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ABBREVIATIONS AND ACRONYMS

AfDB  
African Development Bank
ASA  
Advisory Services and Analytics
BRA  
Benadir Regional Administration
CIP  
Public Sector Capacity Injection Project
CPF  
Country Partnership Framework
CSSP  
Somaliland Civil Service Strengthening Project
DLIs  
Disbursement-Linked Indicators
DP  
Development Partner
DRM/PFM  
Domestic Revenue Mobilization and PFM Capacity Strengthening Project
ESF  
Environmental and Social Framework
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
HIPC  
Heavily Indebted Poor Countries Initiative
IDA  
International Development Association
IDP  
Internally Displaced Person
IFI  
International Financial Institution
IMF  
International Monetary Fund
iPRSP  
interim Poverty Reduction Strategy Paper
MoCI  
Ministry of Commerce and Industry
MoF  
Ministry of Finance
MoHADM  
Ministry of Humanitarian Affairs and Disaster Management
MoLSA  
Ministry of Labor and Social Affairs
MoPIDE  
Ministry of Planning, Investment, and Economic Development
MPF  
Multi-Partner Fund
MSME  
Micro, Small, and Medium Enterprises
MTR  
Mid-Term Review
NDP  
National Development Plan
NGO  
Nongovernmental Organization
NPS  
New Partnership for Somalia
PAC  
Pre-Arrears Clearance
PFM  
Public Financial Management
PIU  
Project Implementation Unit
PLR  
Performance and Learning Review
POM  
Project Operations Manual
RCRF  
Recurrent Cost and Reform Financing Project
SBCF  
Somali Business Catalytic Fund
SCALED-UP  
Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project
SCORE  
Somali Core Economic Institutions and Opportunities Program
SDRF  
Somalia Development and Reconstruction Facility
SEAP  
Somalia Electricity Access Project
SEU  
Somalia Economic Update
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>SFF-LD</td>
<td>Special Financing Facility for Local Development</td>
</tr>
<tr>
<td>SIF</td>
<td>Somali Infrastructure Fund (AfDB administered)</td>
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<td>SMEF</td>
<td>Small and Medium Enterprise Facility</td>
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<tr>
<td>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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<tr>
<td>SUIPP</td>
<td>Somali Urban Investment Planning Project</td>
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<tr>
<td>SURP</td>
<td>Somali Urban Resilience Project</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<tr>
<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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ANALYTICAL AND TECHNICAL ASSISTANCE ON EDUCATION

**Timeframe:** 2016–19; **Budget:** US$1 million

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Address critical knowledge and information gaps in the education sector and provide technical assistance to strengthen the capacity of the public education delivery system to manage a diversity of service providers and address the challenges of policies, governance, access, quality, and equity in a sustainable manner.</th>
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**Beneficiaries:** *Primary beneficiaries:* Technical support will be provided to the Ministries of Education and Higher Education of FGS and the regions; *Secondary beneficiaries:* The education sector committee as well as donors supporting the education sector are also expected to benefit from the analytical products.

**Government counterparts:** The primary counterpart will be the Ministry of Education, Culture and Higher Education, Federal Government of Somalia. However, the regional Ministries of Education will also be consulted for their inputs and will benefit from the analytical products.

**Implementation arrangements:** These activities are World Bank-executed on behalf of the government counterpart, in order to draw on the Bank’s comparative advantage of harnessing global knowledge and technical expertise and its convening capacity. However, the Bank team will work closely with the government counterparts and donor partners.

**Geographic coverage:** The geographic relevance of the analysis would cover all regions of Somalia.

### Pillar 1: Linkages with RCRF and MPF Knowledge Fund

**Description:** The RCRF project has planned support for (a) the establishment of a basic accountability system for the education and health sectors; (b) payment of salaries and allowances for eligible teachers and health workers; and (c) eligible nonsalary recurrent costs. Just as the Capacity Injection Project provides complementary support to the RCRF by strengthening the HR accountability systems for civil servant management, this activity provides complementary support to improve the robustness of the teacher payroll system linked to teachers’ database beyond the basic accountability system that would be established through the RCRF. The analysis produced through this activity would help the RCRF team be more strategic in hinging salary payments to reforms. The need for this type of support and the comparative advantage of the World Bank to provide it were identified through consultations within the education sector that have taken place since the RCRF’s endorsement.

**Outputs:**
1. Education payroll improvement report.
2. Implementation action plans for all the beneficiary States.

### Pillar 2: Knowledge generation and sharing for strengthening capacity of the public education system

**Task 2: Developing Federal Framework**

The objective of this task is knowledge sharing on decentralization of education functions in federal systems. Under the provisional Constitution, Somalia’s political system has been characterized as a federal system. As the federal system is gradually evolving, there is little clarity on the roles and responsibilities between the federal government in the center and the regional entities/states. This lack of clarity is resulting in duplication of activities and confusion not only within the government but also among the donors. This activity will bring in global lessons on how a federal system works in the education sector, and share the knowledge with the Somalia governments to build their collective understanding of how education policy, planning, financing, and service delivery can be effectively devolved and managed in a federal system, which will gradually lead to the development of a federal framework for education service delivery. It will also build on the dialogue to strengthen capacity to effectively deliver public education services in a federal system.
**Outputs:** A detailed case studies’ report which attempted to derive specific lessons for Somalia was prepared under this subtask. The report has been shared with the Government of Somalia (federal and member states) and development partners. The study specifically is informing the development of a Memorandum of Understanding between the Federal Ministry of Education and its counterparts at the Member State level to set functional assignments between the two levels that can successfully deliver quality education in Somalia.

**Task 3: Overview of the Current Status of the EMIS in Somalia**

**Background and objective:** Somalia has an Education Sector Statistics Plan (ESSP, 2018–2020) that envisages a fully functioning EMIS, going beyond simply an annual statistics survey, to improve the timeliness and quality of data for informing policy and planning. Accordingly, efforts to develop a national EMIS as well as state-level systems have begun through multiple donor-supported initiatives. However, a full picture of the progress made as a result of these efforts has yet to emerge. To address this knowledge gap, a baseline overview of the EMIS was carried out. This overview was expected to inform the development of an effective plan to implement the ESSP, which would build on what already exists, harness existing capacity, and avoid unnecessary duplication of effort.

**Outputs:** A baseline review report of the current status of EMIS and recommendations to strengthen was produced and shared with development partners. The baseline overview report was provided as an input to a June 2018 consultative workshop for EMIS stakeholders. The review provided the basis for the MoECHE to develop a detailed EMIS plan which is now supported by the GPE.

**Pillar 3: Promoting public-private partnership in education and alternative modes of delivery**

**Description:** This task is aimed at developing an evidence base for understanding nonstate education providers in the broader Somali education ecosystem, and identifying opportunities for cooperation between state and nonstate actors. More specifically, the study aimed at:

1. Developing an in-depth understanding of the characteristics and role of nonstate education providers in primary and secondary education in Somalia.
2. Analyzing their operating environment and identifying its constraints.
3. Identifying areas and approaches for public-private partnership.
4. Delivering recommendations for the government that can feed into a possible regulatory policy framework supporting nonstate education service providers.

**Outputs:**

1. Study on nonstate education providers in Somalia.

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**CAPACITY INJECTION PROJECT (CIP)**

<table>
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<th>Timeframe: 2015–20; Budget: Appraised at US$40 million, currently allocated $26.25 million</th>
<th>Status: Effective</th>
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</table>

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

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

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

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

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

**Component 1: Developing capacity for key cross-cutting government functions (US$13 million at appraisal)**
This component supports the injection of core staffing capacity into key government ministries, departments, and agencies through the government’s capacity injection modality (CIM). Capacity injection in this program focuses on advisory, managerial, and technical staff to fill urgent capacity gaps identified by the government.

**Subcomponent 1.1: Ongoing**
Supporting harmonized and government-led capacity injection in priority institutions

| Contracts for CIM staff in the Federal Government of Somalia (FGS) and Puntland State of Somalia (PSS) will be renewed to run from January to December 2020, subject to confirmation of available funds for CIM staff salaries and allowances for 2020 under the RCRF. |

**Subcomponent 1.2: Ongoing**
Providing specialized training and coaching support for new recruits and their teams

| FGS: The Somalia National University School of Management and Public Administration (SOMPA) is in the process of contracting the Kenya School of Government as the partner to build its capacity to deliver training on a continuous basis to civil servants. Its capacity will be built in the areas of curriculum development, preparation of training materials/modules, and implementing a training-of-trainers program to increase the number of Somali local trainers.  
| PSS: The capacity of the Puntland State University Institute of Public Administration and Management (IPAM) will be built to undertake training of civil servants locally and on a continuous basis. The Ministry of Labor, Youth and Sports (MoLYS) is developing an Establishment Bill for IPAM; the implementation will start once the Bill is enacted. |

**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**
The FGS has completed the organizational reviews for all 48 MDAs. An inter-agency government team has been formed to incorporate additional technical comments in the organizational review reports.
### Supporting priority ministries in reorganization and change management

The **PSS** has completed organizational and modernization assessments for all the 43 MDAs and Government organizational ordinance has been developed to provide more clarity on mandates, vision, mission, functions, accountabilities, structures, staff complement, and establishment ceilings for these MDAs.

### Subcomponent 2.2: Ongoing

**Strengthening basic policies for civil service management**

The **PSS** has now rolled out the approved Administrative rules, procedures, and regulations that were developed from the HR policies.

In the **FGS**, an inter-agency government team has been constituted, led by the Ministry of Labor and Social Affairs (MoLSA), to prepare administrative rules, procedures, and regulations for the HR policies that have been developed.

**Pay and Grading:**

- **FGS**: Procurement of a consultant to develop the Civil Service Pay and Grading Policy and pay structures is ongoing.
- **PSS**: The pay and grading assignment has started. The exercise will also look into aligning donor-financed staff salaries and civil service salaries.

**Public Sector Pension Policy:**

- **FGS**: A draft Pension Policy and Pension Bill to establish a Public Sector Pension Fund for Somalia has been validated. The Bank will work with the FGS to review the Bill and support the development of by-laws and regulatory documents.
- **PSS**: A Public Sector Pension Policy and Bill has been developed. The pension scheme options and costing have been developed based on the HR audit data. The draft Bill has been reviewed by the Cabinet and a few considerations on legal aspects have been recommended to MoLYS, which is currently revising the draft Bill.

### Subcomponent 2.3: Ongoing

**Civil service work force management**

**Human Resource Audit:**

- **FGS**: The HR Audit report has been endorsed by the Cabinet. This has now paved the way for commencement of payroll cleaning, development of personnel records for staff and unique identifier numbers, and introduction of payroll controls and audits.
- **PSS**: Payroll cleaning is complete and payroll system controls have been introduced. The cleaned payroll lists have been rolled out to the MDAs. The development of a Human Resource Management Information System (HRMIS), which should ultimately be able to exchange information with IFMIS, is being prioritized.

**Public Sector Reform Strategy**: The **FGS** is currently 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 will form part of the civil service procedures and regulations that will be developed for Cabinet approval later this year. In Puntland, procedures and regulations for this policy have been approved by the Cabinet and will be rolled out to civil servants. *An abridged version (pocket size version) will be made available to all 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.

<table>
<thead>
<tr>
<th>Subcomponent 3.1: Target achieved and activity completed</th>
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<tr>
<td>This subcomponent supported strengthening capacity for aid coordination and monitoring and evaluation of the Somali Compact. The Ministry of Planning, Investment and Development (MoPIED) continues to publish aid data, with the support of the UN and World Bank.</td>
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<tr>
<th>Subcomponent 3.2: Ongoing Developing basic policy management capabilities</th>
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| **Policy Coordination and Oversight:** 
FGS and PSS: The FGS is in the process of procuring TA for the development of a Cabinet Manual to guide policy processing and Cabinet decision making; the PSS has completed the development of a Cabinet Rules and Procedures Manual (Cabinet Manual). The PSS has revised its policy procedures as well as the Cabinet handbook. The Cabinet secretariat and Cabinet members have already been trained on the revised policy procedures manual and the revised Cabinet handbook. The PSS has initiated procurement of TA to develop a Cabinet management information system.  
**Line Ministries’ Policy Capacity:** 
FGS and PSS: Policy planning and research units have been established in both the FGS and PSS. The MDAs in Puntland are submitting progress reports on high priority government initiatives. This has been facilitated by the guidelines to support the work of the delivery units in Puntland’s Office of the President, and policy planning and M&E units in the MDAs. The delay in the FGS is partly due to the absence of guidelines for policy development and Cabinet processes. |

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<th>Subcomponent 3.3: Ongoing Strengthening leadership for change and delivery</th>
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| **Public Administration Forum:** 
Both the FGS and PSS have conducted annual public administration fora and invited the FMS to share experiences and knowledge on public sector reform, discuss progress of public administration transformation in Somalia, and chart a way forward to deepen reforms.  
**Executive Leadership Program:** 
FGS and PSS: This has been included in the training programs to be delivered through the twinning program with external institutions.  
**High Level Retreat:** 
FGS: The project supported a high level retreat between FGS’ Office of the Prime Minister and Cabinets of the FMS. The retreat aimed to strengthen leadership and change through consultative planning on policy implementation and review of performance and delivery of priority programs.  
PSS: The project supported a high level retreat that brought together high-level government decision-makers such as ministers, director generals, and other senior officials of the PSS executive branch. The retreat offered a platform for debate and discussions on key strategic priorities for the State Government. |

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

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<th>Ongoing</th>
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<tr>
<td>Both the FGS and PSS continue to submit high quality quarterly progress reports on the project. The project closing date has been extended to December 30, 2021.</td>
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CIVIL SERVICE STRENGTHENING PROJECT (CSSP)

Timeframe: 2016–21; Budget: US$10 million
Status: Effective

<table>
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<tr>
<th>Objectives</th>
<th>Strengthen basic functions for payroll, human resources, and policy management in selected central agencies and line ministries.</th>
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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.

Implementation arrangements: Government-executed.

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 (US$40 million) supporting the FGS and Puntland in the first phase and other member states in subsequent phases.

Component 1: Strengthening the policies, procedures, and systems for civil service management (US$3.9 million)

Civil Service Headcount and Payroll Management
As a post-HR audit activity, the Government of Somaliland (GoSL) has concluded payroll cleaning. The new payroll lists have been rolled out in six MDAs to pilot activation of the payroll module in the SLFMIS. A report offering detailed advice on the required procedures, assignments of responsibility, manuals, HRMIS design and functionalities, and capacities for an effective payroll control system has been prepared. A roll-out to the rest of the MDAs is planned in phases.

Headcount and registration of public servants that were previously not under the Somaliland Civil Service Commission (CSC): There has been a proposal to further amend the civil service law to expand its coverage to include local government staff, parliamentary staff, and the Central Bank of Somaliland. This requires an additional 100 percent headcount and registration of these public workers. As in the first round of registration, this activity will be carried out both at headquarters and in the regions, and will also involve simultaneous biometric registration and issuance of identification cards. The activity is proposed to take place in early 2020.

New entrants into the public service will be registered at the time of appointment and the list updated accordingly, and probability-based sampling headcounts will be periodically undertaken in the future, as a check on payroll control effectiveness.

HRMIS: Significant progress remains to be achieved on designing, building and implementing an HRMIS that, inter alia, (a) ensures seamless sharing of payroll-relevant information with the SLFMIS; (b) automates payroll controls as well as the full range of personnel action controls; and (c) captures key evidence on the impacts of HRM policies and procedures on furtherance of key HRM objectives. The procurement of a consultant to develop the system is under way.

Human Resources Management

HR policies: Sixteen policies, that are considered critical for sound HR management and that promote merit-based civil service management, have been developed in consultation with the MDAs, approved by the Cabinet and endorsed by the President. These policies include (a) Recruitment, Selection and Appointment; (b) Competency Framework; (c) Performance Management; (d) Career Management; (e) Scheme of Service; (f) Staff and Talent Retention Scheme; (g) Civil Service Disciplinary Management; (h) Leave; (i) Coaching and Mentoring; (j) Establishment Controls; (k) Civil Service Code of Conduct; (l) Training and Development; (m) Complaints and Grievance Management; (n) Creation and Abolition of Offices; (o) Staff Promotions, Transfers, Secondment, Redeployment and Retrenchment; and (p) Records Management. All these policies have been documented as specific chapters in the GoSL Civil Service Administrative Policies, Rules and Procedures which was launched in September 2019. The policies and guidelines will be disseminated to all MDAs in 2020.
**Civil Service Law:** The Civil Service Law has been reviewed, and its Amendment Bill has been drafted, validated, and translated. The amendments describe the mandates and functions of the CSC and provide CSC the power to exercise its mandates. The amendments also lay the basis for merit-based HRM in civil service, further elaborated by the adopted HR policies.

**Draft National Employment Policy:** The draft National Employment Policy, which will support the implementation of the Somaliland Vision 2030 goal of achieving full and productive employment for all citizens, has been developed. It articulates economic trends and employment; provides situation analysis and a policy framework that emphasizes good quality economic growth, social justice, empowerment and participation, social dialogue, equity, adherence to the Constitution, community-driven initiatives, adherence to labor standards, private sector-led growth and employment generation and employment creation, as key indicators for economic performance. The policy has been validated and translated into the Somali language, and will be submitted to the Cabinet.

**Developing a pay and grading structure for the civil service:** The current structure will be modernized to ensure a sound grading structure is in place. The capacity of the Somaliland CSC will also be strengthened to manage the pay and grading exercise. Talent Management Program salaries will be integrated in the new structure. The procurement of TA is under way.

**Public sector pension reform:** The *Pension Policy and the draft Bill* have been sent to the Cabinet for approval. The Bank will work with the GoSL to think through financing; institutional arrangements for implementation; and oversight. Development of various institutional arrangements (rules, requirements, oversight roles, etc.) will be required to ensure adequate fiduciary protections for the pension fund, including protection of its assets from being diverted to other purposes (other than financing pension benefits), be they public or private.

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

**Reorganization of key departments in targeted Ministries, Departments, and Agencies:** This has been completed in 18 MDAs. The reorganization supports improvements in the organization structure, redistributes mandates, and provides vision and mission of the organizations as well as the staffing structures, numbers, and personnel mix. This staffing plan provides efficient control over institutions and optimizing usage of resources. With the reorganization, there will be establishment posts and ceilings for every institution, hence enabling the Government of Somaliland to manage its wage bill. Next steps will concentrate on supporting the implementation of change management and action plans derived from the organizational reviews. *The project will support organizational diagnosis in the remaining eight MDAs in 2020.*

**Talent Management Program (TMP):** Seven TMP positions (14 percent female) have been filled. Staff salaries and allowances will be covered by the funds released against achievement of the Disbursement-Linked Indicator Number 5: ‘Talent Management Program Manual approved by the Public Sector Reform Steering Committee’. Additional positions have been advertised and should be filled in early 2020. The Bank has recommended to the GoSL to develop a process of phasing the TMP staff salaries into the payroll to ensure that these have been fully absorbed into the GoSL civil service wage bill by the CSSP closing date (June 2021). This process will be incorporated in the pay and grading assignment.

**Management and Common Services Training and Coaching:** The GoSL is in the process of contracting the Ghana Institute of Management and Public Administration as the external partner institution to build the capacity of the Civil Service Training Institute to manage and deliver civil service trainings and on a continuous basis. Areas of capacity building will include curriculum development, preparation of training materials/modules, and implementing a training-of-trainers program to increase the number of local trainers.

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

Following the assessment of the existing policy management capacities of the Office of the President (OoP), an action plan for strengthening this function has been developed. The Bank is working closely with the GoSL to ensure that the next batch of TMP staff recruitment comprises policy and legal staff attached to the Cabinet secretariat office. Activities under this component will include building capacity of MDAs in policy development; strengthening policy guidelines on workflow between center of government and government MDAs; development of national planning policy guidelines; development of a national M&E framework; and development of protocols and procedures for the OoP. The terms of reference for this assignment have been developed and the procurement will be concluded once the TMP positions are filled in the OoP in early 2020.
**Status of Disbursement-Linked Indicators**

**Year 1 Disbursement-Linked Indicator:**
DLI 5: ‘Talent Management Program manual approved by the Public Sector Reform Steering Committee (PSRSC)’ has been achieved, and has triggered the release of USD150,000 to cover salaries and allowances of TMP staff.

**Year 2 and 3 Disbursement-Linked Indicators:**
DLI 1: ‘Share of civil servants with verified and completed personnel records in central human resource (HR) personnel database of satisfactory quality’. This DLI has been achieved and verification is planned in end-2019–early 2020.

DLI 3: ‘Number of improved human resource procedures approved by the Public Sector Reform Steering Committee and submitted to the Cabinet’. The human resource procedures have been approved by the PSRSC and endorsed by the Cabinet together with their administrative rules and procedures. Verification of achievement by the Office of the Auditor General is planned for early 2020.

DLI 4: ‘Newly established or reorganized HR units in targeted Ministries, Departments and Agencies adequately staffed’. Human resource units have been established in the MDAs and the Bank team will work closely with the Government of Somaliland to ensure that the organizational reviews’ recommendations for the human resource units in targeted MDAs are implemented.

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

The PCU continues to closely monitor project progress and submit comprehensive quarterly progress reports in a timely manner. A mid-term review of the project was conducted in September 2019. The Bank and GoSL are discussing potential areas for project restructuring.

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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

**Objectives**

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

**Government counterparts:** Ministries of Finance and Planning in the Federal Government, Somaliland, and Puntland.

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

**Geographic coverage:** Mogadishu, Garowe, and Hargeisa.

**Project restructuring and additional financing (AF)**
The AF will continue to benefit the Puntland State of Somalia (PSS) and Somaliland in addition to the FGS. Overall, the activities are consistent with the original project activities even though there was a modification to the Project Development Objective (PDO) to explicitly include the DRM support. Even though the activities in the AF were consistent with the original, the components were realigned and reduced from six to four. There was also an extension of the closing date of the original project by two years, from June 30, 2020, to June 30, 2022, to allow for 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 systems and strengthened PFM and auditing systems. The project is also expected to contribute to higher level development objectives of enhanced revenues and more efficient and accountable government spending.

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

**Subcomponent 1.1: Improving organizational capacity for tax policy**
*This subcomponent includes (a) establishing the Tax Policy Unit (TPU) in the MoF by supporting activities to crowd in support for the TPU, definition of structure and job specifications, definition of linkages to the Attorney General’s office and support in establishing legal or regulatory frameworks for access to 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.*

Generally, the implementation of this component is satisfactory.

**FGS:** Training and capacity building on Revenue Forecasting, and Revenue Performance Analysis Report preparation have been undertaken. These trainings were led by the Federal Government of Somalia (FGS) and participated in by the Federal Member States (FMS). We are also pleased to report that the FGS reached out to all FMS and included them in the revenue forecasting and revenue analysis trainings. Seventeen officials from all FMS have received the World Bank sponsored trainings, one each, on revenue performance analysis, and revenue forecasting, with three officials coming from the PSS TPU.

The Emirates, Qatar, and Turkey have also approached the FGS to sign Double Tax Agreements (DTAs). However, the government expressed a need for technical assistance (TA) to equip government officials with skills to negotiate and implement the DTAs, and it was agreed that the
authorities will design Terms of Reference (ToR) and consult both internally and externally on how to close the capacity gaps.

**PSS:** A draft structure for the TPU has been designed but requires enhancement. A head of the TPU has been deployed. The head of the Unit will be a counterpart to the proposed consulting services. A technical advisory note on functions, structure, and job descriptions for the TPU has been discussed and the PSS authorities are still in the process of refining the TPU structure. Staff in the TPU will continue to receive capacity building on revenue performance analysis and revenue forecasting.

**Somaliland:** The Ministry has restructured the Revenue Reporting Unit in the Macroeconomic Department, renaming it Tax Analysis, Revenue Forecasting and Policy Unit. This Unit will prepare the enhanced revenue forecasting and revenue performance analysis reports. Twenty-five staff each attended the Revenue Performance Analysis Report, and Revenue Forecasting training, supported by the DRM and PFM Project. The government appreciated the value of these trainings, and embarked on the process of implementing recommendations from the findings.

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

This subcomponent includes the following: (a) Operationalizing large tax payer office; (b) Business process mapping and redesigning; (c) Modernizing and automation; and (d) Capacity building.

**FGS:** LMTO is operational with 90 taxpayers managed by 17 Inland Revenue Officers. With support from IMF TA, ad hoc forms have been designed and two training sessions delivered to LMTO staff. A segmentation criterion was used to identify the taxpayers deployed to the LMTO. A baseline assessment of existing practices on taxpayer audits was undertaken and authorities sent data, and the Bank Task Team has concluded the assessment and supported development of a draft audit strategy for the FGS. The government also requested, and the mission team acceded, to hold training for the audit team.

**PSS:** The authorities approved the LTO segmentation criteria. Twenty-seven taxpayers who fit the criteria were identified and interacted with Ministry of Finance officials. Two staff were deployed in the LTO unit. The Inland Revenue Department (IRD) will need to set up and extend specialized services to enable LTO taxpayers register, declare, and pay their tax obligations and, to that regard, a TA is in the process of being procured to support the government introduce such services to LTO taxpayers. There is also the need for more offices in the LTO to be in a position to serve this segment and ensure it generates its revenue potential.

Harmonization of systems between the FGS and PSS is very crucial. In a bid to enhance system harmony between the FGS and PSS, it is recommended that the FGS engages Member States as it refines and formally adopts a segmentation criterion. Most processes are currently manual.

**Somaliland:** The Phase 2 (2018–2020) Department for International Development (DFID) funded Customs and Inland Revenue reform program progressed and has supported the authorities start a tax audit program.

**Business process mapping, modernization, and automation**

**FGS/PSS:** Challenges still exist with the Taxpayer Identification Number (TIN) structure. The government is still using the old design to issue TINs, which necessitate issuance of multiple TINs to registered taxpayers. There is need for the authorities to explore options to improve the existing TIN structure, with potential to harmonize it with other FMS TIN structures. Once a new TIN structure is approved, it shall be programmed for issuance by the Integrated Financial Management Information System (IFMIS) and taxpayer data cleansed (430 TINS have been issued in the FGS, up from 200 reported in the last report, and 500 in the PSS up from 300).

**Somaliland:** The government has now decided on a TIN structure, which will be Somaliland Financial Management Information System (SLFMIS) generated. A firm to carry out a needs assessment for the Integrated Revenue Automation System has been identified and contracting is in progress. In the meantime, TIN issuance, returns processing for employment income taxes and tax debt are processed using a semi-automated process.
Significant progress has been made on the ‘fit for purpose’ integrated revenue automation system dialogue between the FGS and PSS. They have now agreed to procure one supplier to determine needs, design, and implement the ‘fit for purpose’ ITAS.

**Training and capacity development**

**FGS:** The construction of Revenue Academy supported by the African Development Bank (AfDB) is expected to be completed in the near future. The DRM and PFM project is expected to support making operational the Academy. The FGS plans to use the Academy for both training of the tax officials, and taxpayer education and facilitation.

**PSS:** The procurement of a consultant to carry out the Inland Revenue training needs assessment (TNA), is ongoing. The government has been urged to expedite the process to avoid further delays.

<table>
<thead>
<tr>
<th>Subcomponent 1.3: Taxpayer education and facilitation to promote voluntary compliance</th>
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<tr>
<td><strong>This subcomponent will include development and implementation of</strong> (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.</td>
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</table>

**FGS:** The FGS has established Taxpayer Education and Facilitation Unit for both Inland Revenue and Customs. Four staff, other than LMTO, are working in the Unit. The FGS has already conducted two workshops participated in by about 40 taxpayers. Somalia Single Administration Document (SOMSAD) tax education has also been conducted. The FGS is also conducting taxpayer’s appreciation survey which will inform the future taxpayer education and facilitation events.

**PSS:** There is significant progress in the taxpayer education and facilitation agenda led by the Government of Puntland. As a result, taxpayer education and facilitation program targeting 125 registered taxpayers in collaboration with the RCRF has been initiated. This follows the development of the taxpayer education program, key taxpayer education messages, and a taxpayer education manual supported by the project. By the time of this reporting, 150 taxpayers have received taxpayer education in three sessions. Such training targeted registered taxpayers. The annual taxpayer education and outreach plan was approved and launched by the government. So far, 200 manuals have been developed and 600 bill boards procured and published.

**Somaliland:** The Taxpayer Education Awareness and Communication Unit (the Unit) has assisted government establish a Taxpayer Charter and a Perception Survey, supported by the DFID project. Staff from five districts have been trained on Customer Care. The Unit staff are deployed to either handle client complaints or improve taxpayer compliance. Further, the Unit has accomplished the following: (a) established a Help Desk; (b) taxpayer obligation reminder notices have been initiated; (c) in collaboration with Ministry of Education, a topic to be added to the high school and intermediate level curriculum has been designed.

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<tr>
<th>Subcomponent 1.4: Supporting the Revenue Bill consultations and bridging operationalization upon enactment</th>
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<tr>
<td><strong>This subcomponent includes</strong> (a) support for the FGS-led Revenue Bill consultation process with the 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 the enactment.</td>
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**FGS:** We are happy to report that the Revenue Bill was enacted in time for the International Monetary Fund (IMF) Staff Monitored Program (SMP) IV Benchmark. We are looking forward to its operationalization.
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.

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<tr>
<th>Subcomponent 2.1: Strengthening systems of treasury management, budget execution, procurement, accounting and financial reporting</th>
<th>This subcomponent will help institute essential controls needed to promote fiscal discipline, transparency, and accountability.</th>
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<tr>
<td></td>
<td>FGS, PSS, and Somaliland have made significant progress on several ongoing activities under this component, including:</td>
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<td>FGS: Progress has been seen in the strengthening of the oversight arrangements to minimize use of cash payments by the Ministries, Departments and Agencies (MDAs); hiring of a PFM expert to support the Office of the Accountant General; adopting the IPSAS cash basis of accounting; developing the required templates and formats; working towards supporting MDAs to prepare their own financial statements, related template and formats have also been developed. However, there is need for more training of MDA staff to ensure proper understanding and also allow the MDAs to have full understanding of their requirements. The Office of the Accountant General laid out plans to organize the required trainings for the MDAs to operationalize this and also plans to organize trainings for staff on an annual basis.</td>
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<td>Engagement with the Central Bank of Somalia (CBS) to ensure the SFMIS and the Central Bank’s system are effectively linked are ongoing. We wish to report that government has established a task force and, as a result, progress had been made; testing of this integration is ongoing and should be completed soon.</td>
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<tr>
<td>Contracting of Internal TA specialist to support government establish its internal audit function is in progress. However, there seem to be delays in evaluating the expressions of interest received.</td>
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<td>On Budget Modules: This has still not been operationalized; the government has agreed that it would take steps to make the budget module of the SFMIS become operative as this module is very important if budget execution is to be effectively implemented through the system and minimize the possibility of some activities being processed outside the SFMIS.</td>
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<td>On Skills transfer from the consultants to the key ministry staff, it is still a concern that, since the introduction of the SFMIS over four years ago, there has been no specific plan to transfer operational oversight for the SFMIS from the consultants to key ministry staff. The SFMIS team has developed a training plan based on their needs’ assessment and is being reviewed internally. Whilst Somaliland and the PSS have made progress, the FGS continues to lag. The SFMIS team of Puntland has developed a training plan based on their needs’ assessment and has been internally reviewed, approved, and shared with the Bank; and is now being implemented. Somaliland had earlier submitted its plan and is currently under implementation. The FGS is yet to submit its plan. The Bank, during its last mission, has urged the government to put in place a strategy to help address the situation.</td>
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<tr>
<td>The Quality Assurance (QA) Review or Audit contracting process being led by the FGS has been delayed. This delay has, therefore, also affected Puntland. The Government of Puntland has been urged to engage with the FGS to determine if the process will be further delayed. Based on their understanding, they can inform the Bank of their plan of action going forward. At that point, the Bank will review and discuss the final way forward. Should there be no progress on the part of the FGS, the Bank will agree for Puntland to undertake its own Quality Assurance Audit or Review separate from the FGS. Subsequent to the mission, the Bank has been informed that the FGS has set up an evaluation committee to evaluate the expressions of interest (EOIs) received.</td>
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| On Procurement: The government has issued a directive for all main procurement of MDAs to be centralized and performed by the Procurement Directorate or Unit, and this has resulted to their capacity being overstretched. This is good progress and we hope that they will get the necessary support to perform their function effectively. The Procurement website development, that had been
initiated some time ago, has also not been completed. The head of the procurement unit was requested to do his best to find out information that will help the project and the government reach a decision on how to support the completion of the website and make it operational.

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

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

On **PL-FMIS:** Staff capacity needs to be strengthened; based on the training needs of staff, a training plan has been developed and its implementation has started. There is also need for efficient and cost-effective back-up arrangements to be put in place for the PL-FMIS system. The government has agreed to work with the developer and key players to identify appropriate modes, such as the cloud facilities to provide these services for the system, as the cost of the current provider is very expensive.

**PL-FMIS Quality Assurance or Audit:** This is being led by the FGS. There have been some delays in the processing of the contract, thus also causing delays on the part of PL. Should there be no progress on the part of the FGS, the Bank will agree for Puntland to undertake its own Quality Assurance Audit or Review separate from the FGS.

**Somaliland** has made significant progress on several ongoing activities under the component including (a) deploying the SLFMIS to most of the MDAs and regional Offices of the Accountant General’s department; (b) completing the required measure to use the budget module for preparing the 2020 budget; (c) completing the SLFMIS training needs assessment, which is ready for implementation; (d) successfully completing the project’s audits for the year ended December 31, 2018, by the Office of the Auditor General; (e) most of the key Technical Assistance (TAs) for various PFM institutions are at post; (f) completing the PFM staff professionalization program contract and now ready for the start of the program; and (g) completing the hiring process of the Quality Assurance (QA) firm and work is expected to start shortly.

The construction of the facility to house the data center to support any disaster recovery process of the SLFMIS system has been completed and awaits the delivery and installation of the required equipment, testing, and operationalization of the center.

On the **Budget Module:** The government has finished the deployment of the budget module and that the module is being used in the preparation of the 2020 budget. Training has been provided and all MDAs are using this module.

On **Support to the Office of the Accountant General:** The government has now set up its Treasury Single Account (TSA) and Cash Management Committee made up of key departments, including the MoF and the Central Bank of Somaliland. They, however, need a TA to help them move forward and are working with the Bank on this support. The government has also requested for support towards its work on moving towards the adoption of International Public Sector Accounting Standards (IPSAS) cash basis of accounting. The Bank will also support the government achieve this.

On **Procurement:** The government will work with the Bank’s procurement specialist to organize some basic training for the National Tender Board (NTB) team at the request of the government. In addition, the project will help finance a TA to conduct a training needs assessment of the NTB, that is, developing regulations and other procedure manuals to support the NTB.
<table>
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<tr>
<th>Subcomponent 2.2: Strengthening the integrity systems</th>
<th>This subcomponent is expected to enable publication of timely and quality audit reports; improvement in the percentage of expenditures represented by the government entities audited as part of total public expenditures; and better follow up by Parliament of audit recommendations.</th>
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<tr>
<td><strong>FGS:</strong> The government’s audit report has been submitted and it generated several media reactions. The Auditor General organized a press briefing to explain the report. In addition, the Ministry of Finance and the Accountant General’s Office also organized their own briefings to explain issues from their perspectives. These developments show the positive nature of interest of accountability issues in Somalia and the impact of the Bank’s support in these PFM areas. The Bank team will continue to support the audit office and the auditees to improve on their communications and interactions during audit processes. The EU has been providing two individual TAs to support the Office of the Auditor General in the areas of legal and audit. We are happy to also report that most of the TAs positions provided under the project have taken up their positions and are doing their work. INTOSAI Development Initiative (IDI) support is still ongoing and helping the office to implement some of its strategic goals. Since the support was not adequate, the office expects further support under the project to help complement these activities. Additionally, contracting of TA communications expert to support the office of the Auditor General, and Audit and legal Experts for AOG, are also under way. There has been no further or new development on the Audit Bill; however the Bill has now gone to the Senate. The Bank continues to raise its concern regarding the inadequacy of the provisions of the independence of the Office of the Auditor General, as it is not in line with the requirements of INTOSAI, to which Somalia is a “member”. <strong>PSS:</strong> Audit Technical Assistance undertaken by E&amp;Y has been completed and the final report is under implementation. The report’s recommendations are being implemented; the need for TA support, however, has delayed some of the implementation timelines. Additionally, the hiring of other TAs to support; Audit Office to carry out audit reforms (and support the implementation of their strategic plan); TA to help government establish internal audit function in government as recommended by the function reviews of MDAs under the CIP project are all in progress and almost completed. The audit of all the Bank-funded projects has been completed with the help of the external audit firm. <strong>Somaliland:</strong> The Bank commends the government for carrying out the audit of the Bank-funded projects and submitting the Reports on time. Two key TAs hired to support the Office of the Auditor General (OAG) have assumed office and are at post. The third one was expected to also join the office in the later part of the year or early next year. With that, the OAG will have a full complement of requested TA support; hopefully, the office will work effectively with the team to derive the full benefit for their work and ensure the office is equipped to perform as a modern audit office. The OAG has also requested for its staff to be trained on the SLFMIS, to ensure that they understand the system, so that they can build their capacity given the fact that they will be required to audit the system in future. This will be organized by the project with agreement with the stakeholders.</td>
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<tr>
<th>Subcomponent 2.3: Professionalization of PFM staff</th>
<th>This component provides support to expand the government’s professionalization of PFM staff program.</th>
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<tr>
<td><strong>PSS:</strong> Discussions are yet to be completed on the second phase of the program with the WYG consortium. The project has shared the draft contract with them and await their response. The two participating universities, Puntland State University (PSU) and East Africa University (EAU), have confirmed their commitments to the program and will be working to establish the PFM academy program in their universities. Their costing was also discussed, and they have been requested to review them appropriately to ensure that the program is sustainable. As part of collaboration with the RCRF project, the program is being rolled out to the other FMS and PSU will host them. The PCU and their RCRF counterparts are discussing details with PSU to enable this to move forward. <strong>Somaliland:</strong> The contracting process with the Consortium for the diploma program has been completed, as has been that of the collaborating institution, the University of Hargeisa (UoH). Discussions are ongoing, to agree on a start date. The 13 students who failed the certificate exams...</td>
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the last time are eager to continue and wanted the chance to re-sit their certificate exams again and their examination fees will be catered for by the project. The UoH also agreed to provide refresher courses, free of charge, to support the students.

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

The RRF will provide JIT 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 implemented by all the three governments and is aimed at providing just-in-time support responding to the authorities’ request for a flexible window within the project to respond to emerging DRM and PFM priorities in a timely manner without the need to reallocate project proceeds for project restructuring.

**FGS:** The key activity funded under this component is the Phase 2 construction of the Ministry of Finance (MoF) building. Construction is progressing well. The United Nations Office for Project Services (UNOPS), which is implementing the project, has been submitting its quarterly reports as required under the contract. Work generally seems to be progressing well.

**Somaliland:** Support from this component will include addressing any gaps identified under DRM activities. The procurement process for the integrated revenue automation system, the e-payment system, and needs’ assessment is under way.

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

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

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

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

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

**Challenges**

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

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

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

- **Quality Assurance (QA) Review or Audit on FMIS systems** has not been undertaken, especially with the FGS, due to delays in the contracting process. The contracting process needs to be fast-tracked to avoid further delays.

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

- **The budget module of the Somalia Financial Management Information System (SFMIS-FGS)** has still not been used.
• **Engagement on Key Bills:** The Revenue Act has been passed and signed into law. There has been no new development on the Audit Bill; the Bill, however, has now gone to the Senate. The Audit Bill still does not meet the independence requirements of the INTOSAI. The Public Financial Management (PFM) Bill has also been passed by the Lower House and is at the Senate.

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## ENGAGEMENT IN SOMALIA’S HEALTH SECTOR

<table>
<thead>
<tr>
<th>Timeframe: 2018–20; <strong>Budget:</strong> US$1.2 million</th>
<th><strong>Status:</strong> Effective</th>
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<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>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.</td>
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<td><strong>Beneficiaries:</strong></td>
<td>The project aims to determine effective strategies and project activities for the World Bank support to Somalia’s FMoH and FMS in the health sector. The project will focus on analytic work and capacity development aimed primarily at the FMoH and FMS.</td>
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<tr>
<td><strong>Government counterparts:</strong></td>
<td>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.</td>
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<td><strong>Implementation arrangements:</strong></td>
<td>The analytic work will be executed by the World Bank in close coordination with the FMoH.</td>
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<td><strong>Geographic coverage:</strong></td>
<td>The work will take place at the national level with potential field research in selected FMS, and will be applicable to all FMS.</td>
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### Component 1: Strengthening access to essential health services through partnership with the private sector and improve 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 cofunding from GAVI, GF, and UNICEF is currently under way through a firm called Philanthropy Advisors. The final report is expected in the first quarter of 2020 and will inform the design of the new health project funded by the WB with cofunding from GFF. Further, under this ASA, the team completed “a situational assessment of birth spacing and reproductive health interventions” which provided key gaps in the availability and demand for modern contraception in Somalia. The findings of the report provided good background for the new project under design by the WB and other partners, particularly DFID.

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

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

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

The ASA is supporting a joint process with WHO to undertake a landscaping analysis of the pharmaceutical sector in Somalia. The findings will be expected to inform the design of one of the components of the new projects which seeks to expand coverage of essential packages of health services to underserved population—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. This task is expected to be completed by mid-2020.

With support from 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 on the table where an agreement has been made to have a separate Somaliland coordination platform that feeds into a national framework. This framework is expected to enhance the coordination of health services in Somalia and Somaliland, and to bring more efficiency and equity in resource allocation. The concept of a contract management unit within the MoH has also been approved with the purpose of contracting providers to deliver EPHS on behalf of the Government. The implementation is expected as soon as the new health project is approved.

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 out-of-pocket 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 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 Somalia Demographic and House Hold Survey 2019, which is expected by March 2020.
- The counterpart capacity remains weak—the Ministries of Health remain understaffed and lacking in key personnel to effectively take part in the ASA processes by providing critical information and reviews.

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# ICT SECTOR SUPPORT—PHASE II

<table>
<thead>
<tr>
<th><strong>Timeframe:</strong></th>
<th>2015–19; <strong>Budget:</strong> US$14 million; <strong>Additional financing:</strong> US$2 million</th>
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<td><strong>Status:</strong></td>
<td>Effective</td>
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## Objectives
Support the ICT Sector in Somalia by contributing to establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.

## Beneficiaries
Government counterparts, ICT users (including development partners) and ICT service providers.

### Government counterparts:
- Ministry of Posts, Telecommunications and Technology (MoPTT)
- National Communications Authority (NCA)
- Ministry of Finance (MoF)
- Central Bank of Somalia (CBS)

## Implementation arrangements
Activities are predominately government-executed, save for Component 1 that is executed by the World Bank on behalf of the government.

## Geographic coverage
The project intends to benefit Somalia as a whole—with regulatory support for the ICT sector, provided under Component 1, mainly targeting the Federal Government of Somalia (FGS) but set to have nationwide impact. Research on mobile money has covered all economic zones and pilot government-to-person mobile payments have targeted Mogadishu-based civil servants and vulnerable households in food insecure areas across the country. Activities facilitating greater connectivity among universities and government institutions, under Component 2, have covered most Federal Member States (FMS).

### Component 1: Enabling environment (US$4.5 million appraised plus US$2 million additional financing available)

#### Activity 1.1: Close to completion
**Ongoing ICT Regulatory Support**

**Adoption of the Communication Act:** The Communications Act was adopted, following technical assistance provided by the project, and signed by the President on October 2, 2017. The Law provides a framework for regulating the ICT sector, including the establishment of a new ICT regulator—the National Communications Authority (NCA).

**Operationalization of the NCA:** A General Manager of the NCA was appointed in January 2018 and the appointment of NCA Board Members followed in May 2018. To date, MPF funds (supplemented by PPIAF and DANIDA) have been used to hire a core implementation task team (ITT) that has helped to operationalize the NCA. The project has also helped finance four support staff and other operational costs incurred by the NCA. Technical assistance has also been provided to create a viable structure and budget for the NCA, as well as on key regulatory issues such as licensing, numbering, interconnection, and spectrum management to boost related regulatory capacity. The project also has support capacity building of the newly appointed Board. A first training retreat was held in June 2018, which has been since been supplemented by further training workshops. The project has also supported a series of Board meetings, as well as NCA consultations with operators. To date, four Board meetings have been held. However, a fifth meeting (scheduled in August 2019) failed to reach quorum. With issues now resolved, another Board meeting had been scheduled for December 2019, but had to be postponed to mid-February due to calendar conflicts and holidays.

**Regulation and licensing:** The creation of the NCA has set an important precedent for regulatory governance in Somalia and licensing will enable significant contributions to be made to the National Treasury (see estimates below). An initial set of regulations and guidelines on numbering, spectrum allocation, and interconnection have been adopted and posted on the NCA website (www.nca.gov.so). Letters have previously been sent to all operators informing them of license and spectrum fees that will be payable, as from January 1, 2019. Operators have already begun to make voluntary payments and a suite of new licenses are expected in Q1 of 2020, based on a new Unified Licensing Framework (ULF) for ICT, launched
in October. The consultation period for the ULF ended on December 5. A final order on the adoption of the ULF will be issued after a review of sector stakeholder comments; this is expected to conclude before the end of January. This will allow the project to make progress on licensing targets before closing. The five operators that are already making voluntary payments will be provided with full formal licenses based on the ULF. In addition, the NCA expects to issue another two or three Communications Infrastructure Provider licenses and/or Applications and Service Licenses.

**Repatriation of the ‘.so’ domain and installation of an internet exchange point (IXP):** Following a review of the management of the ‘.so’ (DotSO) country-code top-level domain, management responsibility was transferred to the Somalia network information center (SONIC), and an any-cast name-server and IXP were installed at the cable landing station in Mogadishu International Airport in May 2018. The IXP is now fully functioning, with four Internet Service Providers interconnected. SONIC is also operational ([www.sonic.so](http://www.sonic.so)). These interventions have helped boost local traffic, reducing costs associated with international transit.

**Support for policy development by the MoPTT:** Together with the ITU, the WB has been supporting the preparation of a new five-year ICT Policy, adopted by the Cabinet on November 28, 2019. Further support for a critical infrastructure and cyber security risk assessment is envisioned in Q1–Q2 of 2020 that will enable the development of related policies. The MoPTT convened an ICT sector consultation meeting on December 10, 2019, on three new draft policies, related to (a) numbering; (b) interconnection; and (c) spectrum. Continued support for the NCA and MoPTT is being provided through SCALED-UP, including work related to regulation, policy, and cyber law development. Moreover, the development of a new business plan for the NCA, under SCALED-UP, will facilitate an exit plan for WB financing of operational costs.

| Activity 1.2: Close to completion | Mobile money research: A firm has completed two rounds of research on the use of mobile money in Somalia. The first established baselines figures for current usage, mapping key industry players and risks, whereas the second study looked closer at the usage of mobile money in emergencies and other new thematic issues, including mobile money usage by women and vulnerable groups. In total, some 3,000 households have been surveyed, in two phases, across Somalia. Data have also been collected through focus group discussions and interviews with key stakeholders. Validation of findings with government and industry players has now been completed, and the team awaits copy-edits before making the research public. |
| Facilitation and support for the implementation of an effective mobile-money framework | Mobile payments platforms: This research has in turn informed an operational pilot, implemented by a consortium, selected through competitive tender, which has provided the Central Bank of Somalia with a payment platform that enables bulk mobile money payments. This solution has now been successfully piloted on two use-cases for direct government-to-person mobile money payment, featuring (use-case 1) two rounds of payments to 250 civil servants and (use-case 2) two rounds of payments to 1,000 food insecure households. The team now awaits the completion report, which will detail options for scale-up. The US$2 million in additional financing secured from the State and Peace-building Fund (SPF) have enabled the completion of both the second round of mobile money research and the second payments use-case, noted above, that both place a strong emphasis on leveraging mobile money to help build resilience and support emergency response. Comparative research has also been undertaken in South Sudan to better understand the impact of mobile money on dollarized economies, and possible cross-border spillover. |
| Component 2: Efficiency and equity in connectivity access (US$7.8 million appraised and available, with US$1.2 million cofinancing from EU AfricaConnect program) |
| Activity 1: Complete Establishing a framework for SIM card registration |
| **Analytical work on SIM-card registration and digital ID:** A feasibility study on the existing SIM-card registration system was completed in October 2015. Subsequently, work has focused on researching the potential for digital ID roll-out in Somalia, as a means to enable effective SIM-card registration. Two studies have been carried out, including one on public-private partnership approaches to digital ID, in collaboration with UNDP, IOM, and Terra Incognita. This research has informed operational digital ID work carried forward under the SCALED-UP project, approved by the Board in March 2019, which is now effective. Recent developments include the adoption of a new ID Policy, aligned with international best practice. Notably, the NCA currently serves as a member of a newly appointed ID Task Team, which will ensure that the new ID system accommodates SIM-card registration requirements. |
| Activity 2: Ongoing Supporting the connectivity in the higher education sector |
| **SomaliREN:** The project has funded SomaliREN’s membership of the UbuntuNet alliance and procured bandwidth for universities across Somalia under a 15-year Indefeasible Rights of Use (IRU) contract, leveraging additional EU funding under the Africa Connect 2 program. Some 155 Mbit/s of internet capacity to the university sector is now live, supplied via a STEM-1 cable, including a point of presence in Mogadishu. The project has also financed training and acquisition of servers, in additional to covering SomaliREN’s operations and maintenance costs for two years. Following the successful completions of an initial phase, connecting higher education institutions in Mogadishu, roll-out has continues in Somaliland and Puntland. A total of nine institutions are now connected, featuring more than 25 campuses—exceeding the set target for higher education connectivity (15 sites). With the completion of the work in Puntland and Somaliland, the number will be 21 institutions and 60 campuses. SomaliREN has plans to double connectivity to 310 Mbit/s. The project is considering using remaining project funds to upgrade SomaliREN’s connectivity from a STEM-1 to a STEM-4 connection, and prepaying SomaliREN’s participation in the African Connect 3 program. |
| Activity 3: Completed Extending communications rooms in key ministries across all economic zones |
| **Communications rooms:** Following the successful pilot roll-out of communications rooms, under Phase 1, this scheme was extended to more government offices across Mogadishu and in FMS. To date, some 37 communications rooms have been established in Mogadishu, Galmudug, Somaliland, South West, Jubbaland, Puntland, and Hirshabelle. These rooms have been used for both WB supervision meetings and stakeholder consultations with partners. **Government backbone network:** A 48-km fiber optic loop in Mogadishu, serving 25 ministries and the Central Bank, was complete and fully operational in 2017. Some 155 Mbit/s of international bandwidth has been purchased through an IRU contract for a 20-year period to supply key government offices in Mogadishu with connectivity. The project has also funded an upgrade in bandwidth to 620 Mbit/s, as the initial 155 Mbit/s was fully utilized. |

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

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

**Update on the sector**

**Contribution to the National Treasury:** Based on forecast set for FY19, government revenue from the sector is already expected to total US$14.5 million—with US$5.9 million in sales tax from telecommunication plus US$8.6 million in spectrum fees. This is a significant increase on previous years and FY20 is forecast to be higher still.
**Mobile money—emergencies, vulnerability and gender:** Mobile money penetration in Somalia is high. The latest round of research suggests that some 80 percent of adults now use mobile money in Somalia. Emergencies, such as the latest drought, has spurred further uptake. Research undertaken by the project suggests that many coping strategies applied during the 2017–2018 drought directly or indirectly relied on mobile money.

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

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

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

**Status of Interconnection:** Interconnection regulation has been adopted by the NCA, following assistance provided by the project and IFC—published on the NCA website on October 22. Interconnection between mobile network operators (MNOs) was due to be completed on December 7, 2019, for voice and SMS but is yet to be achieved. Further support to facilitate this on the private sector side will be provided by the IFC.

**Challenges**

- In the early days of the project, changes in the management of the Project Implementation Unit (PIU), as well as frequent changes in Ministers, caused a series of delays to project implementation.
- While the full appraised project amount has now been made available, unpredictable financing from donors has also made project planning difficult.
- A strong local telecoms sector that is being regulated ex-post has also proved challenging to regulate, although progress is being made.
- While key elements of the project related to regulatory support, digital ID, and mobile payments will be carried through by SCALED-UP, there are many areas where Somalia could use further support to help achieve priorities set forth by the new ICT Policy. A new regional integration initiative, in the Horn of African, may be able to provide some support to help crowd-in network and data infrastructure investments, etc. However, substantial investments are still needed to bring Somalia up to par with other regional peers. A no-cost project extension to June 2020 aims to facilitate a smoother transition between the project and any new regional support that is likely to be made available.

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## MPF KNOWLEDGE FUND

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

<table>
<thead>
<tr>
<th>Objectives</th>
<th>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.</th>
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<tr>
<th>Beneficiaries:</th>
<th>Ministries of Finance and Planning of 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.</th>
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<tr>
<th>Government counterparts:</th>
<th>Ministry of Finance and Ministry of Planning and International Cooperation.</th>
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<tr>
<th>Implementation arrangements:</th>
<th>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.</th>
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<tr>
<th>Geographic coverage:</th>
<th>Project designed to benefit all participating Somali stakeholders equally. The World Bank brings neutral convening power and expertise.</th>
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### Component 1: Poverty and distributional analysis and statistics (US$1.5 million)

| Produce, analyze, and make available socioeconomic statistics representative of the Somali population | The Somali High Frequency Survey (SHFS) helps to close identified data gaps by implementing representative household surveys in accessible areas and market price surveys in selected locations. A system has been established to regularly collect data in Somali regions and make the anonymized data freely available to the government, development partners, and the general public. The data and analysis will inform the design of economic development plans, programs, and policies, measure progress of development for defined key indicators, assess the drivers of poverty, as well as provide the most comprehensive update on the status of the current crisis in these regions. The SHFS (Wave 1 and 2) activities highlighted the need to provide further capacity support to government authorities and fill existing data gaps, particularly National Accounts statistics. A recipient-executed Somali Integrated Statistics and Economic Planning Capacity Building project is scheduled for decision review in the first half of CY20. The project is aimed at filling the gaps in macroeconomic and social statistics as well as enhancing capacity in the economic, statistics, and M&E units in Somalia. |

| Deliverables: | • Somalia High Frequency Survey Wave 2.  
• Poverty and Vulnerability Assessment. |
|---|---|

### Component 2: Macro-fiscal framework (US$ 1.2 million)

<p>| Shine a spotlight on Somalia’s economy, assess economic trends, and provide regular analysis that generates policy dialogue | The fourth edition of the Somalia Economic Update, ‘Building Education to Boost Human Capital’, was launched on September 5, 2019, in Mogadishu. The report took a deep-dive into Somalia’s education sector, exploring options to advance access, quality, and improve outcomes—allowing for strong focus on innovation, data, and finance to performance linkages. The launch was well received and attracted inclusive participation of many stakeholders including government officials, university academics, umbrella organizations, NGOs, UN agencies, donors, and media. A concept note for the fifth edition has been held in December 2019. The thematic topic for deep-dive for this edition will be public finance in the security sector. |</p>
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<tr>
<th>Component 3: Public Expenditure Reviews (PER) and fiscal federalism (US$0.9 million)</th>
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<td><strong>Subcomponent 1: PERs</strong></td>
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<td><strong>Subcomponent 2: Fiscal federalism</strong></td>
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<th>Component 4: Growth drivers (US$ 0.9 million)</th>
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<td>Under this component, the project seeks to guide the Somalia authorities on how to develop economic policies, rebuild institutions of economic management, and provide infrastructure and social services, which can generate stable economic growth and reduce poverty. This will involve carrying out fresh, comprehensive, and in-depth analysis of the Somali</td>
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economy to understand how stable growth can be generated in the next three to five years. The analytical products expected under this component include Somalia Country Economic Memorandum (CEM) and stand-alone studies in the ICT, livestock, and fisheries sectors.


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

This component was added to meet the client’s request to support the NDP9 and NEC/EAPU. It involved support to various drafts of the NDP9 and countrywide consultations of the NDP.

The support was helpful in drafting the NDP9, countrywide consultations with stakeholders which included NGOs, the private sector, and general population through workshops, radio and TV. The NDP has been approved by the Cabinet in October 2019. The support was channeled through the UNDP, and several papers have been produced by the NEC, including on regional integration, trade, and revenue mobilization.

**Challenges**

Somalia continues to face severe constraints in filling socioeconomic data gaps. It has been decades since the government has been able to gather key data. The last complete set of national accounts was published in 1991, the last nationally representative household income and expenditure survey was conducted in 1985, and the last population census was taken in 1975. This is due to years of civil war and conflict across the country which have eroded the Somali statistical system, infrastructure, and capacity, leading to gaps in statistical information that is vital for national development. Over the years, the Somali statistical authorities, with support from donors, continued to undertake some economic and financial surveys, although with minimum capacity and scope. Despite the progress made so far, the country still lacks a fully functioning National Statistical System (NSS) to produce quality official statistics. The World Bank, IMF, Statistics Sweden, and other international partners have been working with the Federal Government to rebuild the national statistical system, and in the meantime to make provisional GDP estimates and key indicators needed for evidence-based policy making. Discussions towards generating comprehensive National Accounts for Somalia are in progress with the latest engagement held in Kigali, Rwanda, in August 2019.

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# PETROLEUM SECTOR INCLUSIVE DEVELOPMENT

**Timeframe:** 2015–19; **Budget:** US$4.5 million  
**Status:** Completed

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<th>Objectives</th>
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| • Facilitating a consultative process to harmonize issues related to ownership, control, and revenue sharing.  
• Supporting the development of a petroleum policy, as well as legal, fiscal, and revenue sharing frameworks.  
• Building government capacity to negotiate and manage petroleum contracts. |  

**Beneficiaries:** *Primary audience:* Federal Government of Somalia (FGS) and Federal Member States (FMS), and government authorities; *Secondary audience:* Somali private sector, international investors, Somali and international CSOs, all Somali people, and the wider international community.

**Government counterparts:** FGS Ministry of Petroleum and Mineral Resources.

**Implementation arrangements:** Executed by the World Bank on behalf of the government. Additional funding (US$0.5 million) from the Extractives Global Programmatic Support (EGPS) TF finances the recipient-executed Somalia Technical Assistance Program (SOPTAP) with a PMU established in the Ministry of Petroleum. SOPTAP bridges funding until extended sector capacity-building support can be made available. In the meantime, it enables project management capacity building in the Ministry.

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

**Component 1: A consultative process for a shared vision on ownership, control and revenue sharing (US$1.5 million)**

| Phase 1: Complete  
Dialogue with the FGS on process for an agreement on a Somali solution for petroleum ownership, control, and revenue sharing | The first phase of political accommodation served to understand the realities and expectations from a diverse group of Somali leaders and agree on the importance to have an open space for knowledge and dialogue. Because of this dialogue, it was agreed to discuss and identify options to be amended or endorsed by the National Leaders Forum (NLF). |

| Phase 2: Complete  
Workshops to create a level playing field of knowledge | Representatives from the FGS and the Member States (Puntland, Galmudug, Jubbaland, and South West State) convened in Nairobi, Kenya, for two knowledge-building workshops on petroleum resources management (December 1–3 and 15–17, 2015). The workshops provided technical information designed to bring all participants to the same level of knowledge on issues required to create a shared vision for the Somali petroleum sector. The NLF has formed a technical committee with three FGS members and two members from each of the five Member States. The technical committee was tasked with drafting a shared vision for petroleum ownership, control, and revenue sharing. A website capturing the knowledge sharing workshop material, the outcomes, and subject matter articles has been set up. A World Bank publication of these articles, titled *Balancing Petroleum Policy*, was launched in June 2019. |
### Phase 3: Complete

**Facilitating meetings aimed at a shared vision for sector development**

Delayed because of the election process, this phase has restarted under the new administration over the course of 2017/8. The importance of a shared vision on ownership, management, and revenue sharing of petroleum resources in an inclusive manner is critical prior to the discovery and potential development of petroleum resources, reducing the risk of fragility. The Agreement on Ownership, Management, and Sharing of Revenues from the Natural Resources of the Country (Oil and Minerals) of June 5, 2018 (“RSA”), describes fundamental principles, ownership of natural resources, management of natural resources, and revenue sharing arrangements among the Federal Government, the Member States, and producing Districts. It is a significant achievement that after a process of approximately four years, the Federal Government and Member States have reached an agreement in an inclusive manner on natural resources. Having this RSA in place prior to the discovery of commercial natural resources will greatly contribute to peace and stability in Somalia.

The RSA is not an ideal agreement. To meet political deadlines, the technical and legal details of the RSA have not yet been fully worked out and will require further work. The World Bank will continue to support the FGS and existing and future Member States to make improvements to the RSA.

### Phase 4: Complete

**Embedding the shared vision in the Constitutional and the petroleum legal framework**

The Somali Constitution is still under review with the status of the natural resources and the allocation of powers between the FGS and FMS yet to be affirmed. In parallel, a new Upstream Petroleum Bill, including a Model Production Sharing Agreement (PSA), and the first set of Upstream Regulations (a general upstream regulation and two regulations covering environment, health, and safety) have been drafted, with support of the Bank and AfDB. The Model PSA was reviewed by the Financial Governance Committee. It was initially decided that the Natural Resources Committee of the Lower and Upper House will make the revision of the Bill embedding the RSA. In collaboration with the UNDP, the World Bank organized technical assistance for the Parliament. Planned workshops with international expertise were cancelled by the FGS at the last moment. In the second cycle of legislative revisions, the 2008 Petroleum Act was amended with provisions from the RSA by the Ministry of Petroleum and Mineral Resources. This Bill was endorsed by the House of the People in May 2019. Alongside these deliberations, in February 2019 an offshore licensing round offering petroleum blocks in the territorial waters of the Federal Government was launched, overlaying the 2017 drafted Model PSA to the investors. The Upper House has not yet deliberated the 2019 Bill and this Model PSA. The Bank is evaluating the risks, concerns, and impact of this proposed legislation.

### Component 2: Focused technical assistance (US$2.5 million)

**Activity 1: Complete**

**Review of the petroleum legal, regulatory, and fiscal framework**

A review of the petroleum legal, regulatory, and fiscal framework has been conducted to inform the development of the Petroleum Bill and to provide recommendations to update the fiscal framework for future petroleum agreement negotiations.

**Activity 2: Complete**

**Training to strengthen the technical and commercial capacity related to petroleum agreements**

Some 15 government representatives underwent negotiations training in Uganda between September and December 2015. They have proven to be an important asset supporting the several consultative and legislative initiatives and processes.
### Activity 3: Complete Bringing qualified expertise into the MPMR

An advisor on petroleum legal/contractual matters and advisor on petroleum institutional and governance matters were working in the Ministry on a rotating month-on/off basis, until April 2017. Bank-archived geological data and maps from the 1980s have been digitized to replenish the looted Somali National Exploration Archive and Geological Data Center. The data have been handed over to the Ministry. The added value of the advisory services and the analytical activities has been acknowledged by the previous and current administration in the Ministry.

### Opportunities

The development of the Somali Petroleum Sector contributes to deepening the country’s institutional capacity and providing economic growth opportunities. It is in alignment with the FGS’s new administrative efforts for deriving agreements of ownership and revenue sharing for all of Somalia’s natural resources. The sector strategically fits with the Bank’s new CPF.

The Extractives Global Programmatic Support (EGPS) TF has made funds (US$0.5 million) available to support petroleum reforms and capacity-building initiatives at Ministerial and Member State level that will build on the outcomes of the Somalia Petroleum Sector Inclusive Development project. This project is now effective and supports the establishment of the Somalia Petroleum Authority responsible for the reinforcement of the new legislation, and the development of a National Communication Strategy. This recipient-executed project builds project management capacity in the Ministry.

The recipient- and Bank-executed Technical Assistance facilitates delivery of the sectorial legal and regulatory building blocks, that is, an endorsed Petroleum Bill and Model PSA, finalized Revenue Sharing Agreement, and an effective working Somalia Petroleum Authority. The FGS has requested future programmatic support for the implementation of the Revenue Sharing Agreement, the execution of the exploration licensing round by modernization of national data repository and international transaction advisory services, as well as expansion of the Ministry organization. This will potentially lead towards a first private sector PSA and achieving FGS-aspired exploration drilling by 2020. Additional donor funding will be required.

### Challenges

The institutional petroleum governance capacity in Somalia is weak. Despite progress on the legal framework, the FGS and FMS are not capable of dealing with the multitude of challenges related to the development of the petroleum sector if the ambitious petroleum activity timeline materializes. The petroleum sector in Somalia has made important progress but is now at a crossroads and significant challenges remain. Emerging petroleum activity will create the first fiscal revenue streams for Somalia, but will be a test for sector management, fiscal revenue management, and conflict vulnerability. Continuation of MPF funding and World Bank support as a neutral convening power is a key enabler.

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RECURRENT COST AND REFORM FINANCING (RCRF) PROGRAM

<table>
<thead>
<tr>
<th>Timeframe: 2015–21</th>
<th>Budget: US$206 million (MPF: $146 million; IDA: $60 million; MPF grant value: $88 million)</th>
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<td>Status: Effective</td>
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**Objectives**
To support the Federal Government of Somalia (FGS) and eligible Federal Member States (FMS) to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

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

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

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

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

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

The Participation Eligibility Criteria to be applied from July 2019 onwards were revised for the first six months of 2020 at the Annual Review in October 2019. These are a simple and limited set of measures that both FGS and FMS must meet to continue benefiting from each project subcomponent. The rationale for this is to promote basic system strengthening, such as: inter-governmental relations, fiscal transparency (for example, online publication of budget documents), and basic payroll and PFM controls. These will now be incorporated into the RCRF Project Operations Manual (POM) and operationalized. The Criteria are reviewed twice each year: at the MYR (to agree any changes to apply from July 1 of the current year) and Annual Review (to agree any changes to apply from January 1 of the following year).

In addition to fiscal transparency and reporting requirements, the Participation Eligibility Criteria have been expanded to prioritize staffing of ministries of education and health. Many FMS have established an unsustainably large number of government ministries. RCRF will, in future, carefully review all recruitment plans for RCRF financing prior to approval and may limit recruitment to selected priority ministries (for example, focusing on financial management, accountability, revenue, education and health service delivery). As a first step, the participation eligibility criteria have been revised to prioritize recruitment of senior staff of education and health ministries.

**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 three-year period (US$20 million in total) through the advance-replenishment model of payroll financing already successfully established under the RCRF. During 2019 there was US$7 million of baseline financing available to the FGS, down from US$8 million in 2018. US$4.62 million had been disbursed by September 30, 2019, under this subcomponent.

**Subcomponent 1.2: Ongoing**
Financing eligible salaries and allowances of the Capacity Injection Mechanism (CIM) recruits

Subcomponent 1.2 provides a continued source of financing for the FGS’ Capacity Injection Mechanism (CIM) recruits (recruited through the support provided by the World Bank CIP). 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 cofinancing an increasing share of the CIM payroll or scaling back expenditure on the program. This is an important commitment towards the long-term ownership and sustainability of the CIM. CIM
in the FGS (US$6.6 million) | recruits still had not been onboarded to the SFMIS system at the time of the RCRF Annual Review; the process was still pending approval. At the time of the Annual Review, US$1,717,732 had been disbursed by the FGS. It was also agreed at the Annual Review that suggestions would be prepared for streamlining of the CIM payment process in order to reduce the transaction processing time for CIM payroll.

| Subcomponent 1.3: Ongoing | Financing eligible civil service salaries in FGS: Reform benchmarks (DLIs) (US$30 million) | The FGS has made good progress on implementation of the 2019 RCRF reform benchmarks or 'Disbursement-Linked Indicators (DLIs) in 2019. Two reports regarding progress on the 2019 DLIs have now been submitted by the Office of the Auditor General (Independent Verification Agent) for Bank review. At the time of writing, these were under review by the World Bank. |

Component 2: Strengthen inter-governmental fiscal relations (forums and secretariat) (US$1.8 million)

Inter-governmental fiscal coordination between the FGS and FMS has improved substantially in the second half of 2019. The World Bank, IMF, and EU convened a meeting of Finance Ministers in Addis Ababa in September 2019, which included a strong joint commitment to delink inter-governmental fiscal discussions and fiscal transfers from wider political issues. Following on from this, a technical Inter-Governmental Fiscal Federalism Committee meeting meeting together with a full Finance Ministers’ Fiscal Forum (FMFF) meeting was held in Kampala in November. This meeting approved the Inter-Governmental Fiscal Transfers Policy Paper (an RCRF reform benchmark). The meeting also agreed to improve routine sharing of fiscal reports, as well to work on the development of a data sharing system between the Ministries of Finance, which the World Bank is supporting with financing through RCRF, and working in collaboration with the DRM and PFM project and UK-/EU-financed PREMIS team. A commitment was also made to build consensus on fiscal federalism articles of the draft Constitution, for further discussion at the next FMFF to be held in Kismayo, in order to inform the Constitutional drafting process.

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

After decades of fragmentation in key social service delivery sectors, the FGS and FMS have commenced important policy discussions around the assignment of functions for service delivery, and the building of systems to ensure access and quality for the delivery of these services across Somalia. Private and nongovernmental service providers have played a very large role; however, challenges arise regarding quality, efficiency and equity. This component will provide both financing for actual service delivery as well as support for systems building for core functions and service delivery. In the education sector, the focus will be on primary and secondary education with a focus on quality and supervision. In the health sector, the initial focus will be on building a cadre of female health workers (FHWs), while simultaneously building capacity for contract management and inter-governmental coordination in the sector (including function assignment), as foundations for future expanded service delivery.

Importantly, activities under the Additional Financing (AF) have the potential to address persistent gender disparities in both sectors. First, by addressing low rates of female teachers in the education sector—which is a key factor contributing to gender disparities in education outcomes—and by increasing the improvement of women’s access to basic health services through an increased cadre of trained and qualified FHWs.
<table>
<thead>
<tr>
<th>Subcomponent 3.1: Financing core government functions in FMS (US$23.1 million)</th>
<th>During the first six months of 2019, 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: (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). Annual project allocations will be developed, and agreed upon, through a principle-based, inclusive, and Somali-led process, and consistent with the objective agreed for the RCRF grant, and as a part of the RCRF annual review process. At the MYR, progress on implementation of subcomponent 3.1 was reviewed for the reporting period. The Puntland team confirmed that CIM recruits have been incorporated into the FMIS payroll module since April 2019. The GSS and SWSS have both seen cashflow needs increase as their respective Civil Service Commissions have increased civil service recruitment in line with agreed budgets. The FGS and FMS External Assistance Fiduciary Section (EAFS) teams from Ministries of Finance have developed a proposal for training which will be implemented during the second half of 2019. The RCRF task team is working together with the FMS Ministries of Finance and the UK/EU funded PREMIS Program team to develop a solution to enable FMS to access NSRC financing. This is hugely challenging because the FMS do not have an established track and associated capability record of procuring goods and services in a rigorous manner consistent with their Procurement legal and regulatory frameworks.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcomponent 3.2: Financing education service delivery (US$16.5 million)</td>
<td>The RCRF education component made good progress in the first half of 2019, despite political tensions between the FGS and FMS Ministries of Education. The FGS and FMS Ministries of Education jointly discussed, during the RCRF Education MYR, implementation status and challenges for the RCRF Education component. The technical discussions covered all education subcomponents with a focus on implementation challenges and coordination. The newly recruited RCRF Education Coordinator, Deeqo Godax, participated in her first RCRF MYR. For the second half of 2019, the team highlighted the following challenges to be addressed: (a) need to resolve implementation issues for RCRF Education component with urgency; (b) challenges best to be addressed in technical forum/MYR RCRF; (c) need for constructive spirit to guide the technical and problem-focused discussions; and (d) appreciation for additional support to the PIU to coordinate the Education component.</td>
</tr>
<tr>
<td>Subcomponent 3.2.1: Teacher assessment and salary</td>
<td>To establish a baseline on teacher proficiency, the FGS MoE will require all primary and secondary school teachers, beginning with those benefitting from salary payments under the RCRF, to take a test on basic literacy, numeracy, and pedagogy. The teacher testing subcomponent progressed well during 2019. Highlights include the upcoming FGS-FMS Ministries of Education workshop on Teacher Testing in Addis Ababa. For this workshop, and the subcomponent in general, a World Bank international specialist supports the workshop and provides global expertise in developing a testing instrument appropriate for the Somalia context. Following the workshop to discuss and design the teacher testing instrument, the initial teacher testing pilot for Benadir was undertaken in the latter half of 2019. The FGS Ministry of Education will also share a time-bound work plan on teacher testing with the respective FMS Ministries of Education for further discussion. Continued World Bank support under this subcomponent was requested, also in light of the upcoming DLI review for education in March 2020.</td>
</tr>
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</table>
**Subcomponent 3.2.2: School supervision**

This subcomponent will focus on setting up functioning on-budget school supervision. The school supervision subcomponent progressed at different speeds between the FGS and FMS Ministries of Education. Ministries of Education in the GSS, SWSS, and HSS focused on onboarding the teacher payroll to RCRF support; PSS, JSS, and FGS for BRA teachers have made progress in identifying upcoming priorities for school supervision. Multiple support streams to school supervision from the international community fragment support to a comprehensive and government-led school supervision work program, and the teams suggested mapping supervision support among the respective governments to provide more clarity on existing and envisioned support to school supervision. Further, some governments have started to develop operation and quality assurance manuals on supervision and will share these documents for technical review to align support behind governments’ reform initiatives. To secure RCRF support for supervision expenditures, the Bank team offered support to review and provide inputs on FM procedures and guidelines for expenditures for supervision in Somalia. Based on these revised guidelines, the governments plan to train FGS and FMS MoEHE supervision teams during August to start school supervision, supported by the RCRF in September 2019. This ambitious timeline was agreed in light of the urgent requests from the governments and the additional support from the Bank and RCRF Education Coordinator.

**Subcomponent 3.2.3: Education sector recurrent costs**

This subcomponent will also continue financing eligible salaries and allowances and NSRCs to the FGS and FMS Ministries of Education. The progress in this subcomponent was substantial; recent discussions resulted in a concrete work plan to finalize the onboarding of teacher payrolls in the HSS, GSS, and SWSS, strengthening the payroll management in the JSS, FGS/BRA, and PSS, as well as advancing the discussions around onboarding supervision and quality assurance staff eligible under this subcomponent. The leadership and vision of the DGs of Education and Finance were critical to advance this agenda substantively and ambitious timelines and requests for additional TA to make further progress.

On onboarding remaining teacher payrolls, the governments of HSS, GSS, and SWSS—with the support of the Education coordinator, the World Bank, PREMIS, and additional TA where necessary—agreed on delivering a time-bound action plan by early July. The World Bank team, together with the Monitoring Agent and PREMIS team, agreed to further support and review the remaining tasks for the governments, coordinated by the Education Coordinator. On onboarding supervision staff, all governments raised the importance of supporting supervision efforts through multilayered supervision infrastructure and capacities. While some levels, such as REOs, are supported by other development partners, the importance of District Education Officers (DEOs) is obvious, and financing for these positions was requested through the RCRF. Respective governments have advanced on this agenda at different speeds, and cross-FMS learning was fruitful during recent discussions, especially around pay scales, recruitment processes, and budget allocations. Specific time-bound Action Points related to onboarding supervision staff have been agreed upon with the respective governments, and the Education Coordinator will provide support and coordination to the process delivering on these commitments.

**Subcomponent 3.2.4: Education system strengthening**

This subcomponent will provide technical and financial support to the FGS and FMS Ministries of Education to strengthen critical education sector systems. The system strengthening subcomponent progressed well and identified concrete investments and work plans for the remainder of 2019 and 2020 between the FGS and FMS Ministries of Education. The overall challenges so far included (a) the need to ensure teacher selection criteria and policy are well documented for all governments; (b) the lack of effective teacher time and attendance system to improve quality and integrity of teacher payrolls; (c) the REO and DEO onboarding to civil service payrolls and integration into a structured process/system of school and teacher supervision; (d) the urgency to lay foundations for biometric registration of all government teachers; and (e) the need to improve coordination and communication around
system strengthening investments between the FGS and FMS Ministries of Education. Recent discussions on system strengthening resulted in concrete time-bound action plans, with the following high-level agreements among the teams: (a) put in place a teacher time and attendance system for all government teachers; (b) ensure teacher selection criteria and policy are well documented for all governments, clearly specifying how government teachers are selected; (c) lay the foundation for biometric registration of all government teachers; and (d) onboarding of all government teachers onto SFMIS/PFMIS/Bisan payroll module.

### Subcomponent 3.3: Laying foundations for health service delivery mechanisms (US$15.1 million)

The proposed health component of the RCRF II AF Project 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. In parallel, the World Bank plans to undertake Advisory Services and Analytics (ASA) work with the government, including analytics into options for effective service delivery of the EPHS focusing on reproductive, child and maternal health and primary care, to underserved people.

### Subcomponent 3.3.1: Developing female health worker cadre

This subcomponent will help to make the initial investments in FHWs pioneered by other development partners a more sustainable, on-system, government-managed program. In line with the government’s community health strategy, and through the support of the Global Alliance for Vaccines and Immunization (GAVI) and JHNFP funding, Somalia has rolled out FHWs in selected regions within the EPHS targeted regions. Somali health authorities have trained around 450 FHWs through a three-month training package and refresher trainings on a monthly basis over nine months. The FGS has developed basic capacity to manage FHWs in terms of guidelines and tools for recruiting and managing FHWs, including pre- and in-service training packages, reporting tools, and similar management structures.

The project plans to support the deployment of FHWs across Somalia, starting with three locations where FHW cadres exist, that have been trained according to the government’s compendium. The roll out of the FHWs will be led by the implementing governments with support from a single technical assistance agency referred to as Health Technical Partner (HTP). In the initial phase, the governments will recruit and deploy initial set of FHWs that have been trained as per the Compendium. At the same time, the government will articulate a scale up plan for (a) expanding the roll out to new FMS; and (b) deepening coverage in areas with existing cadres of FHWs.

During the MYR mission, the government counterparts noted that the planned roll out has been significantly delayed. Revising the planned implementation modality based on government feedback led to extensive technical discussions with different FMS and partners. This has since been resolved and the planned roll out is now scheduled to take effect from January 1, 2020. Support from the Global Fund will continue to support the payment of salaries for existing FHWs until the end of 2019.

Key agreements have been reached on the more technical implementation dimensions of the program. On salaries, the FHWs will be paid a standard monthly wage as agreed with the governments. For FHWs this includes $100 salary and a transport allowance of $20 per month. FHW Supervisors will receive a salary of $400 per month. The salary payment will be done directly to the FHWs and FHS bank accounts or mobile phones from the FMS MoF based upon on a payroll list provided by the Ministry of Health (MoH). On FHW/S hiring and recruitment, the initial list of FHWs and FHS to be hired under this program will be provided by the respective implementing governments and verified by the HTP. They will be provided with short-term contracts that do not exceed 12 months and will not be considered as civil servants. On HTP scope of work, in preparation for the competitive recruitment of the HTP, the RCRF team and government counterparts reviewed and agreed on the main aspects of the HTP terms of reference. It was agreed that the HTP will be colocated within the MoH’s premises in the FGS and FMS. Regarding procurement, the HTP will be hired by the FGS Ministry of Health.
through a competitive process. The primary contract will, therefore, be managed by the FGS Ministry of Health. In addition to the contract with the FGS MoH, the HTP will enter into MoUs/Service Agreements with the other implementing governments. Regarding the review of the Compendium, the mission noted that the current Compendium is dated and in need of urgent review, which the World Bank team offered to conduct and support via the Health ASA. Successful implementation of the FHW program will depend on effective coordination and communication amongst all the key stakeholders. Of particular importance is the coordination between FGS and FMS Ministries of Health, as well as coordination with other development partners supporting the FHW program. In strengthening coordination, efforts will made to use established coordination mechanisms and to avoid setting up new ones just for the FHWs program. The recruitment of the RCRF Health Focal Point has been concluded and participated in the RCRF MYR 2019.

**Subcomponent 3.3.2:** Strengthening government capability for contract management, monitoring, and coordination

To fully realize the potential of trained FHWs and service providers to improve access and quality of essential health services, the government must be able to coordinate partners, coordinate across government agencies and levels, monitor results, and hold contractors accountable for implementation progress and results. The first stage of this component has conducted capacity assessments in the three governments that will implement the FHW program initially: BRA, Puntland State of Somalia, and Galmudug State of Somalia. The team presented the assessment framework to all governments and facilitated discussions between them, including how the capacity-building initiatives derived from the assessments will inform the implementation of the FHW program and the roles and responsibilities of the involved partners. Constructive sessions were held with the FGS, as well as Puntland and Galmudug teams, to (a) validate capacity assessment observations and verify that key findings were understood and factually correct; and (b) communicate the assessment scores for each programmatic and organizational element. The capacity assessment team is finalizing the three capacity assessments and will deliver these for the Bank’s and governments’ review and information on discussion of next steps.

**Component 4: Project management and coordination in FGS and FMS (US$6.9 million)**

In accordance with the revised Project Operations Manual (POM), the RCRF Project Management Team (PMT) is required to meet quarterly and follow a set agenda. During the period under report the PMT met once, demonstrating that intergovernmental coordination is possible when framed around a solid technical agenda. The RCRF team met in Garowe for the fourth RCRF PMT. These meetings are now solidly institutionalized and follow an agenda set out in the POM. The key purpose of the meeting is to find collective solutions to existing challenges and bottlenecks, as well as to plan for strategic reviews. It is encouraging to note that project implementation has improved significantly over the past year with the number of bottlenecks issues greatly reduced. The meetings provide an opportunity for the FMS more seasoned in the RCRF to guide and help the recently onboarded states.

In June 2019, the project held its MYR in Addis Ababa in Ethiopia. The meeting was framed around a series of technical discussions that cover health, education, and finance. It included a dedicated EU session on the SRBC, and an Inter-Governmental Fiscal Federalism Technical Committee meeting. The Multi-Partner Fund (MPF) Monitoring Agent team and an UK/EU-funded PREMIS team both provided technical support to the discussions. The IMF Resident Representative also attended as an observer to the Finance discussions.

- **South West State of Somalia (SWSS):** Regarding Component 3, the major achievements have been the creation of 12 new posts and recruitment of 112 civil servants from 27 ministries, departments and agencies. In addition, the amount of SOEs received has been US$702,798.50. The SWSS EAFS department has requested for the first payment of the SWSS teachers’ salary which would cover three months. Fourteen DEOs are to be recruited. Some of the challenges include: (a) a lack of capacity building for the EAFS staff, which could be addressed through training and education seminars to improve staff productivity; (b) an increase in the ceiling of the project account is vital to meet targets; and (c) productivity of the project implementation team is impacted by the lack of office space.
• **Jubbaland State of Somalia (JSS):** For calendar year 2019, US$1,693,557 has been received, out of which US$1.2 million has been disbursed (including civil servants’ salaries). With this, subcomponent 3.1 has been completed. US$2 million is expected by December 2019. Subcomponent 3.2 is also considered successful: expenditure of US$330,920 has been incurred as of October 2019 (including payments to teachers and DEOs); an extra US$74,940 is expected by December 2019. Component 4 is considered to be complete and successful. With regards to JSS reporting, 2018 government financial statements have been prepared on time and submitted to the Auditor General. The 2018 FS audit is ongoing and the 2019 Appropriation Act has been posted on the website. All of the other usual reports such as quarterly updates, RCRF II updates, and so on, are posted on the MoF website as when required and sent to the FGS directly. Regarding JSS’s proposal for the CIPFA course: due to lack of enough budget and the frequent travel to Puntland—the general consensus being that this wasn’t entirely cost effective—the JSS has opted to reduce the number to two individuals per state.

• **Hirshabelle State of Somalia (HSS):** The youngest state in the FMS, HSS joined the RCRF II project in November 2018. This year, HSS has recruited 76 staff members for four MDAs (compared to 29 staff members for two MDAs last year). The HSS has also got access to utilize RCRF II support for the social sector in two MDAs (Ministry of Health and Ministry of Education). The current RCRF II project account has a balance of US$3,325. The HSS has submitted month-end reimbursement reports and supporting documents that specify how funds have been allocated. The EAFS team has been very punctual with its reporting requirements and the processing of payments. All of the required SOEs for all MDAs have been submitted, with only SOE8 outstanding for an amount of US$46,873.00. For teacher salaries in December 2019, US$360,000 remains in question as it is unlikely to be included in the 2019 budget.

Some issues that HSS feels should be addressed are: (a) recruitment of an RCRF project manager; (b) recruitment of new civil servants, 28 DGs in various MDAs and tax collectors in the MoF within the RCA department; (c) filling current vacant positions within the MoF, in particular, hiring an economic director, internal auditor, and a budget officer; (d) recruitment of the first batch of FHWs in the MoH; and (e) recruitment of DEOs and teachers in the MoE. Some challenges that HSS faces are: (a) the state is in a very fragile condition with many political challenges to overcome; (b) the utilization of the RCRF budget is slow; (c) a local PFM system is lacking; (d) repeated delays on SOE reimbursements from FGS inhibits productivity; and (e) lack of an EAFS office vehicle. Recommendations to overcome these issues are: (a) increasing budget allocation by US$818,057 to finance the remaining core government functions and staff members; (b) increasing the advance float from US$50,000 to US$150,000; (c) recruiting 28 DGs of existing MDAs, 67 core supporting staff members, department directors, and officers for the state’s PFM unit to become fully operational; (d) creating a timetable for payment requisition and disbursement schedules; and (e) access to an EAFS office vehicle.

• **Galmudug State of Somalia (GSS):** The state has provided a breakdown of how it intends to allocate the rest of its 2019 budget (US$439,648) in the last quarter of the year. GSS seems to be on-track with its reporting requirements. GSS has also mentioned the issue of SOE disbursements taking a very long time to reach the TSA account. There have also been instances where the RCRF has paid vendors directly—GSS feels this should be avoided as this doesn’t reflect on its statements as the funds have not passed through its account. In addition, there is a need to increase the ceiling for future budget disbursements as more projects for health and education are coming up.

• **Puntland State of Somalia (PSS):** The PSS has utilized US$2,604,145; remaining disbursements are required to cover costs up until the end of the year. A review of this calendar year shows that PSS can expect to spend US$4,006,211 (which is 86 percent of the allocated budget of US$4.63 million), whereby all the components for building purposes: on will be a refreshment course for Masters and the second a refreshment course for FHWs. A recommendation, similar to other states, is that the current ceiling (US$400,000 for the PSS) is too low and could be raised, especially as new components in health and education are to be implemented. Without this increase, there will undoubtedly be further delays when disbursing funds.
Going forward, the PMT MYR agreed to a set of action points:

- Ensure the correct authorities have taken control of the vehicle in a garage in the JSS.
- Increase the fund transfer ceiling for all FMS to ensure they have enough funding to finance ongoing projects.
- World Bank approvals for 2020 budget allocation.
- Submission of SOEs (meant for 2019) by all FMS.
- The SWSS to update the project team on its recent discussions with the Bank.
- The HSS to request a follow-up meeting with the Bank.
- Disbursements to take no longer than 10 days after initial request as delays often cause further complications.
- The next Project Management Meeting would take place during the first week of March 2020 in Bosaso.

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

<table>
<thead>
<tr>
<th>Timeframe: 2016–2020; Budget: US$28.5 million</th>
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</thead>
<tbody>
<tr>
<td>Status: Effective</td>
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### 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: SCORE Program covers the entire Somali peninsula—FGS (including Puntland) and Somaliland.

### Component 1: Strengthening CORE economic institutions (US$9.9 million)

#### Activity 1a: Ongoing

**Strengthen Central Bank supervision and regulation through an overarching and longer-term financial sector development agenda and continuous capacity building**

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.

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/CFT 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 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.
### 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 is not fully functional yet. This is because of delays to enact the Company Law which would provide the legal basis for full functionality of the system.

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 One-Stop-Shop (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**
   - 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**
   - 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). The assessment of the operational justification for terminal capacity improvement inside the port boundaries and identify areas where the relevant contractual arrangements overlap with the Mogadishu Port concession agreement.
### Component 2: Expanding economic opportunities (US$16.4 million)

#### Activity 2a: SBCF Concluded
Providing matching grants to support small and medium-sized enterprises (SME) via the Somalia Business Catalytic Fund (SBCF)

SBCF was a matching grant scheme that operated from July 2016 to January 2019. US$10 million was the original budget for matching grants for qualifying companies but the final disbursement was US$5.3 million. At the Mid-Term Review (MTR), the SBCF was partially cancelled in order to focus efforts building foundations for market-based financial intermediation thereby supporting enterprise growth, jobs, and livelihoods on a sustainable basis. Accordingly, SBCF and SMEF were restructured at the MTR to phase out before the closure of SCORE. Of the initial 101 grantees, 67 completed their projects. Others did not complete their activities either within the timeline or grants and were cancelled for inactivity, or they failed to implement the project in accordance with the grant agreement or the grantee’s own volition.

#### Activity 2b: SMEF Concluded
Promoting the development of SMEs through direct and indirect capacity-building support via an SME Service Facility (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.

### Component 3: Project management (US$2.2 million for recipient)

#### Activity 3a: Ongoing Project Implementation Units (PIU)

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. The FGS has requested to restructure the project for the third time in order to extend the closing date and reallocate US$2.16 million to Components 1 and 3 arising from the scale down of the SBCF and the SMEF under Component 2.

**Contacts:** Thilasoni Benjamin Musuku: tmusuku@worldbank.org; Asta Bareisaite: abareisaite@worldbank.org
SOMALI ELECTRICITY ACCESS PROJECT (SEAP)

**Timeframe:** 2018–22; **Budget:** US$ 5.75 million

**Status:** Effective

In the reporting period, the Bank team conducted an Implementation Support Review Mission from July 16 to 19 in Somaliland, and from July 19 to 25 in the Federal Government of Somalia (FGS).

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Expand access to electricity in targeted urban, peri-urban, and rural communities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries:</td>
<td>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.</td>
</tr>
<tr>
<td>Government counterparts:</td>
<td></td>
</tr>
<tr>
<td>• FGS: Ministry of Finance, Ministry of Energy and Water Resources (MoEWR).</td>
<td></td>
</tr>
<tr>
<td>• Somaliland: Ministry of Finance and Ministry of Energy and Minerals (MoEM).</td>
<td></td>
</tr>
<tr>
<td>Implementation arrangements:</td>
<td>This project is implemented by (a) the MoEWR and FGS; and (b) the MoEM, Somaliland, in close coordination with the Federal Member States and regions.</td>
</tr>
<tr>
<td>Geographic coverage:</td>
<td>The project will be implemented across the entire Somali peninsula, covering Southern Somalia (Benadir, Jubbaland, South West State, Hirshabelle, and Galmudug), Puntland, and Somaliland.</td>
</tr>
</tbody>
</table>

**Component 1: Electrification of households and small businesses through standalone solar home systems**

**Subcomponent 1 and 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 have made progress on activities under these subcomponents (1 and 2) which include: ongoing procurement of the Grants Manager—ToRs were prepared and approved; request of Expression of Interest completed; and shortlisted firms and the Request for Proposals (RFP) issued. It is expected that the Grant Manager will be on board by mid-January 2020.

**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. Activities are being agreed to with government and will be covered 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.
The ToRs for consumer education and awareness have been finalized and recruitment is under way; recruitment status will be updated in the next reporting period.

Component 2: Analytic work for enabling electrification through solar powered/hybrid mini-grids:

This component is expected to provide solid ground for sectoral intervention 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). Ongoing procurement of the consultant for geospatial analysis for least cost electrification of mini-grids: ToRs were prepared and approved; request of Expression of Interest completed; shortlisted firms and the Request for Proposals (RFP) issued. It is expected that the grant manager will be on board by mid-January 2020.

Component 3: Technical assistance, capacity building, and project management (not yet commenced)

- The project coordinator was hired competitively and formally started work on May 1, 2019.
- The capacity building of the implementing agencies is under way. The representatives of the Project Implementation Units (PIUs) of both governments (four representatives from the FGS and two representatives from Somaliland) participated in procurement training on the New Procurement Framework (NPF) in Mombasa, Kenya, in August 2019.
- Two FGS personnel participated in training in Washington, D.C., in November 2019, on PPP Strategies, Methods, and Project Structuring Training from November 4 to 15, 2019.
- Both governments are developing interim capacity-building plans including training plans and schedules for the PIU and Ministries of Energy personnel for October to December 2019, and subsequently develop an elaborate capacity-building plan for the remaining implementation period.
- Development of ToR for the recruitment of a consultant to undertake Training Needs Assessment (TNA) is also under way. In addition, ToRs have been reviewed and cleared by the Bank for the recruitment of a technical expert to provide technical guidance and oversight of the grant manager and geospatial plan consultants.
- Two energy policy dialogue sessions were held, bringing together federal and state governments, private sector, academia, and civil society stakeholders: Energy Policy Stakeholders’ consultation and Training in Baidoa, from July 29 to August 2, 2019; and Second Energy Policy Stakeholders’ Consultation, Mogadishu, on September 25 and 26, 2019. The outcome has been the draft energy policy.

Challenges

This is the first time the government is implementing a recipient-executed program in the energy sector. The team recognizes that the low capacity of the PIUs and the Ministries of Energy in both FGS and Somaliland may cause some delays—hence the close monitoring and technical support by the Bank task team to support in capacity building for the client.

Contact: Patrick Thaddayos Balla (Senior Energy Specialist and Task Team Leader): pballa@worldbank.org
**SOMALI URBAN INVESTMENT PLANNING PROJECT (SUIPP)**

**Timeframe:** 2016–2020; **Budget:** US$9 million (original US$6 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>
</table>

**Beneficiaries:** Residents of Kismayo and Baidoa.

**Government counterparts:** Municipalities of Kismayo and Baidoa.

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

**Past achievements**

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

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

<table>
<thead>
<tr>
<th>Subcomponent 1: Institutional assessment and capacity building</th>
<th>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 will focus 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 will identify key gaps and recommendations for areas for capacity building. The assessment also looks at socioeconomic issues that the project will need to take into account. The assessment is being undertaken between July 2019 and January 2020.</th>
</tr>
</thead>
</table>

| 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. An assessment has been undertaken to examine which road segments are the most cost-effective and strategically important using a pre-agreed multicriteria analysis. The shortlist was finalized through a participatory decision-making process that included state and district-level governments and the community (with representatives of the vulnerable such as women, poor, youth, and IDPs). The feasibility study, safeguards assessments, and detailed engineering designs have been completed. Bidding documents are currently being finalized. |
### Component 2: Baidoa (US$1.47 million)

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

This subcomponent consists of an assessment of Baidoa municipality/district government’s technical, financial, and administrative capacity to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities that will be undertaken under the SURP II. The assessment will focus 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 will identify key gaps and recommendations for areas for capacity building. The assessment also looks at socioeconomic issues that the project will need to take into account. The assessment is being undertaken between July 2019 and January 2020.

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

Based on the preliminary consultations with the government and findings of the rapid urban assessment undertaken in Baidoa, investments that have been prioritized include urban roads, along with corresponding drainage systems, sidewalks, and streetlights. An assessment has been undertaken to examine which road segments are the most cost-effective and strategically important using a pre-agreed multicriteria analysis. The shortlist was finalized through a participatory decision-making process that included state and district-level governments and the community (with representatives of the vulnerable such as women, poor, youth, and IDPs). The feasibility study, safeguards assessments, and detailed engineering designs have been completed. Bidding documents are currently being finalized.

### Component 3: Cross-cutting activities (US$0.6 million)

**Program management**

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

**Contacts:** Makiko Watanabe: mwanabe1@worldbank.org; Zishan Karim: zkarim@worldbank.org
### SOMALIA URBAN RESILIENCE PROJECT (SURP)

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

#### Objectives
To strengthen public service delivery capacity at the subnational level and support the reconstruction of key urban infrastructure in targeted areas.

#### Beneficiaries:
(a) Residents of the seven districts of Mogadishu and the city of Garowe, include those affected by forced displacement (that is, IDPs, returnees, and host communities) where the secondary road rehabilitation and construction is being carried out; (b) Approximately 330 people in Mogadishu and 250 people in Garowe will benefit from short-term income generation opportunities resulting from the civil works of these secondary roads; and (c) BRA and Garowe Municipality staff benefiting 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 19 roads across seven districts of Mogadishu; setting up and capacity-building support to the Project Implementation Unit (PIU)

**Implementation of civil works:** Construction of 19 community roads in Mogadishu commenced in April 2019 and physical progress is at 15 percent although 30 percent of contract time has elapsed (the contract end date is April 30, 2020). Works have been completed on the pilot road (Simaad road) and are progressing on three additional roads, totaling a length of 1.7 km out of a total contract scope of 7.6 km of community roads. The main reason for the slow implementation progress of works is the deteriorating security situation in Mogadishu and, as a result, increased scrutiny at security checkpoints. The contractor’s materials’ delivery trucks are being denied access at some checkpoints, requiring BRA officials to intervene and facilitate deliveries. Another key factor in the delays has been the presence of private wastewater septic tanks identified on existing roads, which will need to be reinforced or relocated.

**Community engagement:** The BRA Community Mobilization Officer has developed a methodology for engaging communities in the selection of beneficiaries for unskilled labor opportunities in the project, ensuring that women, IDPs, and other vulnerable groups are given priority. So far, 10,276 labor days have been created in the overall project and 19 women engaged as unskilled labor. In addition, the BRA has set up two road maintenance committees composed of five people each and provided training.

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

**Ongoing**

Rehabilitation of four roads in Garowe; setting up and capacity-

**Implementation of civil works:** Construction of four urban roads in Garowe commenced in April 2019 and physical progress is at 40 percent, with 40 percent of the contract time elapsed. The total contract scope of works is 4.9 km. The road sub-base and base has been completed and construction of stormwater drains and cross culverts ongoing. The works are progressing well and the PIU estimates that the contractor may complete the work ahead of schedule (the contract end date is April 30, 2020).

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1 A total of 82 septic tanks had been identified in four districts.
2 One woman, one man, one youth, the District Commissioner, and an engineer from the BRA.
Building support to the Project Implementation Unit (PIU)  
March 15, 2020. Key challenges faced are related to the heavy rains which resulted in a section of constructed pavement on the pilot road (Jilib road) being washed away by stormwater. This section was subsequently redesigned and culverts provided.

Monitoring and evaluation: Garowe has contracted a firm to carry out a baseline survey for both Mogadishu and Garowe, and the baseline report has now been finalized.

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

Not yet effective  
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.

Other updates

Somalia Urban Resilience Project II: The SURP II has a budget of US$112 million (US$50 million from the IDA and US$42 million from the MPF) and was approved by the IDA Board of Directors on December 9, 2019; implementation is due to begin when the project is made effective in early February 2020. The project will be scaling up activities in Mogadishu and Garowe, expanding to additional cities such as Kismayo and Baidoa, as well as laying the groundwork for further expansion to Galmudug and Hirshabelle. The project objective is to “strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.” The project will be supporting the following four components over a period of five years: (a) Urban Infrastructure and Services; (b) Institutional Strengthening and Analytics; (c) Project Management and Capacity Building; and (d) Contingent Emergency Response.

Challenges

Insecurity: The security situation in Mogadishu has deteriorated in the last few months, with frequent attacks by Al Shabaab in the city. On July 24, 2019, there was a tragic attack on the BRA compound, resulting in the loss of the Governor of Benadir and the Mayor of Mogadishu, Abdirahman Omar Osman Mohamed—a significant setback for the project. Insecurity not only makes the transportation of material to the construction site difficult, which delays construction, but also makes the community engagement activities challenging. Consultation meetings have to be low key or carried out over the phone.

Relocation of Project Affected People: Two of the roads in Shangani district of Mogadishu (Madbacada and Sharif Abow road) have not been handed over to the contractors as it involves the physical displacement of Project Affected People (11 families are affected), and no permanent solution for the affected families has yet been found. The Bank safeguard policies require that these families be moved to a location where their living conditions are the same or better off than before, with access to services and employment. The possibility of including these families in the EU-Reinteg site in Mogadishu is being explored.

Grievance Redress Mechanism (GRM): Both Mogadishu and Garowe have set up Grievance Redress Committees and made efforts to document and report on project related grievances. There is, however, a need to considerably strengthen the project-related GRM by ensuring that all grievances received through different uptake channels—even those received verbally—are documented and addressed. The Project Implementation Manual can also be revised to provide more detail on how the GRM will be operationalized in the project.

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

**Timeframe:** 2019–2023; **Budget:** US$31 million (IDA: US$18 million; MPF: US$13 million)

**Status:** Effective as of August 8, 2019

**Objectives**
Support progress towards increased access to basic digital financial and government services supporting entrepreneurship and employment, particularly for women.

**Beneficiaries:** The people of Somalia, especially women and MSMEs in key economic sectors, who will benefit from more formalization and growth in economic participation. Women and female owners of MSMEs will derive direct benefit from improved access to financial services through ownership of transaction accounts enabled by the digital ID system and the MSME Facility.

Federal Government of Somalia (FGS) institutions that are key to delivery of targeted financial and government services will benefit, which include Ministry of Finance (MoF), Ministry of Commerce and Industry (MoCI), Ministry of Posts, Telecommunications, and Technology (MoPTT), Central Bank of Somalia (CBS), Financial Reporting Center (FRC), National Communications Authority (NCA), the new ID administration body, and an independent and autonomous entity to manage the MSME Facility. The project would enable delivery of support across Federal Member States (FMS) depending on the readiness of the States.

Banks participating in the MSME Facility will directly benefit from strengthened capacity to provide MSME financing provided by the IFC, and conduct environmental and social assessments.

**Government counterparts:** MoF, MoCI, MoPTT, CBS, NCA and FRC.

**Implementation arrangements:** The MoF will be the executing agency. The project has set up a single Project Steering Committee headed by the MoF with representatives from MoCI, MoPTT, CBS, FRC, and NCA.

**Geographic coverage:** The intervention will cover the entire Somali territory.

**Progress towards effectiveness—the project became effective on August 8, 2019**

<table>
<thead>
<tr>
<th>Effectiveness Conditions Met</th>
<th>Evidence</th>
</tr>
</thead>
</table>
| (a) The recipient shall have (i) established the MSME Financing Facility, in form and substance satisfactory to the Association; (ii) appointed to said MSME Financing Facility a governing board consisting of members drawn from the private and public sector, all with qualifications, terms of reference and functions, acceptable to the Association; and (iii) recruited to said MSME Financing Facility adequate staff in accordance with the provisions of the Procurement Regulations. | • Gargaara Registration Certificate from the MoCI.  
• Board members’ appointment letters.  
• CEO’s and Treasurer’s appointment letters. |
| (b) The Subsidiary Agreement, acceptable to the Association, shall have been duly executed and delivered on behalf of the recipient and the MSME Financing Facility and shall have become effective and binding upon such parties in accordance with its respective terms. | • Signed subsidiary agreement. |
(c) The recipient has submitted, in form and substance satisfactory to the Association, its policy statement regarding its digital identity system, including data protection.

- Policy Statement issued.
- Endorsement letter from the Minister of Interior.

(d) The recipient has prepared and adopted, in form and substance satisfactory to the Association, the Project Operations Manual (POM).

- Endorsement of POM from the MoF.

Additional Effectiveness Condition with respect to Section 10.02 of the General Conditions.

- Legal Opinion from the Attorney General.

**COMPONENT 1: Strengthening Institutions (US$7 million)**

| Subcomponent 1.1: Support to CBS | Digital ID System: The government endorsed the Digital ID Policy, which was published online through local news outlets and on social media sites of the Ministry of Interior, Federal Affairs and Reconciliation (MoIFAR) in May 2019. An interim 11-member Digital ID Task Force was also established at the same time as specified in the Digital ID policy. The members of the Task Force represent a wide range of public entities and stakeholders, including the MoIFAR, MoF, CBS, Ministry of Labor and Social Affairs, banks, remittance companies, and civil society. Its main task is to operationalize the Digital ID Policy and facilitate the setting up of the Digital Identification and Registration Authority (FIRA) under a digital ID law to be drafted and enacted. Multiple consultative meetings were conducted, including with representatives of civil society, the private sector, and select FMS. The ID Task Force will continue the dissemination of the Digital ID Policy and solicit comments from a wide range of stakeholders, including women and members of vulnerable and marginalized groups as well as organizations and individuals from different FMS, to ensure that the system’s design and implementation reflect and address the needs and priorities of many and diverse segments of the population. To help the ID Task Force prepare to deliver on its core mandate and provide day-to-day operational and administration support to the Task Force members, the project will procure services of a full-time core management team. The National Database and Registration Authority (NADRA) of Pakistan and the Government of Pakistan have reiterated their financial support and commitment to deliver the technical components of the digital ID system and provided the FGS with an updated disbursements schedule. The schedule indicates that the development, deployment, and demonstration of key components for the foundational ID system are expected in 2020–2021. However, the Functional and Technical Specifications Document (FTSD) for the proposed ID system are yet to be transmitted by NADRA and endorsed by the digital ID Task Force. |
| Subcomponent 1.2: Support to FRC | **Central Bank of Somalia (CBS):** The CBS licensing and supervision function currently relies heavily on manual processes with very limited technology support to exercise its regulatory responsibilities. More effective technology support is needed to establish effective regulatory capabilities to meet demands of increased scope and to maintain pace with financial sector actors whose operations rely on increasingly sophisticated technology. The CBS is also contemplating significant amendments to the Financial Institutions Law, the basis upon which much of the regulatory and supervisory mandate is anchored. From February 2020, mobile money services will be licensed by the CBS. With this development, it will be important that efforts already initiated but paused by CBS management to bring into play regulatory technology (RegTech) to enhance effectiveness of the licensing and supervision function at CBS are restarted and finalized as soon as possible but, in any case, not later than the first half of 2020. In so doing, the CBS will need to review its policies on license fees and funding structures to ensure that the licensing and supervision function has adequate technology budget to sustainably equip its staff with the tools needed to effectively regulate and supervise financial institutions. |
| Subcomponent 1.3: Support to MPTT/NCA | **Component 1.4: Support to new ID administration body** |
Financial Reporting Centre (FRC): Activities related to support to the FRC will build on the ongoing work under the Somali Core Institutions and Opportunities Program (SCORE), after the conclusion of the National Risk Assessment (NRA). Meanwhile, MENAFATF, the MENA region Financial Action Task Force (FATF) Style Regional Body (FSRB), to which Somalia has been admitted as an observer, will undertake the mutual evaluation of Somalia during 2024 and not 2021 as earlier anticipated.

NCA/MPTT: The NCA is ready to issue five major licenses but the NCA’s license framework has been revised and is currently under consultations until December 5. The project is supporting the hiring of experts for the NCA, including a cyber security specialist and pricing and interconnection expert.

COMPONENT 2: Enabling financial and digital services (US$20 million)

| Subcomponent 2.1: Financial intermediary financing for MSMEs | MSME Financing Facility: The project has made good progress in setting up and operationalizing the MSME Financing Facility. Gargaara Company Limited ("Gargaara") was established as a state-owned entity, registered on April 30, 2019, and licensed on May 4, 2019, by the MoCI. The MoF successfully concluded the appointment of all seven members of the Gargaara Board of Directors (three representatives from the public sector, three representatives from the private sector, and one representative from the MPF donors). In addition, the Gargaara Board successfully concluded the selection of the Chief Executive Officer (CEO) and Treasurer in accordance with the provisions of the World Bank Procurement Regulations. The technical and fiduciary assessment of Gargaara by the World Bank task team was completed in July 2019, and the Project Agreement signed between the World Bank and Gargaara became effective in October 2019. As a result, the disbursement conditions have been fulfilled for the ‘micro and small loans’ window. The disbursement conditions for ‘large loans’ window will be lifted when the technical agreement between Gargaara and IFC is executed. Under the technical agreement to be signed, the IFC is expected to provide handholding support to Gargaara to assess and onboard the PFIs. In November 2019, Gargaara invited Somali banks and nonbank financial institutions to express interest to participate in the MSME Finance Facility and five responded. Gargaara will now initiate the screening of at least two of the five expressions of interest (EOIs) received from prospective PFIs on a first-come-first-served basis.

On the sidelines of its first Board meeting, Gargaara also held an MPF donor meeting. The meeting confirmed the need to enhance donor coordination around MSME access to finance agenda in Somalia and harmonization of a log-frame matrix. It was generally agreed that the scope of harmonizing the log-frame would cover results indicators and sources of verification to satisfy different requirements across the MPF donors—such as DFID, USAID, EU, SIDA, Norway, and Denmark—as well as other DFIs supporting the MSME access to finance agenda. The other issues to be covered include (a) due diligence of financial institutions; (b) legal and regulatory reforms; (c) Islamic finance/Sharia law compliance; and (d) financial product development and delivery. This is with a view to mapping and uncovering a set of shared concerns, challenges, emerging risks or opportunities that might require a coordinated approach to tackle and enhance donor effectiveness across the board. The World Bank task team will be leading the mapping exercise and is expected to report back to the donor forum in January 2020.

Other activities under Component 2: Activities under Government and Retail Services subcomponent have commenced with recruitment of consultancies under the Office of the Accountant General at various stages of the procurement process. However, activities under e-Registration Services for SMEs have not been initiated due to pending enactment of the Company Law and the launch of full functionality of the business registration system supported by the SCORE project. Similarly, activities under digital ID enrollment activities have not been initiated pending progress on documenting and endorsement of the FTSD of the digital ID system. |
<p>| Subcomponent 2.2: Digital ID services | |
| Subcomponent 2.3 Government and Retail Payment Services | |
| Subcomponent 2.4: e-Registration Services for SMEs | |</p>
<table>
<thead>
<tr>
<th>COMPONENT 3: Project management (US$3 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SCALED-UP PIU is set up and staffed with key personnel. The Project Steering Committee has been established. It is headed by the Director General from the MoF with representatives from the MoCI, MoPTT, MoIFAR, CBS, FRC, NCA, and the Digital ID Task Force (until the new ID Authority is established). A Grievance Redress Mechanism (GRM) is being set up to enable the project systematically and effectively uptake and resolve project-related complaints and grievances.</td>
</tr>
</tbody>
</table>

**Contacts:** Thilasoni Benjamin Musuku: tmusuku@worldbank.org; Asta Bareisaite: abareisaite@worldbank.org
**SOMALIA SOCIAL PROTECTION SUPPORT: BUILDING BLOCKS TOWARDS A NATIONAL SOCIAL PROTECTION SYSTEM**

**Timeframe:** March 2019–February 2022; **Budget:** US$2 million  
**Status:** Implementation commenced

<table>
<thead>
<tr>
<th>Objectives</th>
</tr>
</thead>
</table>
| • Supporting the development of key building blocks of a national Social Protection (SP) System.  
• Supporting the design of a scalable social safety net program. |

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

**Government counterparts:** Federal Ministry of Labor and Social Affairs.

**Implementation arrangements:** Executed by the World Bank in support of the FGS. All activities are being implemented with full engagement of MoLSA, member states’ authorities, UN agencies involved in supporting the SP agenda (for example, WFP, UNICEF), development partners (DPs), and relevant humanitarian agencies and NGOs. ASA activities are linked with the recently approved US$65-million IDA-funded project, Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP–P171346), implemented by MoLSA. A Project Implementation Unit (PIU) has been established in MoLSA, with recruitment of all core team members. Activities are also closely coordinated with the Somalia Technical Assistance Facility (TAF)\(^3\) and the joint SP program funded by the Sustainable Development Goal (SDG) Fund and implemented by the World Food Programme (WFP), International Labor Organization (ILO), and United Nations Children’s Fund (UNICEF).

**Geographic coverage:** The ASA activities support a national SP agenda benefiting all of Somalia.

### Component 1: Social Protection Policy Framework and capacity building

<table>
<thead>
<tr>
<th>ASA commitment</th>
<th>Progress of activities/deliverables</th>
</tr>
</thead>
</table>
| **Policy Note: Social Protection Policy Framework and a medium-term strategic roadmap**  
(Due: October 2019) | Completed. The National Social Protection Policy, developed with TA support from UNICEF and WFP and input from the WB and other DPs, was endorsed by the Government in July 2019, and launched in September 2019.  
In progress. The development of the five-year strategic roadmap, to operationalize the SP policy, was planned to be implemented under the ASA. However, given overlap in objectives with the SDG-funded joint SP program, discussions among the MoLSA, WB, and WFP, ILO, and UNICEF on division of labor around supporting this activity concluded with agreement to cover the activity under the SDG. A draft five-year roadmap is near completion and is expected to be shared with SP development partners, including the World Bank, by the end of February 2020, for review and input prior to government endorsement. The ASA is facilitating the World Bank’s input to this activity. |
| **ToRs: Social Protection Working Group (SP government-donor group)**  
(Due: October 2019) | In progress. The activity will support the establishment of a government-led Safety Net Working Group led by MoLSA, with representation from relevant sectoral ministries, civil society, private sector, and donors/development and humanitarian partners, which will provide technical and institutional guidance to specific issues and contribute to SP-related dialogue and activities, and a platform for coordination and alignment. This activity will be supported by UNICEF under the SNHCP Component 2, and is delayed due to delay in the signing of the Output Agreement between MoLSA and UNICEF. However, with ASA funding, the World Bank’s January 2020 implementation support mission initiated the discussion on the scope and terms of reference of this body and helped identify the scope of the TA needed to advance the process toward its formal establishment. |

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\(^3\) EU supported facility aiming at promoting a harmonized and aligned approach to TA in SP.
### Directive/Decree: Government issued directive for a governance structure of the “high level SP commission” *(Due: October 2019)*

In progress. This activity will support the establishment of a high-level Social Protection Secretariat/Committee. The objective is to institute a body with the required policy and decision-making power to guide and support the development and implementation of relevant legal and regulatory frameworks, support intra-governmental collaboration, and to execute an oversight role over implementing ministries/authorities. This activity will be supported by UNICEF under the SNHCP Component 2, and is delayed due to delay in the signing of the Output Agreement between MoLSA and UNICEF. However, with ASA funding, the World Bank’s January 2020 implementation support mission initiated the discussion on the scope and terms of reference of this body and helped identify the scope of the TA needed to advance the process toward its formal establishment.

### Component 2: Social Safety Net Program and delivery systems

#### Concept paper: Design of a scalable social safety net program *(Due: December 2019)*

Completed. The outcome of this activity exceeded the plan. It was initially envisaged to develop a concept for an SSN program. With funding from the World Bank to implement the first government-led cash transfer program, the ASA supported and facilitated the design, appraisal, and full preparation of the Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP—P171346) on fast track. The ASA supported mobilizing technical consultants (in addition to the Bank’s task team) to support the design and undertake consultations with relevant stakeholders. The project was approved by the WB Board on August 8, 2019 (IDA Grant: US$ 65 million for 2019–2022) and became effective on September 17, 2019. The ASA will continue supporting the FGS /MoLSA to implement the IDA project and the development of national delivery systems.

The SNHCP is implemented by MoLSA, and will be supported by WFP and UNICEF following signing of output agreements. In the short term, the project will deliver cash transfers to about 200,000 poor and vulnerable households with children under the age of five years and link them to nutritional services; in the medium term it will develop national capacity and delivery systems. The first cash transfer payments, covering the quarter October-December 2019, were planned to be delivered in January 2020. This schedule has shifted due to delays in meeting the disbursement condition for cash delivery, associated with compliance with World Bank safeguards requirements. The MoLSA revised the implementation schedule as to have the first quarter payment period cover January-March 2020, with planned delivery in late February 2020.

#### Operations and procedural manual of the SN program *(Due: July 2020)*

Completed. The SN Program Operational Manual (POM) of the SNHCP has been developed, approved, and published on the MoLSA’s website in November 2019. The FGS has adopted a Somali name for the program: ‘Baxnaano’, meaning ‘Uplifting’.

#### Technical Paper: CTs targeting system *(Due: September 2020)*

Not due yet. A short-term targeting methodology for the IDA-funded SNHCP project has been developed to enable immediate delivery of cash transfers. The ASA will support the development of a targeting methodology for government endorsement for the national cash transfer programs, to apply when the Government starts implementing the ‘Baxnaano’ program directly. The Bank is in discussions with DFID for cofinancing a targeting evaluation, which will inform the targeting methodology for the national cash transfer program.

#### Technical paper: CTs payment delivery system—regulatory and technical requirements *(Due: September 2020)*

Not due yet. A short-term payment delivery mechanism for the IDA project has been determined and will be implemented by the WFP using its SCOPE system. For the longer-term, the ASA and IDA project will support exploration of options for payment delivery mechanisms, including the possibility of using mobile money platforms, and will support development of regulatory and technical requirements for FGS endorsement. This activity will be informed by a parallel Bank initiative supporting the development of the regulatory framework for mobile banking, regulating the telecom sector, and an ID system.
### Technical paper: Social Registry architecture (technical specifications and infrastructure requirements); and database management guidelines *(Due: December 2020)*

**In progress.** This activity supports the development of a social registry, and will collaborate with the Somalia Capacity Advancement, Livelihoods and Entrepreneurship through Digital Uplift Project’s (SCALE-UP) national ID activities to ensure interoperability of beneficiary information between different government agencies and support the development of a national registry. To ensure a common understanding on the key elements and objectives of a national social registry, the Bank organized a workshop on January 15, 2020 (during the January 2020 mission), in Nairobi for key stakeholders. Further details are provided below in the ‘Conference and Workshops’ section. A social registry specialist joined the Bank team in January 2020 to provide technical support.

### Technical and operational implementation support to the safety net project *(September 2020–February 2022)*

**In progress (continuous).** The organizational structure of a PIU in the MoLSA has been agreed, as per the POM, and the recruitment of six core staff members (Project Manager, Procurement Specialist, Financial Management Specialist, Communications Specialist, Grievance Redress and Social Risk Management Specialist, and the M&E Specialist) has been finalized; all positions are in place and joined the January 2020 mission.. Several training activities and hands-on support are planned (for example, procurement and financial management, delivery systems, etc.). The January mission provided an opportunity for onboarding the new PIU staff about the project and they participated in the social registry workshop, organized and delivered by the Bank.

### Both components

#### Implementation support missions and aide memoires *(Continuous: Three or four missions/year)*

**Ongoing (continuous).** Three support missions were undertaken in FY19; and two in FY20. The first was in September 2019 and the second in January 2020. The missions initiated the dialogue about the IDA program with FGS and DPs, and progressed into the preparation and consultations on the design. The outcome of these missions was the approval of the SNHCP in August 2019 and an ongoing implementation support. Deliverables, so far, include: [SNHCP Project Appraisal Document (PAD)]; Project Operations Manual, draft output agreements with WFP and UNICEF; social safeguards documents for the SNHCP; design paper of the targeting evaluation; identification of 21 districts where the SNHCP will be implemented, with the first cash transfer payments to be delivered in February/March 2020; and an aide memoir which also highlights the progress of the ASA activities. The next Implementation Support Mission is tentatively planned for May 2020.

#### Conferences and workshops *(Continuous)*

**Ongoing.** The WB held a workshop in Nairobi in November 2019 for the Somali Auditor General and Accounting General’s Offices in the Ministry of Finance, MoLSA, WFP, and UNICEF on funds flow, and the Bank’s accounting and auditing requirements. The Bank also delivered a workshop in Nairobi in January 2020 for key stakeholders on the key elements and objectives of a national social registry. The objectives of the workshop were to introduce global experience in instituting social registries and to initiate discussions on the opportunities and challenges for Somalia social registry. Participants included: MoLSA, MoH, Ministry of interior, Government’s ID task force, members of the SP Donors Working Group (for example, DFID, EU, ECHO, Italy, USAID, among others), the Cash Consortium, and multi-GP team from the World Bank.

#### Training and study tours *(Continuous)*

**Ongoing.** Three government officials, including Minister Sadik Hirsi Warfa (MoLSA), attended the Safety Nets Course, and an officer from the Ministry of Finance and DG from the Office of the Prime Minister attended the Jobs Course at the World Bank from October 28 to November 8, 2019.

#### Report: ASA completion report *(Due: June 2022)*

**Not due yet.**
**Opportunities**

- The recently approved Somali social protection policy provides the policy and strategic framework for the activities of both the ASA and SNHCP.
- FGS’ commitment to the SP and human capital agenda, as reflected in the National Development Plan, facilitates an enabling environment for longer-term government-led predictable and reliable safety net system in the country.
- The SNHCP provides the opportunity to test various options of delivery systems (supported by the ASA as well as IDA project) and learn-by-doing, leading to further enhancement of such systems.
- The SCALED-UP (P168115) project’s national ID activities provide an opportunity to build the foundations for linking the national registry by using the foundational ID as the unique identifier for the social registry; as well as facilitating access of the cash transfer beneficiaries to the foundational ID.
- The active Donor Working Group (DWG) provides a platform for joint discussions, collaboration, and coordination among DPs for a more aligned support to the FGS. In the SP agenda, as for enhancing the coordination and cross learning between the SNHCP and humanitarian cash transfers.
- The TAF facility and SDG-funded program bring in additional TA resources and know-how. Commitment from all to collaborate promotes efforts to ensure complementarity and effectiveness of both programs.

**Challenges**

- The institutional and governance capacity of the FGS/MoLSA are currently limited.
- Relations between the FGS and member states are complex. Continuation of MPF funding and World Bank support as a neutral convening power, in collaboration with UN partners and other donor agencies, are key enablers.

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SOMALIA URBANIZATION REVIEW

**Timeframe:** 2018–20; **Budget:** US$0.9 million

**Status:** Effective

<table>
<thead>
<tr>
<th>Objectives</th>
<th>To develop a spatially differentiated strategy to help Somali cities better manage insecurity risks and climate shocks.</th>
</tr>
</thead>
</table>

**Beneficiaries:** Direct beneficiaries are the Government of Somalia and development partners engaged in urban work in Somalia.

**Government counterparts:** The team set up an inter-ministerial high-level committee to liaise with multiple government agencies. Mayor of Mogadishu/BRA Governor is the Chair, and members comprise MoPIED, Ministry of Trade and Commerce, Office of the Prime Minister, Ministry of Public Works, Water and Energy, Interior, Humanitarian Affairs and Disaster, and BRA. Subnational governments such as Kismayo, Baidoa, and Bosaso municipalities are also consulted.

**Implementation arrangements:** These activities are executed by the World Bank.

**Geographic coverage:** The analysis covers the entire country but focuses on key cities.

**Context**

Somalia’s urban population is growing rapidly partly as a result of significant forced migration into urban areas caused in part by insecurity, cyclical natural disasters, and lack of economic opportunities in rural areas. As of July 2018, there are an estimated 2.6 million internally displaced persons (IDPs) in Somalia.\(^4\) Close to 75 percent of the IDPs are believed to be living in urban centers, settling on public and private lands within and in the outskirts of cities.\(^5\) Among all cities, Mogadishu, Kismayo, and Baidoa seem to have the highest concentration of the displaced. By 2040, it is estimated that the majority of the Somali people will be living in urban areas.\(^6\)

Cities can play an important role in managing risks and contribute to stability in Somalia. With a greater concentration of people, capital, and assets, cities have better ability to manage stresses compared with rural areas. Cities provide anonymity, lower uncertainty, and allow for risk diversification for the vulnerable by providing better access to security, services, and jobs. Indeed, Somali cities are growing rapidly as they serve as a safe haven where people seek refuge.

As they fail to keep pace with the rapid urbanization, however, Somalia’s cities are becoming more fragile, threatening the country’s stability. Cities have not been able to cope with the increased demands for land, housing, services, and jobs. As a result, Somali cities are expanding in a haphazard manner, slums are on the increase, and environmental degradation is accelerating. It is feared that large influxes of people may shift the clan dynamics which can potentially be destabilizing.

Given the central role cities play in Somalia’s development and stability, there is an urgent need to help Somali cities better manage risks and foster resilience. While cities will not be able to prevent insecurity or climate shocks in the short to medium run, a better understanding of the nature of the risks and their consequences, and how cities can better prepare for and cope with those consequences, will go a long way in helping cities become more resilient.

Budgets are limited and investments need to be cost-effective and coordinated. Policies and actual capital investments need to leverage complementarities as budget is limited. This requires planning in advance, which is challenging for urban areas in Somalia which can face sudden large influx of IDPs and a spike in demand for services. The urbanization review aims to think how cities can better plan to provide basic infrastructure services to avoid inefficiency and to minimize the cost in trying to meet sudden increases in demand.

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The study will identify what types of interventions are required so that each type of city can better manage its risks, and who (for example, federal/state/local government, households, private sector, development partners, etc.) will be best positioned to address each need. The study will help set development goals for different types of cities, and it is hoped that it serves as an analytic underpinning to the government and development partners’ future urban engagements.

Description of the study

A city becomes fragile when it is unable to fulfill its core functions (for example, governing space, people, and resources) owing to the manifestation of internal and external risks. Risks can be political, social, economic, and environmental in nature. How cities choose to manage (mitigate, prevent or adapt to) internal and external risks matter significantly in determining the extent of the city’s fragility, resilience, and development.

The study will look at the core elements of what makes cities function (as laid out in the diagram below) and identify risks that have emerged in each of the areas due to rapid urbanization, identify opportunities/existing good examples that can be leveraged, explore bottlenecks that impede cities from managing respective risks (due to market failure, government failure, political economy), and examine solutions that address some of the key bottlenecks to allow cities to deliver their core functions. Importantly, recommended solutions need to be prioritized and sequenced in light of capacity and resource constraints.

Core Elements of Urban Resilience

Currently, an Enterprise Survey is being undertaken in Mogadishu and Bosaso to collect data on formal, micro, and informal enterprises, along with a Land and Governance Study in Mogadishu, Kismayo, and Baidoa in collaboration with ReDSS and NRC. Both studies will be completed by January 2020 and will feed into the final Urbanization Review Report to be completed by June 2020.

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## SPECIAL FINANCING FACILITY FOR LOCAL DEVELOPMENT (SFF-LD)

This brief includes reporting on SFF-LD through June 2019. Reporting for the restructured extension of the SFF-LD is reported separately (see page 61).

<table>
<thead>
<tr>
<th>Timeframe: 2016–19; Budget: US$8.8 million (MPF: US$6 million; SPF: US$2.8 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
</tr>
<tr>
<td><strong>Beneficiaries:</strong> (a) Communities served by local administrations in the target areas; and (b) the government, civil servants, and employees of the implementing Ministries, Departments and Agencies in emerging states.</td>
</tr>
<tr>
<td><strong>Government counterparts:</strong> Ministry of Finance, Ministry of Public Works, regional governments.</td>
</tr>
<tr>
<td><strong>Implementation arrangements:</strong> These activities are government-executed through a center and regional partnership.</td>
</tr>
<tr>
<td><strong>Geographic coverage:</strong> The geographic coverage will include all of Somalia. Phase II regions are Lower Shebelle, Nugal, and Bakool, subject to confirmation from the Steering Committee.</td>
</tr>
</tbody>
</table>

### Component 1: Small-scale Infrastructure (US$3.9 million)

#### Ongoing

**Equal share grants per region for small-scale local development activities**

Overall, the project has managed US$8.8 million of Bank financing and some US$6 million of UN financing. All civil works projects in Phase I (Baidoa and Jowhar district) and Phase II (Garbaharey, Burtinle, and Xudur district) have now been completed and the additional cost savings have been utilized to procure additional items to make the subprojects more function—for example, solar panels, streetlights, IT equipment, and furniture.

### Component 2: Program operations and capacity building (US$2.1 million)

#### Subcomponent 1: Ongoing

**PIU Operating Costs**

This subcomponent covers day-to-day operations, including the salaries and allowances of the Project Implementation Unit (PIU) members, consultancies required for technical assistance, project officers at the subnational level and associated costs with the running of the PIU.

The PIU in the MoF consists of a coordinator, deputy coordinator, two engineers, and specialists for M&E, procurement, financial management, and operational/administrative support. The communication and the engineer position have been terminated now that the civil works have been completed.

#### Subcomponent 2: Ongoing

**Capacity Building**

Technical assistance and capacity building include workshops, training, and advisory services, and focuses on practical aspects of capital investment project management. Capacity building will focus on areas including M&E, communications and community outreach, and environmental and social safeguards.

Both the World Bank and UN have provided numerous trainings to the PIU in finance, procurement, risk management, disbursement, monitoring and evaluation, and communications, which has helped the PIU staff to better perform their roles.
Component 3: Contingency Emergency Response (US$2.8 million)

**Ongoing**

The emergency response through this component of US$2.8 million has been completed. This component had expanded the menu of activities in the project to allow for water trucking, procurement of water storage tanks and bladders, and rehabilitation of boreholes. Five districts were selected for implementation of the drought response and an NGO consortium was directly contracted to deliver these activities. This was the first time in Somalia that NGOs have been contracted to the Federal Government of Somalia for a government-led emergency response and is a model that can be replicated in the event of future emergencies.

The activities under this component were completed on August 31, 2018, and US$2.6 million of the US$2.8 million allocated was fully disbursed by December 31, 2018. The balance of US$200,000 was not utilized as these were cost savings incurred from the nonconsulting service contract. An evaluation of the emergency drought component was carried out by a third-party firm—Abyrint—which outlines key lessons learnt from this response that can be incorporated into the future scale up of the project.

**Other updates**

To date, SFF has disbursed US$7.55 million and has an outstanding balance of US$650,000. The project has thus far reached 1,117,077 beneficiaries in total, of which 236,123 were through the drought response component.

**SFF Restructuring:** In light of the recent drought crisis in Somalia, there is now a high likelihood of the project being restructured to provide additional financing of US$10 million from the MPF to enable a government-led and managed response.

The Somalia Crisis Recovery Project (SCRP) is being proposed through an International Development Association Crisis Response Window (IDA CRW) allocation for multisector recovery and reconstruction program/project to support Somalia’s recovery from the unprecedented crisis it currently faces owing to the devastating floods that impacted parts of the country during October and November 2019. The proposed project will focus on immediate service delivery restoration, infrastructure rehabilitation, and community support interventions to help restore livelihoods and enhance resilience. The project would retain a major focus on supporting immediate floods recovery and may, to a limited extent, potentially offer limited solutions for medium-term recovery and resilience building solutions for the ‘Complex Triangular Crisis’ that Somalia currently faces—drought, floods, and conflict all within the same time and space. A hybrid implementation approach is proposed to combine immediate quick-dispersing support to kick-start recovery, with activities that can galvanize a transition toward medium-term recovery.

**SFF ICR:** Given the decision to proceed with a project restructuring, the team will no longer be preparing an ICR at this stage. The end project evaluation for SFF, however, is ongoing and a firm has been engaged to carry out key informant interviews and focus group discussions at the community/State level. This evaluation will be reviewing both the SFF subprojects as well as the drought response activities. This end project evaluation will, however, proceed to allow some of the findings to be incorporated into the restructured design.

**UN Parallel financing:** The SFF has been supported by the National Window of the UN Multi-Partner Trust Fund for Somalia. The initial phase of this support ended in June 30, 2018, but there are plans to provide an additional US$5 million through SFF for the construction of prisons and courthouses, and for the rehabilitation of Mogadishu University. The team will need to coordinate closely with the UN MPTF in the restructuring process to ensure the PIU has sufficient capacity to manage all planned activities.

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7 Allocation still being determined.
8 The project would build upon the successful experience of the Special Financing Facility for Local Development (SFF-LD), on public sector and civil collaboration for disaster response.
SPECIAL FINANCING FACILITY FOR LOCAL DEVELOPMENT (SFF-LD):
RESTRUCTURED EXTENSION

This brief includes reporting on SFF-LD for the restructured extension of the project. Results through June 2019 are captured in a separate brief (see page 59).

<table>
<thead>
<tr>
<th>Timeframe: 2020–22; Budget: US$10 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status: Project preparation</td>
</tr>
</tbody>
</table>

| Objectives | To develop sustainable institutional solutions and models for effectiveness, preparedness, and response at multiple tiers to the present drought and potential shocks from future disasters and other crises. |

| Beneficiaries: | The immediate project beneficiaries will be the most vulnerable residents in disaster-affected areas across all Federal Member States (FMS), initially focusing on drought-specific needs. The project will also benefit relevant departments and ministries at federal and state levels, such as Ministry of Planning, Investment and Development (MoPIED), Ministry of Humanitarian Affairs and Disaster Management (MoHADM); Water, Energy, and Petroleum, and Mineral Resources; Agriculture and Irrigation, through technical assistance to support capacity building for drought preparedness, program management, and state and federal coordination across and within key Federal Government of Somalia (FGS) and FMS ministries and departments. |

| Government counterparts: | Ministry of Finance (MoF), MoPIED, MoHADM, and other relevant technical federal and state ministries. |

| Implementation arrangements: | The SFF-LD is a recipient-executed project, meaning that it is implemented by government counterparts. The project will continue to be housed within the MoF and coordinated through the MoPIED with other relevant technical federal and state ministries. In the previous phase, certain components were successfully outsourced by government through BRCIS, while the government retained core decision making, oversight, and coordination functions. This remains an option for this next phase of engagement. |

| Geographic coverage: | The SFF-LD II will be implemented in disaster-affected areas across all FMS, initially focusing on drought-specific needs. The FGS has identified broad priorities in line with the RRF and NDP9. At project inception, a process of projectization and further prioritization will be conducted using an inclusive, criteria-based methodology to identify smaller, state-level activities to be financed under the Additional Financing (AF). |

A no-cost extension has been applied to the parent project, extending the closing date to March 31, 2020, allowing sufficient time to restructure the project, while also considering how the project may respond to the evolving flood crisis. The project team will conduct a project preparation and technical scoping mission to Nairobi and Mogadishu in February 2020, to finalize the technical aspects of the proposed IDA CRW operation. The team is aiming for approval by April 2020.

<table>
<thead>
<tr>
<th>Component 1: Component 1 (Phase I—Early Recovery): Provision of Immediate Basic Services and Livelihood Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
</tr>
</tbody>
</table>
Component 2: Component 2 (Phase II—Medium Term Recovery and Resilience Building)

| Status | This component could support the rehabilitation and strengthening of critical public and community infrastructure such as water and sanitation systems, irrigation networks, small roads, and health and education facilities. This could also include support to community organization structures, affected by floods as well as incorporating a comprehensive floods recovery and future floods risk management plan and interventions. |

Component 3: Project management costs and capacity building for implementing and managing the project

| Status | Ongoing project preparation. |

Component 4: Contingent Emergency Response

| Status | Ongoing project preparation. |

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## SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE (FGC)

**Timeframe:** 2015–19; **Budget:** US$2 million  
**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. |
| **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 subfederal 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 2019, the FGC met three times in September, October, and November.

During this reporting period, the Federal Minister of Finance and Chair of the FGC, H.E. Dr. Abdirahman Beileh welcomed Albert Mafusire from the African Development Bank Delegate as a new member of the FGC.

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 a successful outcome for the airport concession), 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), including SMP IV which is expected to be approved as an Upper Credit Tranche (UCT) program, with a potential test date for Decision Point under the Highly Indebted Poor Countries (HIPC) initiative envisaged for February 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 September and November. The period also resulted in the publication of the third FGC ‘Financial Governance Report’ which provided a comprehensive overview of progress of financial governance over the past year and set financial governance priorities for the coming 12 months.
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 following notes have been produced:

- Advisory Note: Collection and Management of Overflight Fees.
- Info Note: List of FGS Autonomous and Semi-Autonomous Agencies: October 2019.
- Advisory Note: Draft Cabinet Paper: Policy on New Public Bodies.
- Advisory Note: Education Text Books Contract.
- Advisory Note: 2018 Audit Findings and Recommended Next Steps.
- Advisory Note: Note on key issues arising from the port renegotiations.

Of particular note among these, the FGC has recently developed a draft Cabinet Paper on FGS Policy on Creation of Agencies, Authorities, and Commissions. This paper provides a summary of the number of legacy, new, and planned government bodies, outlined concerns related to this expansion, and proposed policy to govern the creation of new bodies. To improve communications with the broader FGS, the FGC has also translated key advisory notes and presentations into Somali. In support of the Financial Governance Report 2019, two videos have been prepared highlighting key progress and challenges, and social media messages for the launch of the report were prepared with the Ministry of Finance.

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

- Fiscal Chapter of the Constitution.
- Bringing Aid on Budget and Integration of MoF and CBS systems.
- Oil and Gas Licensing Round.
- FGS’s progress with registration and reverification of SNA and NISA personnel.
- Key legislation including the PFM Bill, Revenue Bills, Audit Bill, Procurement Act Amendment Bill, Customs Amendment Bill, and Statistics Bill by the MoF and BFC.
- Briefings on overflight fee revenues and proposed way forward.
- Briefing on SMP benchmarks meetings with IMF.
- Cabinet discussion on new FGS agencies.
- Status of Tax Exemptions.

Progress in the financial governance of the security sector is particularly noteworthy. The FGC has closely followed the FGS’ commendable efforts in security sector registration and payment direct to bank of personnel across all forces including a portion of rations stipends (a long-standing FGC recommendation) during the reporting period, as well as regularization of rations contracts through competitive retendering. During this reporting period, the FGC has been following the security sector reverification process, which will collect additional information necessary to prepare for retirements in line with the Army Pensions Act.

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

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

A key area the FGC focuses on is donors’ use of country systems (“bringing aid on budget”). In spite of the confidence the World Bank and EU have demonstrated in using country systems, other donors are still reluctant to bring their funding on budget. A number of them are currently providing funding to FGS agencies outside of the budget, with funds being
disbursed to accounts held in commercial banks, often managed by line ministries. Likewise, some donors, sometimes through their implementing partners, provide funding direct to FMS, bypassing the inter-governmental transfer system. These practices lack transparency and undermine the development of country systems. They are also inconsistent with the provisions of the PFM Bill that has recently been passed by the House of the People. The FGC is encouraged that the Global Partnership for Education (GPE) recently brought some of its funding to the FGS Ministry of Education on-budget and on-treasury following advice from the FGC. The FGC will, in 2020, provide further advice to FGS on how to get other donors to bring their funding to FGS agencies and FMS on-budget in the coming year.

The FGC has also closely followed the developments around the Oil and Gas Licensing Round, and has engaged with the Minister of Petroleum. As part of this process the FGC prepared a review of the new draft Production Sharing Agreement (PSA) that had been issued by the Ministry of Petroleum in February 2019. The FGC also considered the processes alignment with 2019 Petroleum Act Amendments, the capacity of the Ministry of Petroleum to conduct licensing rounds, the need for the license round to follow due process as required by the 2016 Procurement Act, and the need for significant progress to be made in operationalizing the petroleum legal and regulatory framework before it is advisable for the FGS to accept bids for or enter into PSAs.

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 48 confidential assessments, which the FGS has used to inform decision making. Of the contracts reviewed by the FGC, five incorporated FGC amendments and were signed, seven did not proceed, seven were cancelled, three came to the end of contract term, four underwent competitive tender reviewed by FGC, two are under renegotiation, two contracts have been revised and require additional FGC review, two have been recommended to be retendered or renegotiated, one is on hold, and only two did not incorporate recommended amendments. The FGC’s comments on the remaining 13 continue to be addressed.

During this reporting period, the following reviews have been conducted:

- Contract Review: NISA Non-Perishable Foodstuffs Tender and Contract Review.
- Contract Review: Education Certificates Contract Review.

The SNA and Police rations contracts tenders were completed during this period. While FGC approval of these contracts was not required, the FGC had agreed to review them at the request of the FGS. FGC reviews of the two SNA tenders and the Police tender showed that the processes appeared to have been sufficiently transparent and competitive to be an appropriate basis for award.

The FGC has continued to provide oversight to the renegotiation of the port concession contract, which is not yet concluded. The FGC has also reviewed and provided advice on a number of other legacy contracts from the previous administration that the FGS needs to work to resolve, including contracts for the issuance of education certificates. The FGC also supports the Interim National Procurement Board (INPB), which is responsible for overseeing the procurement of FGS contracts and concessions until such time as the provisions of the 2016 Procurement Act are implemented. The INPB has held two meetings under the new administration. The INPB has been supporting the review and renegotiation of the terms of four concession agreements (port, dry port, airport, and airport taxi), with the renegotiation of the airport having been completed during this reporting period.

Nonetheless, in the FGC’s view, procurement remains FGS’ weakest financial governance link. Current weaknesses in the legal framework and FGS’ procurement capacity urgently need to be addressed before FGS experiences a significant increase in resource inflows, for example, from petroleum or debt relief. Given current limitations in procurement capacity across government, the FGS, with support from the FGC, has proposed amendments to the 2016 Procurement Act to enable additional oversight of high-value contracts and nonstandard bidding methods. A key priority for FGS is also to secure enhanced donor support for procurement and concessions capacity development, an area of relative under-investment by the international community.
### Component 3: Supporting oversight and transparency of asset recovery (approx. US$0.1 million)

The CBS has been pursuing assets in accounts in banks in Italy, the UK, the USA, and Switzerland. This reporting period, the FGS has made concerted efforts to pursue diplomatic channels to support the process, including reaching out to Directors and Ministers of foreign governments. Progress has been very slow. The FGC had previously undertaken this effort with the assistance of the World Bank’s Stolen Asset Recovery (StAR) Program, but this assistance has now been brought to a close. The FGC will continue to pursue the issue.

### Challenges

The current EU Delegate has departed, which is a loss of the one of the longest standing members. The institutional knowledge and relationships he takes with him will take time to rebuild and recover as the new EU Delegate comes up to speed.

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