore, a road operation and maintenance manual has been prepared by UNOPS.

**Monitoring and evaluation:** Garowe contracted a firm to carry out a baseline survey for both Mogadishu and Garowe and the baseline report was completed in October 2019. The same firm has been contracted to carry out an endline survey in both cities. The survey commenced in November 2020 starting in Garowe and will be subsequently carried out in Mogadishu following the completion of remaining civil works.

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

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

### Other Updates

**Somalia Urban Resilience Project II:** The US$112-million SURP II was approved by the IDA Board of Directors on December 9, 2019, and declared effective on February 24, 2020. For details, see project brief on ‘Somalia Urban Resilience Project II (SURP II)’ on page 74.

### Challenges

**Increased security risks:** On July 23, 2020, the Mogadishu PIU’s vehicle was hit by a roadside improvised explosive device (IED) in Karaan District injuring two local security officers and the driver. The Project Coordinator was allegedly the target of al-Shabaab. The PIU reported that the Root Cause Analysis and Corrective Action Plan is under implementation, which highlights the need for continued attention to security risks.

**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 10 Project Affected People (PAP). The BRA has been unable to secure a resettlement site and make housing arrangements for the PAP. The PIU is awaiting a decision from BRA senior management on whether to proceed with the construction of these two roads.

### Contacts

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### SOMALIA URBAN RESILIENCE PROJECT II (SURP II)

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

<table>
<thead>
<tr>
<th><strong>Objectives</strong></th>
<th>Strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.</th>
</tr>
</thead>
</table>

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

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

**Implementation arrangements:** This project is 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 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, Baidoa, Dhusamareb and Beledweyne municipalities with support from an engineering supervision consultant. In addition, a PCU has been set up at the Federal Ministry of Public Works to provide technical support and guidance to the municipalities, setting technical standards, and project monitoring and evaluation.

**Geographic coverage:** SURP II will scale up infrastructure support in Mogadishu and Garowe, support prioritized infrastructure investments in Kismayo and Baidoa that were selected under SUIPP, and lay the groundwork for further expansion to strategic cities in Dhusamareb (Galmudug) and Beledweyne (Hirshabelle).

**Links to past/ongoing projects**

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

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

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

<table>
<thead>
<tr>
<th>Ongoing Preparation and implementation of infrastructure investments across six cities (Kismayo, Baidoa, Garowe, Mogadishu, Dhusamareb, and Beledweyne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The four PIUs (Kismayo, Baidoa, Mogadishu, and Garowe) have agreed to engage UNOPS to provide technical assistance for the supervision of civil engineering works and monitoring of the contractors’ adherence to the ESF instruments. TA services are expected to commence by end-February 2021.</td>
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</table>

**Mogadishu.** Priority urban investments are split into two packages. Package 1 covers 10 community roads (12 km) across 10 districts, and Package 2 includes the rehabilitation of one primary road with a combined cost estimate of US$14.6 million. The PIU contracted UNOPS to prepare detailed designs and bidding documents for the 10 community roads’ studies. Traffic and topographical surveys have been completed in six districts while the remaining four were completed in November 2020.

Meanwhile, preparation of Terms of Reference (ToR) for the feasibility studies and designs of other priority investments to be financed under the second tranche of SURP II is progressing well, including the ToR for the first phase of priority stormwater/trunk drainage (12 km, including a 1.9-km tunnel) and the ToR for interconnectivity roads (15.2 km).

**Garowe.** Priority urban investments are organized into two packages. Package 1 includes four urban roads (6.2 km) estimated to cost US$3.8 million. Package 2 includes the Gambol Road (1.22 km) and an associated bridge (0.14 km), which is estimated to cost US$2.8 million. Procurement of consulting services to prepare a combined Resettlement Action Plan and Environmental and Social Impact Assessment for the Gambol bridge is under way. The study is expected to commence by end-February 2021.

Procurement of consulting services for the stormwater drainage assessment and design is under way. The contract is expected to be signed in March 2021, with the study commencing shortly thereafter for a period of six months.

**Kismayo.** The feasibility study and detailed engineering designs for the Airport Road have been finalized and Bill of Quantities 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. As such, a drainage prefeasibility assessment for Kismayo was completed by UNOPS in October 2020, while the ToR for a citywide drainage assessment was finalized in December 2020.

Additional trust fund resources were secured by the World Bank team for a prefeasibility study to assess urban flood risks and to develop citywide urban flood management and storm water drainage solutions for Kismayo.

The proposed assistance complements and informs SURP II. It is aligned with both technical studies and will ensure that ongoing and future investments in physical infrastructure are protected against recurrent flooding. In addition, UNOPS supported the PIU to prepare a Road Maintenance Plan for SURP II roads and submitted the final report at the end of November 2020.

**Baidoa.** The procurement of works is progressing well in Baidoa. Works involving the construction of nine roads (22.1 km) are organized into four contract packages, three of which will be financed under the first tranche of SURP II. Package 1 comprises two roads (3.9 km), streetlighting, and two box culverts.

Package 2 comprises two roads (7.1 km) and a bridge walkway. Package 3 consists of only one road (2.7 km) while Package 4 comprises four roads (8.4 km) and is planned for possible funding under the second tranche of SURP II.

**Dhusamareb and Beledweyne.** The Ministry of Finance has signed subsidiary agreements with the Galmudug and Hirshabelle states. The inter-ministerial steering committee officially endorsed the participation of Dhusamareb (Galmudug) and Beledweyne (Hirshabelle) in SURP II.

The two states have appointed SURP II focal points who are working closely with the PCU to recruit PIU staff, which commenced in January 2021. Procurement of survey firms is under way to conduct
institutional and urban infrastructure needs assessments of both municipalities. The institutional study will identify gaps in technical staffing and skill sets among civil servants, such as financial management, procurement, engineering, M&E and safeguards, and inform strategic and organizational change management and capacity building for effective project implementation. The urban infrastructure needs assessment will evaluate urban infrastructure and service needs in the two cities to help government prioritize investments under SURP II.

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

| Under preparation | 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&M examines technical and financial means to ensure sustainable O&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. Good progress had been made to date in all three TAs. The TA on road operations and maintenance is currently under way, while firm selection for the TAs on informal settlement upgrading and urban governance and services was finalized in December and will commence in January 2021. The firm selection for the TA for solid waste management has been finalized and the work will commence by end-February 2021. |
| Technical assistance and related analytics for informal settlements, urban infrastructure operation and maintenance, and urban governance service delivery |

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

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

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

| Not yet triggered | This will allow for rapid reallocation of project funds in the event of a natural or man-made crisis in the future, during the implementation of the project, to address eligible emergency needs under the conditions established in its operations manual. |

### Alignment to NDP

The project will support the NDP Infrastructure Pillar which aims to “lay out the foundations of resilient infrastructure systems that will contribute to the country’s stability and will provide necessary services for all”. Specific Infrastructure goals from NDP to be supported include: (a) Strengthening institutional and technical capacities of different infrastructure subsectors to be able to plan, implement, operate, maintain, and monitor sector specific infrastructure development; and (b) improving mobility and connectivity throughout Somalia and to the neighboring region with a strong focus on rehabilitation and maintenance of existing transport infrastructure. The project will also contribute to the Resilience Pillar that aims to “systematically enhance the absorption capacity of basic services for IDPs and returning refugees”. 

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**Challenges**

**Need to enhance security risk management.** Subprojects under SURP II—particularly in Mogadishu—will include areas with high security risks. The project recently encountered security incidents that have affected PIU/PCU consultants. One was the July 23, 2020, IED (an improvised explosive device) attack against the Mogadishu PIU vehicle where two security personnel were injured. The Mogadishu PIU Coordinator was allegedly targeted. The other was a suicide attack on November 27, 2020, at a café where the SURP II international consultants were off-duty. Two consultants sustained minor injuries and seven people were killed. Both incidents demonstrate that the nature of SURP II (that is, visible and significantly large urban infrastructure projects, government-managed and World Bank-funded) may potentially attract al-Shabaab attacks. While a Security Management Plan is being prepared and implemented in each municipality, the security risks need to be carefully managed with enhanced measures throughout project implementation.

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