

MULTI-PARTNER FUND

PROGRESS REPORT

1ST JULY 2017 - 31ST DECEMBER 2017



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ACRONYMS

ACU	Aid Coordination Unit
AfDB	African Development Bank
AFREC	Africa Regional External Communications & Partnerships
AML	Anti-Money Laundering
AWD	Acute Watery Diarrhoea
BE	Bank Executed
BDSP	Business Development Service Provider
CBS	Central Bank of Somalia
CBSL	Central Bank of Somaliland
CEM	Country Economic Memorandum
CFT	Counter Financing of Terrorism
CIP	Public Sector Capacity Injection Project
CIPFA	Chartered Institute of Public Finance & Accountancy
CISP	International Committee for the Development of People
CMU	Country Management Unit
CPPR	Country Portfolio Performance Review
CSI	Civil Service Institution
CSO	Civil Society Organizations
DANIDA	Danish International Development Agency
DFID	Department for International Development
DRM	Domestic Resource Mobilization
EOI	Expressions of Interest
ERP	Enterprise Resource Planning
ESCOM	Economic Steering Committee
EU	European Union
FDI	Foreign Direct Investment
FGC	Federal Governance Committee
FGF	Financial Governance Forum
FGS	Federal Government of Somalia
FMS	Federal Member States
FAO	Food and Agriculture Organization
GA	Federal State of Galmudug Administration
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoSL	Government of Somaliland
HS	HirShabelle
ICRC	International Committee of the Red Cross

ICT	Information and Communication Technology	SDRF	Somalia Development and Reconstruction Facility
IDP	Internally Displace Person	SEDRP	Somalia Emergency Drought Response and Recovery Project
IFC	International Finance Corporation	SEU	Somali Economic Update
IGAD	Intergovernmental Authority on Development	SFF-LD	Special Financing Facility for Local Development
ILO	International Labour Organization	SFMIS	Security Forces Management Information System
IMF	International Monetary Fund	SICRP	Somalia Investment Climate Reform Program
INTOSA	International Organization of Supreme Audit Institutions	SIDA	Swedish International Development Cooperation
IPSAS	International Public Sector Accounting Standards	SJPER	Security and Justice Public Expenditure Review
ITC	International Training Centre	SL	Somaliland
JL	Federal State of Jubaland	SME	Small and Medium-sized Enterprises
M&E	Monitoring and Evaluation	SMEF	Small and Medium-sized Enterprises Service Facility
MFM	Macro-Economic and Fiscal Management	SNIPS	Somaliland National Investment Policy Statement
MOCI	Ministry of Commerce and Industry	SRFS	Supporting Remittance Flows to Somalia
MOF	Ministry of Finance	SSF	Somali Stability Fund
MOPIC	Ministry of Planning and International Cooperation	SMP	Staff Monitored Program
MOPW	Ministry of Public Works	SORT	Systematic Operations Risk-rating Tool
MPF	Multi Partner Fund	SPF	State and Peacebuilding Fund
MPTT	Ministry of Posts, Telecommunication and Technology	SUIPP	Somali Urban Investment Planning Project
MTB	Money Transfer Business	SURP	Somalia Urban Resilience Program
MTO	Money Transfer Organisations	SURR	Somali Urban Resilience and Recovery
NDP	National Development Plan	SWA	South West Administration
NGO	Non-Governmental Organization	TA	Trusted Agent
OAG	Office of the Auditor-General	TMP	Talent Management Program
ODA	Overseas Development Assistance	TTL	Task Team Leader
PFM	Public Financial Management Reform Project	TVET	Technical Vocational Education and Training
PIU	Project Implementation Unit	UAP	User Acceptance Testing
PL	Federal State of Puntland	UCS	Use of Country Systems
PPD	Public Private Dialogue	UN	United Nations
PREMIS	Preservation Metadata Maintenance Activity	UNDP	United Nations Development Programme
PSG	Peacebuilding and Statebuilding Goals	UNFPA	United Nations Population Fund
RCRF	Recurrent Cost & Reform Financing Program	UNICEF	United Nations Children's Fund
RE	Recipient Executed	UNIG	United Nations Information Group
SBCF	Somalia Business Catalytic Fund	UNOCHA	United Nations Office of the Coordination of Humanitarian Assistance
SCD	Systematic Country Diagnostic	USAID	United States Agency for International Development
SCORE	Somali Core Economic Institutions and Opportunities Program	WBG	World Bank Group
SDC	Swiss Agency for Development Co-operation	WFP	World Food Program



In 2014, three funding windows were established to finance the development objectives, one of which was the World Bank-managed Multi Partner Fund, (MPF).

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The Federal Government of Somalia (FGS) continues to make strides that are important for governance and state-building. Several pieces of legislation, crucial for good governance and economic growth, have been passed.



1. INTRODUCTION

The World Bank Multi Partner Fund (MPF) Progress Report covers the period July to December 2017. It reports by thematic area and project, and identifies the significant external events of the period that relate to the operating context of the MPF. The report also describes how the instruments created by the MPG have adapted to the changes and dynamics on the ground.

The report captures achievements, processes and challenges from the reporting period, and introduces additions to the modus operandi of World Bank engagement in Somalia, including strategy development with Somali stakeholders, flexible financing mechanisms and disaster risk management (DRM) engagement.

Currently in its fourth year of operation, the MPF has an active portfolio of investment projects and analytical and advisory support, which is delivering results against targeted pillars of Somalia's National Development Plan.

Background

In 2012, the newly formed Federal Government of Somalia (FGS) and international community agreed upon the Somali Compact including the Somaliland Special Arrangement. The Somali Compact identified five Peacebuilding and Statebuilding Goals (PSGs). The Somalia Development and Reconstruction Facility (SDRF) was established as the framework guiding implementation of the Somali Compact. In response, the World Bank Board endorsed the Interim Strategy Note (ISN) for 2013-2016 which set out the World Bank program in Somalia for this period. In 2014, three funding windows were established to finance the development objectives, one of which was the World Bank-managed Multi Partner Fund, (MPF). The MPF, including the strategic focus and potential pipeline, was presented to and endorsed by the World Bank Board in 2014, which set the parameters and governance arrangements for MPF operations..

In consultation with the SDRF and development partners, the MPF portfolio was launched in 2014 to provide a platform for coordinated financing for the sustainable reconstruction and development of Somalia. The Interim Strategy Note identified two priority areas:

1. strengthening core economic institutions; and
2. expanding economic opportunities

These evolved into three thematic areas, developed to target urgent needs while focusing on specific priorities in which the World Bank has a comparative advantage. Effective and Accountable Government aims to develop and strengthen government institutions through financial governance oversight and advisory services. Enabling Economic Growth aims to generate employment, regulate productive sectors and establish enabling environmental frameworks. These projects also engage in efforts to expand financial access, improve the financial sector, and sustain remittance flows. As the significance of urban centers in Somalia's stability and development became apparent, Urban Infrastructure seeks to bring together projects to develop and support core economic infrastructure on a small or regional scale. The projects under this thematic

area focus on development of the government's capacity for municipal, district and urban management and seek to build the resilience of urban areas to absorb shocks.

Since the endorsement of the New Partnership for Somalia at the May London Conference, the MPF has engaged been engaging with the SDRF structure through the Pillar Working Groups, according to the revised procedures of the new Operations Manuals which guides the processes of the three SDRF funds, namely the World Bank MPF, the UN-MPTF and the AfDB- SIF

The MPF is managed in accordance with administrative agreements with donors and institutional mandates, policies, and procedures of the World Bank. Notably, the following principles were applied in the development of the portfolio:

Table 1: Overview of SDRF Funds

	UN Multi Partner Trust Fund (MPTF)	WB Multi Partner Fund (MPF)	AfDB Somali Infrastructure Fund (SIF)
Thematic focus	Flexible financing instrument across all thematic pillars of the NDP.	Coordinated financing primarily focused on core state functions, socioeconomic recovery and sustainable development. ¹	Rehabilitation and development of infrastructure, and related skills development and institutional capacity building.
Delivery modalities	<p><i>UN execution:</i> Participating UN organizations are eligible to receive funding. Financing may be provided to Government institutions, national and international NGOs or other civil society organisations, academia and the private sector as implementing partners of the recipient UN agency.</p> <p><i>Government execution:</i> Under the National Funding Stream, financing are provided directly to the national entities.</p> <p><i>CSO execution:</i> The UN MPTF will also enable fund transfer to the civil society and youth organizations through UN funds and programs as main implementing partners or pass-through mechanism.</p>	<p><i>Government execution:</i> The majority of MPF projects are recipient-executed, which supports the Somali authorities to be the leaders of their own reconstruction and development and ensures that reforms and knowledge transfer are sustainable and replicable by Somali institutions.</p> <p><i>WB execution:</i> The MPF also funds small-scale Bank-executed activities, for which the World Bank has implementation responsibility.</p>	<p><i>Government execution:</i> Recipient execution by the federal or regional governments or their agents, which is the preferred modality.</p> <p>Third party execution, where a non-state actor such as an NGO, private company or UN agency implements the project component with the consent of the Government.</p> <p>AfDB execution on behalf of the government, when the government is unable to implement efficiently and effectively itself, and explicitly requests the AfDB to execute the project for them.</p>
Links	http://mptf.undp.org/factsheet/fund/45000	www.somaliampf.org www.twitter.com/mpfsomalia	Website under development

¹ If the FGS determines that emergency conditions have risen to a critical level during the implementation of the project, funds can potentially be allocated for emergency works or activities required by natural disasters.

- resources are aligned with critical priorities identified by the Somali Government in the National Development Plan;
- alignment with Partnership Principles, Enabling Actions and key themes of the New Partnership for Somalia
- sustainable institutional capacity is developed;
- mutual accountability, transparency and understanding is developed between the government and MPF, both directly and through the Project Implementation Units (PIUs) established to support recipient-executed MPF projects.

Donors

The MPF is financed through contributions from eleven donors. Both the number of donors and the size of their contribution has increased since the establishment of the MPF in 2014 based on increased demand from government and increased delivery from the operations. The MPF employs a consultative approach so that donor experience and engagement outside the MPF, as well as financial support, can shape the discussions and guide the implementation of the MPF pipeline and broader objectives. In the reporting period, Germany became the newest donor to the MPF, contributing US\$ 28.9m and bringing a new focus on the MPF's urban portfolio. Other donors to have signed additional contributions to the MPF during the reporting period were the UK, US\$34.5 million, The EU US\$21.9 million, Norway US\$6.3 million and Sweden US\$6 million.

Table 2: Effective And Accountable Government

1.	Recurrent Cost & Reform Financing (RCRF) Project (Phase I & II)
2.	Public Financial Management (PFM) Reform Project (Phase I & II)
3.	Public Sector Capacity Injection Project (CIP)
4.	Somaliland Civil Service Reform Project (SL-SCR)
ENABLING ECONOMIC GROWTH	
5.	ICT Sector Support
6.	Somalia Core Economic Institutions and Opportunities (SCORE)
7.	Somalia Investment Climate Reform Program (SICRP)
URBAN INFRASTRUCTURE	
8.	Somali Urban Investment Planning Project (SUIPP)
9.	Special Financing Facility for Local Development (SFF-LD)
10.	Somalia Power Sector Development Support
11.	Somali Urban Resilience and Recovery (SURR) Project ²
ANALYTICAL AND ADVISORY	
1.	MPF Knowledge Fund
2.	Analytical & Technical Assistance for Education
3.	Support to Financial Governance Policy Dialogue (FGC)
4.	Petroleum Sector Inclusive Development
5.	Supporting Remittance Flows to Somalia (SRFS)

The MPF is currently supported by:



² To commence in 2018



2. OPERATING ENVIRONMENT

During this reporting period, many contextual developments and important milestones have been reached by Somali stakeholders, the World Bank and international partners.

“Somalia is committed to the reforms necessary to strengthen our fiscal prosperity & economic development.”
- Dr. Abdirahman Beileh,
Minister of Finance for Somalia

Increased engagement with country systems

During the reporting period, the World Bank has responded to the government’s increased focus on engaging with country systems and structures as part of the broader reform agenda. This has forced the World Bank to look at the instruments within the MPF portfolio to understand how they can be better leveraged in real-time to respond to opportunities and support the reform trajectory. A stark example of how the MPF is supporting the government’s commitment to reform is the Surge Support initiative.

The Federal Government of Somalia (FGS) continues to make strides that are important for governance and state-building. Several pieces of legislation, crucial for good governance and economic growth, have been passed. The passage of the Communications Act (August 2017) provides the tools to regulate the ICT sector and make more substantial and formal contributions to Somalia’s Gross Domestic Product (GDP). The National Statistics Bill has been approved by the cabinet and is being reviewed by Lower House. This Bill would create a National Statistics Bureau, which will be responsible for collection, compilation, analysis, publication and dissemination of statistical information, and the coordination of the national statistical system. The Public Financial Management (PFM) Bill was approved by cabinet and will be reviewed by parliament. The government also regained control of its airspace management after being run by the UN International Civil Aviation Organization (ICAO) for 27 years.

“We need to create a legislative environment that promotes fiscal federalism and limits avenues for corruption”
- Sagal Bihi, Member of Somali Federal
Parliament

Box 1: Surge Support

The Federal Government (FGS) requested donors to provide additional fiscal support for the government.

As a result, the World Bank, FGS and MPF donors devised a package of “surge support” based on the principles of government leadership, and accountability. The surge support is based on conditional agreements of benchmarks with tranching disbursement on achievement of these benchmarks. The surge support provides institutional leverage to support key reforms – through conditioned incentives – through ongoing MPF Governance projects, including PFM and CIP. Lastly, the surge support strengthens the role of the MPF as a policy instrument, and in particular RCRF, by initiating an ongoing dialogue around benchmarks to be attained in order to continue to benefit from RCRF.

To qualify for surge support, Somali authorities have to fulfil agreed-upon benchmarks related to revenue, intergovernmental fiscal relations, expenditure management, HR and PFM, some of which are closely linked or directly contribute to the IMF's Staff Monitored Program (SMP) benchmarks. The monitoring and evaluation of these benchmarks is done jointly by the government and MPF monitoring agent. The benchmarks were defined in August 2017, and revised in October 2017 to encompass customs revenue collection, harmonized tax collection for selected goods, and the suspension of off-payroll cash payments.

Lessons from this experience will be integrated into the RCRF ‘restructuring’ process that will be conducted during the next reporting period. The restructuring process will consider how to embed results-based approaches into the RCRF.

Several PFM initiatives have materialized in the reporting period, both those supported by the Bank and those independent of it. An example is the introduction of biometric registration payroll for the Somali National Army, led by the FGS Ministry of Finance, where direct salary payments will be made to personal bank accounts. Another example, which is independent of Bank support, is the Benadir Regional Administration's (BRA) PFM program, which is expected to ensure efficient, effective, transparent and accountable use of public resources, proving that Somali authorities have made substantial progress in strengthening accountability mechanisms in 2017.

Revenue mobilization, the theme of the latest Somalia Economic Update (SEU), has also increased for the current administration. Domestic revenue performance improved, surpassing the domestic revenue target of US\$ 137.6m in 2017 set by the International Monetary Fund (IMF). Jubbaland also saw a significant increase in domestic revenue in 2017. Puntland, Galmudug and South West State saw domestic revenue outturn in 2017. Domestic revenue for FGS, Puntland and Jubbaland is largely driven by trade taxes.

Federalism

Several platforms for dialogue on fiscal federalism took place in the reporting period, including two fiscal federalism forums in Kismayo and Garowe, and a fiscal federalism workshop in Djibouti. Mid-term reviews of key MPF projects (RCRF, CIP) have also contributed to dialogue on intergovernmental structures and functions. The Bank's focus on fiscal federalism has been on knowledge dissemination and creating momentum and space for dialogue. The results of the dialogue between federal government and member states have been significant, with agreement on tax harmonization on certain goods, regular updates at the monthly Finance Ministers' Fiscal Forum, and a draft report titled “State of Affairs on Federalism in Somalia”, jointly developed by the Ministry of Finance, the World Bank and UNDP.

Key outcomes of fiscal federalism forums

- Tax harmonization on khat, cigarettes and international departures
- Discussions on national customs legislation
- Federal sales tax
- Contribute to federal tax legislation
- Revenue sharing and subsequent legislation

Annual Meetings

At the annual meetings in Washington D.C., the Minister of Finance Dr. Abdirahman Beileh and the Minister of Fisheries and Marine Resources Dr. Abdirahman M. Hashi led a delegation including representatives from the Central Bank of Somalia, Ministry of Finance and the Somali parliament. The delegation contributed with strong inputs to the discussions and reaffirmed their commitment to partnerships with Bank teams. Specifically, the delegation stressed:

- The government's commitment to increasing revenue for public service delivery and capital investments;
- Somali authorities' willingness to work with national financial institutions and international financial regulators to strengthen the role of the Central Bank of Somalia (CBS);
- The welcomed the World Bank's efforts to provide fiscal flexibility for urgent public works and improved intergovernmental fiscal relations.

During the annual meetings, the link was made between the lack of access to concessional financing and Somalia's ability to establish basic systems that can mitigate the impact of recurring drought in the Horn of Africa.

Prior to the annual meetings, Prime Minister Hassan Khaire met with World Bank Chief Executive Officer Kristalina Georgieva in Washington D.C. The Prime Minister set out his pathway towards improved governance in Somalia, stressing financial governance and fiscal stability.

Country Partnership Framework and Systematic Country Diagnostic

The World Bank is updating its country strategy for Somalia. The World Bank Group's (WBG) Country Partnership Framework (CPF), which covers a five-year period, aims to make the country-driven model more systematic, evidence-based, selective, and focused on the Bank's twin goals of ending extreme poverty and increasing shared prosperity in a sustainable manner. Based on the analysis of the Systematic Country Diagnostic (SCD), the CPF will outline areas of WBG engagement, agreed with the Federal Government of Somalia.

The SCD asks what the biggest constraints to reducing poverty and increasing shared prosperity in a sustainable way are, whereas the CPF lays out the main country development goals that WBG aims to help the country achieve, and proposes a selective program of indicative WBG interventions for this purpose. The SCD and CPF, both a first for Somalia, are being developed and will be completed in 2018.

"Public participation is crucial for transparency and accountability. The public consultations around the Bank's CPF is a positive step towards strengthening Somalia's ownership of international development cooperation."

- Per Karlsson, Head of Development Cooperation, Embassy of Sweden

The CPF will be based on robust analytics, such as the SCD, Public Expenditure Reviews (PER), consultations with stakeholders, and knowledge products such as the Poverty Profile, the Drought Impact Needs Assessment (DINA) and Somalia Economic Update. The CPF will provide a five-year engagement plan, where the strategic direction and activities of the MPF will be evaluated and reoriented.

Initial consultations on the CPF have begun with the public and civil society using innovative methods to reach a wider stakeholder base (Box: civil society consultations). Consultations with government, World Bank Group, donors, private sector and multilateral organizations will take place in the next reporting period.

Drought

In this reporting period, the Somali government, development actors, private sector and civil society scaled up the humanitarian assistance in Somalia and averted a famine after the worst drought since 2011. However, all indications are that the effects of the continuing drought will extend into 2018, with the current 2017 Deyr season already underperforming and the 2018 Gu rains (April-

Box 2: CPF Civil Society and Public Consultations

The development of the 2019-2023 Country Partnership Framework (CPF) for Somalia is underway. While consultation with federal and regional authorities will be possible throughout Somalia, physical consultations with civil society are constrained by security restrictions and cost of operation. Nonetheless, these challenges do not take away the fact that civil society manifest the interests and will of citizens, and holds government, private sector and international actors accountable for their actions. Moreover, the role of civil society is evolving in the presence of a recognized government, and will continue to develop in the advent of institutionalized federalism in Somalia. It is therefore imperative to involve them heavily in validating (or reorienting) the World Bank's portfolio in Somalia.

To this end, the Bank employed alternative methods to collect data from civil society, using radio, social media and physical consultations.

PSAs: 60 second Public Service Announcements (PSAs) were aired on public and private radio stations, introducing the Bank's work in Somalia, the CPF objectives and informing the public about the upcoming live radio show. These PSAs were also published on the radio stations' social media pages.

Radio: Four 30 minute live call-in shows were broadcasted in December 2017. The show was structured as a panel discussion, addressing the four thematic areas of (current) interest for the Bank in Somalia (Governance, Economic Growth, Urban Development and Crosscutting Issues). Each show was moderated by the Permanent Secretary for the Ministry of Planning, Investment and Economic Development (MoPIED). Panel members included MPs, senior economists, journalists, entrepreneurs and gender specialists. The first 15 minutes was a moderated discussion about the show's theme, with the remaining 15 minutes dedicated to members of the public to call for comments or questions.

Social Media: parallel to the radio shows, several Twitter polls were hosted on the MPF handle. The questions and areas of discussions reflected the themes of the show, but with more focus on functional challenges, federalism and public service delivery. The data gathered here complements the information from the radio shows, providing functional context to the four themes.

Physical consultations: as the CPF consultations focus on Somali needs, capabilities and priorities, the physical consultations with civil society was conducted with iRise Hub, a tech hub based in Mogadishu that facilitates equitable access to



information for citizens. 30 members of civil society convened to discuss the four themes, focusing on how civil society can contribute to reform and development as agents of accountability. Their input on the role and responsibilities related to public service delivery and federalism provided valuable insights to the relationship between authorities and citizens.

These activities were largely led by Somali stakeholders, signaling the need for Somalis to drive the analytical agenda for WBG.

The public understanding of WBG in Somalia is nascent, having only re-engaged in 2013. Therefore, discussions focused on soliciting a 'vision' of the potential role of the public sector in Somalia. This vision includes the role of authorities in facilitating private sector investments for development, how the roles and responsibilities differ between federal and regional authorities, and how the World Bank Group should engage in Somalia (including IFC engagement with the private sector). Findings from the civil society consultations will be available in January 2018, and the complete CPF is scheduled to be completed in late 2018.



June) projected to be below average. According to the Humanitarian Response Plan for 2018 6.2 million people are still in need of humanitarian and development assistance, and 1 million people were internally displaced in 2017, making the total number of Internally Displaced Persons (IDPs) 2.1 million. Malnutrition rates (17.4%) remains significantly above the emergency threshold (15%), reflective of a serious deterioration in the humanitarian situation compared to late 2015. Humanitarian needs have increased drastically due to limited rain, large-scale displacement, lack of access to basic services and, at its root, ongoing conflict.

The World Bank responded first in May 2017, leveraging exceptional International Development Association (IDA) funds from the Crisis Response Window. The US\$ 50m Somalia Emergency Drought Response and Recovery Project (SEDRP) channels funds to ICRC and FAO to address

critical humanitarian needs as well as resilience-building activities. Through these funds, over 500,000 people had improved access to food and 716,000 people had improved access to water in the reporting period. Close to 50,000 households benefited from livestock vaccinations or animal treatment support since July 2017.

The drought signals a need to reconcile humanitarian assistance with medium- to longer term development planning through government, private sector and civil society. While the Contingency Emergency Response component uses government systems to respond to WASH needs in the reporting period (see 'Urban Infrastructure'), the Disaster Impact Needs Assessment (DINA) identifies the root causes of recurrent drought and develop a strategy for medium-term recovery and long-term resilience (see Box on DINA).



3. PORTFOLIO OVERVIEW

Currently in its fourth year of operation, the MPF has 11 investment projects and 5 analytical and advisory activities, which are already delivering results against targeted pillars of Somalia's NDP. The MPF has demonstrated that it can effectively coordinate and channel finances to support a new way of working in Somalia – supporting government-led sustainable reconstruction and recovery. By December 2017, \$98.3m had been disbursed using recipient-execution, marking a steady increase of use of country systems and capacities. This has been complemented by activities implemented by the World Bank to provide technical advice and analytical work, bridging development expertise with opportunities for investment and policy planning.

Using country systems (UCS) gives full ownership of projects and reforms to the government. UCS requires extensive capacity support, where the learning process is beneficial for Somali authorities as well as the World Bank teams and development

partners supporting the MPF. Both partners continue to adapt their approaches towards more effective delivery and ultimately more Somali ownership of reforms. Important lessons have emerged in all thematic areas of the MPF, as described in the sections below. Most notable is the emerged need to continue to support the government in driving the reform agenda whilst supporting flexible financing mechanisms to enable authorities to respond to citizen needs, provide short- and medium term public services, and ultimately improve governance through improved intergovernmental fiscal relations.

	2016	2017
Civil servant salaries paid by FGS	67%	100%
FGS revenue	US\$ 113m	US\$ 143m
CBS deposits	US\$ 150m	US\$ 260m
MPF disbursements	US\$ 38m	US\$ 59.2m

Building Institutions

The MPF engages key government institutions at the federal and sub-national level to enhance their role in revenue and expenditure management, while establishing the foundations for fiscal federalism. The MPF governance portfolio targets priority actions of the government's Public Financial Management (PFM) Action Plan, with special emphasis on revenue mobilization and the fiscal federalism agenda.

The foundations of a modern civil service continue to be strengthened by Somali counterparts, with merit-based recruitment becoming a norm among beneficiary institutions, higher retention of qualified civil servants (90% after 12 months) and more interface between the FGS and FMS civil service, academia and private sector (Box: Public Administration Forum). Somalia's adoption of the federal budget was a major milestone in its economic development, bringing it one step closer to gaining access to funds from international financial institutions. The federal budget is being managed with increasing transparency and continues to act as a tool for improved intergovernmental fiscal relations, most notably through fiscal federalism forums and the surge support initiative, which will be scale up and integrated into RCRF structuring. The Federal Government passed crucial legislation that will support regulation of key sectors, including the ICT

Law. Nine contracts and concessions deemed unbeneficial for good financial governance were either amended or cancelled in the reporting period, signaling a strong commitment to reclaim responsibility of revenue sources and natural resources.

Mid-term reviews (MTRs) for two of the 'troika' projects took place in the reporting period (CIP and RCRF). MTRs provide an opportunity to review the projects and restructure them according to the contextual needs, a critical component of the portfolio's flexibility and comparative advantage in state-building. The major focus for RCRF-CIP coordination in 2018 will be the incorporation of the FGS Ministry of Education and Ministry of Health into the CIP program, in support of RCRF's social service delivery objectives. This was agreed at the CIP MTR in December 2017, and these Ministries will be in the first batch of newly introduced MDAs in 2018.

"Public sector reform is in the heart of OPM's agenda, focusing on strengthening institutions through policy reform, merit-based recruitment and equity. The MPF is a great engine for these reforms."

- Mohamed Keynan, Permanent Secretary at the Office of the Prime Minister

Box 3: Public Administration Forum

The Capacity Injection Project (CIP) Project Coordination Unit (PCU) at the Office of the Prime Minister hosted the first annual Public Administration Forum (PAF) in Mogadishu in December 2017. Public administration as a democratic institution is built on structures and processes that are accountable, transparent, decentralized, and able to manage legitimate government and administer public resource management at all levels. PAFs acted as a tool to combat exclusion, protect public goods, and actively engage civil society and the vibrant private sector. Lastly, in the Somali context, the forum provided a space for federal and regional civil servants to discuss.

The PAF was characterized by three thematic areas: 1) building a resilient institution under the crises context; 2) strengthening government institutions and capacitating civil servants; and 3) female inclusion and engagement in public institutions. With representatives from relevant federal and regional ministries, Civil Service Commission (CSC), academia, civil society and private sector, participants openly discussed intergovernmental relations, harmonized civil service reform, merit-based recruitment, legal frameworks, talent management, pension systems and payrolls. For each session, a panel consisting of experts in each respective theme received questions from the audience, highlighting a welcomed and professionalized approach to public engagement and transparent dialogue between stakeholders.

However, there have been challenges in the governance portfolio. Only a relatively small amount of expenditures meets the eligibility criteria set by the 2017 Appropriation Act (Section 3.3(2)) and the FGS has not issued any Procurement Guidelines or Procedures for the financing of eligible non-salary recurrent costs in MDAs. Filling the gap in procurement policy and procedures provides the opportunity to realize more eligible costs. Other challenges include government capacity to implement procurement processes as well as the market response to tenders, which has prolonged contract negotiations with implementing firms.

Economic Growth

Activities financed by the MPF towards enhancing economic growth, the second thematic area of interest, have focused on creating an enabling environment for economic growth, spurring growth in the productive sectors, increasing access to finance for job creation, and examining inclusive resource sharing arrangements. In 2017, Somalia achieved its revenue target, and some regions saw significant increases in domestic revenue. From a financial governance perspective, successful agreements were made on tax harmonization on certain goods.

The Somali Core Economic Institutions and Opportunities (SCORE) Program launched its flagship job creation component, the Somali Business Catalytic Fund (SBCF) in the reporting period, creating approximately 3,500 jobs

across Somalia (see Box on Job Creation). Under the Skills Training and Entrepreneurship Pilot Project (STEP), young women are increasing their skill set, 40 percent of which have been employed as a direct result of STEP in Hargeisa alone. The surge support initiative created 1,000 short-term jobs for youth for public works in Benadir, Galmudug, Jubbaland and Puntland.

The World Bank continues to support improvement of governance capacity for financial sector development, and strengthen capacity for financial sector regulation and supervision through a combination of reporting, diagnostic and capacity building activities. An example is the Bank-supported implementation of inter-bank payment, clearing and settlement systems by the Central Bank of Somalia (CBS) and Somali Financial Institutions (SFIs), which will modernize national payment systems in Somalia. Increased engagement between CBS and SFIs provides a foundation for the financial regulatory framework.

The Somali legislature has passed (or is reviewing) crucial bills that can spur economic growth. The Communications Act, which was passed and signed in October 2017, protects consumer rights and provides the basis for issuing licenses to mobile operators and levying taxes, generating additional tax revenue for the government. The World Bank plans to support the Federal Government as it implements all the provisions of the Communications Act, with its central

Box 4: Job Creation

The Somali Business Catalytic Fund (SBCF), the Bank's flagship job creation initiative, was launched in Mogadishu and Hargeisa in November 2017. The first round of the fund, which will support over 100 businesses and create approximately 3,000 jobs, is specifically designed for businesses that focus on innovative processes, products and markets new to the region. It is also intended to stimulate the business and technical services industry to build sector expertise in agriculture, fisheries and manufacturing, among others.

One example is Bovine Industry, an urban dairy farm in Mogadishu that cross-breeds Somali cattle with Jersey cattle to produce higher-quality milk. The grants have been used to increase productivity in the farm. The same company collaborates with universities to train veterinary students in artificial insemination and livestock health.

SBCF acts as a catalytic fund that will give financial institutions confidence in the SBCF model. The second round of the SBCF will be restructured to be more inclusive of financial institutions. The second round will be implemented jointly with Somali financial institutions – from selection of grant winners to the provision of loans – to encourage access to finance for businesses, and to increase banks' confidence and willingness to provide targeted loans to the private sector.

element the establishment of the independent regulatory body, the National Communications Agency (NCA) (see Box on ICT Legislation). The Public Financial Management (PFM) Bill, which would promote good financial management at federal and regional level, and facilitate effective and efficient use of limited resources, was approved by cabinet and will be reviewed by parliament in 2018.

IFC, the private sector investment arm of the World Bank Group, continues to work closely with Somali stakeholders to increase investment opportunities in Somalia, and support a more defined and constructive relationship between the public and private sector. Following the Accelerating Economic Recovery session at the May 2017 London Conference, which formalized the Public Private

Box 5: ICT Legislation

After more than two-and-a-half decades of crippling conflict, Somalia faces the considerable challenge of rebuilding its economy and institutions. This process took an important step as Somalia's President signed into law a Communications Act in October 2017, providing the tools to regulate a sector that, until recently, had made only a limited, formal contribution to the Somali Treasury, but could potentially contribute as much as 11% of Somalia's GDP.

Compared to some countries in Africa, Information and Communication Technologies (ICTs) have experienced relatively high levels of penetration and low prices in Somalia, with private enterprise leading the way. However, while this progress is significant, the absence of any formal regulatory framework or independent regulatory body had resulted in uncertainty, creating vulnerabilities for the development and scalability of ICTs across the country.

Somalia is estimated to have over six million mobile phone users (of a population of about 14 million) but lags behind most African countries in terms of international capacity, national connectivity, and Internet take-up. Mobile money has also proved highly popular, with some 72% of Somalis over the age of 16 using it, and the total value of transactions taking place in it amounting to about US\$ 2.7 billion a month.

The lack of a solid legal framework for the ICT sector is a significant risk for the economy, specifically in areas of remittances, mobile banking, mobile-money services, and mobile-telecom services. By fostering a sense of certainty, and by promoting investment and infrastructure, a clear legal framework will result in major benefits for the people who use the ICT services now considered critical to Somali's economy.

The new law should mean Somali consumers benefit from an increasing array of mobile phone services, such as roaming, interconnection, and secure mobile banking services. The law protects consumer rights and provides the basis for issuing licenses to mobile operators and levying taxes, generating additional tax revenue for the government.

The possibility of interconnection among operators that opens the way for international roaming was previously held back by the fact that none of the operators had internationally accepted licenses. It creates the basis for the registration of SIM cards—an essential step for national security—and provides protection for national ICT assets, such as the +252-country code and the .so domain for internet addresses.

The World Bank plans to support the Federal Government as it implements all the provisions of the Communications Act, with its central element the establishment of the independent regulatory body, the National Communications Agency (NCA).

The NCA is expected to expand connectivity, improve the efficiency of the sector, and boost market competition. It will be able to regulate the telecom and the technical elements of broadcasting—the standard practice globally—and grant formal licenses. It can also oversee important regulatory issues, such as the spread of mobile money.

The Communications Act and the creation of an independent regulator are significant steps in the process of re-establishing the rule of law and creating sound public institutions in Somalia. The adoption of the act is a milestone that signals the country is committed to reviving fundamental institutions, ones with solid regulations for vital industries.

Dialogue (PPD), several sectoral meetings have taken place, discussing energy legislation that could open up the market for investments. The Doing Business group focused on streamlining the business registration process in Somalia to ease doing business. IFC has been instrumental in enhancing trust and drawing in the private sector to inform policy and regulation.

The reporting period saw considerable challenges to economic growth. The prolonged drought was exacerbated by a temporary ban on livestock exported to the Gulf. Incomplete legal and regulatory frameworks, combined with high cost of compliance with regulations and elite control of key sectors in Somalia, has skewed the performance and pace of regulatory reforms.

Urban Infrastructure

The importance of prioritizing urban development continues to manifest itself in Somalia. The 2017 drought has seen increased migration to mainly urban centers across Somalia, and despite ongoing efforts from the Government and development community, over 2 million people remain displaced. Building the capacity of Somali authorities to strengthen urban resilience is also proved to be important in the face of man-made crises. This rapid pace of urbanization places additional pressure on existing structural deficiencies, which include access to services, lack of clear land tenure, access to water, jobs and social cohesion. In addition to addressing these pressures from displacement, it has become increasingly important to consider development of urban areas in the context of a changing model for economic growth. Understanding the impact of drought and environmental degradation on the rural economy is a critical part of understanding what an alternative economic model, leveraging the potential of urban demographics, might look like in Somalia.

These factors continue to inform Bank support to urban development. The Special Financing Facility for Local Development (SFF-LD), which represents a new type of investment, builds or rehabilitates infrastructure across Somalia through a consultative process with FMS and districts. The same project used its emergency component to allow a response to the 2017 drought with essential water, sanitation and hygiene (WASH) services in the worst-

affected areas, leveraging funds from the World Bank's State and Peace-building Fund. This engagement is testing a new contracting arrangement between the Government and Non-Governmental Organizations (NGOs). The Project Implementation Unit (PIU) in charge of implementing the SFF-LD has increased its capacity to manage funds (from US\$ 3m to US\$ 12.8m), implement more large-scale projects (from four to seven projects) and respond to urgent citizen needs. The success of the Contingency Emergency Response component is directly dependent on the use and strengthening of country systems, and the Bank's flexibility and agility in a changing context.

Parallel to these efforts, SUIPP has evolved from a 'planning project' to a full scale urban resilience initiative. SUIPP is the first Bank project being implemented at the subnational level, and the follow-on Somali Urban Resilience and Recovery (SURR) Project would be a national test case for municipal infrastructure delivery. SURR is based on municipality priority investment needs, which were informed by feasibility studies conducted under SUIPP. The Bank's commitment to sustainable and thorough programming and knowledge transfer is typified by the urban agenda, where concept, planning, implementation, evaluation and potential contextual adjustments for all activities are spearheaded by the government.

Analytical and Knowledge Agenda

The World Bank seeks to fill critical gaps in development data and knowledge in Somalia. Analytical products, such as the Somalia Economic Update (SEU) fill data gaps that are imperative to policy formulation and development planning. The MPF Knowledge Fund covers development economics data and analytics, such as macro-fiscal and poverty data, and the World Bank teams regularly advise the government in issues related to economic growth and good governance.

The analytical agenda is prompting discussions among stakeholders which are crucial for inclusive policy planning. One example is the SEU, which was launched in Mogadishu in August 2017. The Bank's effort to generate economic data and provide recommendations related to revenue mobilization prompted frank dialogue among key stakeholders from the public and private sectors, which

has been largely absent over the last few years. These discussions continue to manifest results through other Bank-supported fora in the reporting period, including the mid-term review for RCRF, PPD discussions and the fiscal federalism forums in Kismayo and Garowe.

The Country Economic Memorandum (CEM) is one of the core diagnostic reports of the World Bank globally. It provides a thorough analysis of a specific sector and related challenges and opportunities, aiming to assist governments

in making policy decisions and focus on priorities that can enhance the impact on growth and poverty reduction. Two CEMs were developed in the reporting period, focusing on Agriculture and Physical and Digital Connectivity which will be launched in the next reporting period. The agriculture CEM recognizes the sector as key to poverty reduction, and provides tangible recommendations in the areas of infrastructure, natural resource management and supply chain. The second CEM intertwines digital and physical barriers and opportunities.





4. MPF OPERATIONS

The World Bank corporate portfolio analysis indicates a comparatively high level of performance of the Somalia portfolio. Much of this success can be attributed to the work of the task teams and the fiduciary teams in adapting World Bank process to the context and providing ongoing support to the Government's implementing units.

However, challenges have been faced as the implementation on the ground has scaled up. Working through country system with recipient executed investments, the preferred way of World Bank operations globally, bears challenges in Somalia. This new way of working has required the government to rapidly develop systems and processes in line with World Bank requirements. It has also required the government to rapidly build its capacities to execute projects along the strict fiduciary standards required in World Bank operations.

Addressing these challenges has also required the World Bank to think innovatively and creatively about doing business in a unique context – balancing stringent oversight with flexibility and agility.

Procurement

The World Bank supports procurement activities in 13 active recipient-executed projects worth approximately US\$ 165 million. Three more projects are under preparation, worth approximately US\$ 27.11 million. Due to capacity constraints with the implementing agencies, all procurement cases are subject for review by the Bank.

Rolling out of Systematic Tracking of Exchanges in Procurement (STEP)

STEP was introduced by the Bank in 2016. The system allows the systematic planning and tracking of procurement activities throughout the project cycle, including online collaboration with Clients and recording service level standards through workflow. The Project Implementation Units (PIUs) have been trained and are using STEP. The World Bank STEP Champion and the Procurement Specialist are closely working with the PIUs for the smooth use of STEP

Procurement Reforms

The World Bank is supporting Procurement Reform in Somalia through the PFM Capacity Strengthening Project. The goal is to put in place robust legal and regulatory frameworks for Public Procurement and Concessions, build institutional and management capacity and develop

monitoring and oversight capacity for FGS, Somaliland and Puntland. Following the enactment of the Procurement Law, a consultant was hired for the development of Procurement Regulations, Standard Bidding Documents (SBDs), Manual and other procurement documents, which are being finalized. Similar support is also being provided in Puntland and Somaliland.

Procurement Capacity Development

The Bank has provided procurement trainings to build the capacity of the local staff. The Bank has also provided hands-on support to procurement staff in the country to build their capacity. For procurement packages that are deemed to pose challenges to the PIUs, the Bank has provided additional procurement support through a short-term consultant to work with them on procurement processing, including assistance in drafting bidding documents, providing guidance on evaluation of bids and drafting of Bid Evaluation Reports (BERs).

Procurement Challenges

The major challenges with Somalia portfolio relate to i) insecurity; ii) limited number of dedicated procurement staff; iii) restricted movements and access inside Somalia; iv) weak capacity of bidders and limited service providers; v) incomplete public procurement regulation; and vi) weak legal and financial institutions and subsequent regulatory framework. For these reasons, procurement capacity in all projects have been given a “High” risk rating.

Hands-on Expanded Implementation Support (HEIS)

The World Bank is in the process of formally introducing HEIS, as allowed by the Bank’s New Procurement Framework (NPF). HEIS allows the Bank to assist Somali authorities to deliver effective procurement processes beyond the normal implementation support parameters. Providing HEIS through the procurement process can enable projects to progress faster and provides a direct opportunity to transfer procurement skills, as Bank and client staff work more closely together. HEIS is also expected to contribute to speeding up delivery, potentially encouraging more businesses to bid, and to improve overall project quality in the lowest-capacity situations. Some projects have shown interest for the HEIS and discussions are underway with the TTLs to incorporate HEIS in the projects.

Financial Management

Financial Management (FM) arrangements for all recipient-executed (RE) operations are fully mainstreamed with the country Public Financial Management (PFM) systems. The PFM systems are assessed and progressively monitored at three levels: i) country level PFM systems and supporting legal framework; ii) implementing entities level; and iii) project level specific FM arrangements.

In Somalia, lack of unified PFM architecture is compounded by constraints recognizable in Fragile Conflict and Violence (FCV) countries, including limited access to the client (particularly in Mogadishu and some of the Regional Member States), which continues to present challenges in provision of effective implementation support. The FM function has twined the dual role of i) providing assurance projects resources are used for the intended purposes with due consideration to the principles of economy, efficiency, effectiveness, transparency & accountability, and ii) development of institutional PFM capacities.

Risk-Based Approach

Risk-Based Approaches are adopted in identifying and assessing country, implementing entities and project specific FM risks. To effectively identify and manage potential risks that may affect the implementation of effective FM arrangements, country PFM assessments (country, implementing entities, sector specific and project level) are undertaken in good time to inform the design of implementation arrangements. The PFM assessments contribute to key decisions on the intensity of preparation and implementation support, and inform the development of PFM systems mitigation strategies to address key weaknesses and risks. In conducting the assessment, key consideration is given to the need to design sustainable fiduciary oversight and PFM capacity development. This is done by gathering principle information to facilitate design of contextually appropriate scope, design, scalable response, speed and effective monitoring of operations.

The risks are assessed in the beginning of each project, and is monitored and restructured accordingly throughout the project cycle. The FM risk model has a qualitative focus and takes into consideration principles embodied

in internationally recognized good practices. Specific project implementation support missions for each of the projects are undertaken at least once every six months, to which the findings and risk ratings contribute to implementation support reports, aide memoires and Implementation Status Reports (ISRs), all of which are shared with the client and donors.

On Account and On Report

Projects' FM arrangements are designed to facilitate and promote sustainable development of the capacity of country institutions and implementing entities. The offices of the Accountant General and Auditor General have remained central counterparts in the management and oversight of the FM arrangements, development and deployment of innovative solutions, and implementation of risk mitigation measures. In line with the principles of SMART fiduciary practices, FM arrangements for each of the projects is centralized and managed by special units, namely the External Assistance Fiduciary Section (EAFS), headed by the EAFS Director and reporting to the Accountant General at FGS and each of the FMS. The EAFS Units are operational at federal level, Jubbaland, Puntland and Somaliland.

The EAFS units are designed to ensure harmonization, donor coordination, reduction in duplication, fragmentation and proliferation of donor-specific FM units. The main functions of the EAFS are planning, budgeting, accounting and reporting of RE external assistance. The EAFS is using the Somalia Financial Management Information System (SFMIS) to prepare and publish project financial reports. Technical assistants provide direct support within the EAFS government structure, instead of creating parallel arrangements. The capacities of the EAFS units is continuously strengthened through targeted technical assistance with clear requirements for knowledge transfer, on-the-job training, and sponsoring the officers to undertake the CIPFA (UK) certification examination.

In the spirit of harmonizing FM arrangements with other development partners, the Bank and Government remains committed to harmonizing its FM arrangements with those of donor partners. Accordingly, in designing the

FM arrangements, the Bank sought out opportunities for delegated cooperation with the Somalia Stabilization Fund (SSF) in new and emerging states. To effectively implement RCRF project, the PREMIS team actively played the role of transitional EAFS in Jubbaland, Galmudug, South West and Hirshabelle. In Jubbaland, the EAFS arrangements have since been transferred to the regional government. As part of championing sustainability (in line with the Bank's Africa Capacity Building Strategy (AFR-CBS)), all the EAFS teams are staffed within the civil service.

**64% INCREASE IN DISBURSEMENT
IN 2017, COMPARED TO 2016**

On Plan, Budget and Parliament

In the Standard Chart of Accounts (SCoA), all MPF projects are mapped and integrated to the FGS and FMS Appropriation Acts, falling under government sub-sectors and Core State Functions sector in the economic recovery plan of the NDP. The projects budget execution and expenditures are processed and reported as integral part of the country systems using the SCoA program codes and fund segments.

On Treasury

In FGS and Puntland, the projects accounting and internal controls are in-built into the Bespoke Financial Management Information System (FMIS). In other FMS, the internal controls and accounting processes are integrated into the BISAN system, implemented with support from PREMIS. Periodic accounting reports are submitted to FGS for project-wise consolidation. The banking arrangements will require further strengthening, including:

- i) fostering collaboration between CBS and State Banks, including extension of CBS banking services to the federal regions;
- ii) migrate all the off-shore projects designated accounts in country;
- iii) review applicable commission charged on funds channeled through CBS;
- iv) CBS fast track supervision of informal banks.

On Audit

The various offices of the Auditor General, with support of a qualified and registered practicing audit TA firm, are responsible for the project audit. The TA firm provide on the job training to OAG staff. The Terms of Reference (ToR) for the external audit are reviewed and formally cleared by the Bank PFM/FM/Fiduciary team. Given the high risks, special reference and attention is made to International Standards on Auditing (ISA 800): Auditor's Report on Special Purpose Audit Engagements. The Auditor General(s) sign the opinion on the Financial statements in compliance with International Standards for Supreme Audit Institutions (ISSAI). Management Letters are prepared highlighting major observations and recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the grant agreement. The FY 2016 external audits across the regions were undertaken and audited financial statements and the respective management letters submitted to the Bank on time. The projects audited financial statements are publicly disclosed on the World Bank extranet.

The average risk rating of the Somalia portfolio is higher than the Africa regional portfolio, but these risks have been mitigated and managed successfully so far. Risk are assessed starting at design phase of each project using the Systematic Operations Risk-rating Tool (SORT). This includes an analysis of the risk represented by the operating context. Specifically, 100% of the projects in the MPF are rated as having a "High" or "Substantial" overall risk rating, compared to 70% of projects in the Africa regional portfolio. However, only 4% of the World Bank Somalia portfolio is categorized as a problem project (this amounts to one project¹), compared to 17% of the Africa regional portfolio. This demonstrates the ability of the World Bank teams to manage projects in the high-risk environment.

SORT risk ratings have been assigned at the project appraisal stage with the option for revision every six months. The risk rating for each project are reassessed and updated as part of the implementation support missions.

Box 6: Strengthening Somalia's Systems Smartly

The use of country systems (UCS) is critical for supporting countries emerging from conflict and fragility. UCS refers to a variety of ways in which international partners can engage with national counterparts to deliver aid, ranging from alignment with national priorities to direct implementation by government. UCS can ensure ownership of reforms, sustainable development and stronger capacities for implementing authorities in Somalia.

While UCS carries risks for donors, the use of country systems can serve as a means to achieve broader ends. In practice, international partners often focus on the risks and benefits of country systems in a narrow fiduciary sense, by examining the strength of country public financial management (PFM) systems. Fiduciary risk is an important, but far from the only, consideration in determining what tools are best. Parallel delivery systems are not a sustainable solution for sectors and activities that will be provided by the state in the long-term. Substantial risks are entailed in UCS, though donor focus on fiduciary risk may overshadow the ultimate goal of supporting state-building.

Considering operational and reputational risks of using country systems (and failing to use them) can provide needed insights to the role of donor funds in maximizing value for money, incentivizing reform and strengthening accountability of state authorities vis-à-vis Somali citizens. The risks of UCS must be balanced against the potential benefits, and examined alongside the risks and consequences of using alternative delivery channels (i.e. use of non-profit, private sector or multilateral implementers).

"Strengthening Somalia's Systems Smartly: A Country Systems Risk Benefit Analysis" examines donors' decision-making about UCS, exploring both the perceived and actual risks and benefits associated with it. Framing the risks and benefits of implementation modalities in comparison to one another brings into relief the fiduciary, operational, state-building, and reputational risks both of using country systems and failing to use them. While there is no one-size-fits-all solution, the report suggests that country systems are substantially under-used in Somalia. This is not because there are no risks to using country systems, but rather because all donor choices in Somalia carry risks. The full report will be published in the next reporting period.

Beyond the SORT framework, the MPF relies on continuous risk monitoring which is provided by the Monitoring Agent. Political economy analyses are provided by the MPF Program Officer, and regional liaison officers (currently in Puntland and Somaliland) contribute with field-based risk analyses. This allows for real-time understanding of risks at both portfolio and project level.

The World Bank employs its flexible and analytical leverage to further the risk of state-building discourse, moving away from merely focusing on fiduciary risks related to UCS. In the paper “Strengthening Somalia’s Systems Smartly: A Country Systems Risk Benefit Analysis”, the World Bank and John Hopkins University School of Advanced International Studies examine donors’ decision-making about the use of country systems (UCS), exploring both the perceived and actual risks and benefits associated with it.

At portfolio level, the three fund administrators of the World Bank, UN and the AfDB participate in the Joint Risk Management Strategy (JRMS). This is a forum, which also includes a donor representative and a government representative, that looks at portfolio level risk arising from the operating environment. The group seeks to identify, assess and define the risk in order to understand the common approach to tackling the risk.

This group has been effective in helping to develop a common level of risk appetite, however, the discussions are limited by two factors; 1. The lack of information sharing from other parties and 2. lack of substantive participation from donors and government. A review of the JRMS has recommended a more focused approach, with concrete outputs on the basis of joint assessments of relevant risk dimensions, and additional support to enable effective sharing of information among the contributors. Four deep dives are planned for 2018 and a further internal review of the JRMS will be undertaken at the end of CY18.

Monitoring Agent

The World Bank has commissioned periodic strategic reviews of emerging issues of institutional reform and state building in Somalia. These reviews by Abyrint inform Government and World Bank strategy, portfolio

management, and implementation. The studies are part of a larger program whereby Abyrint provides analysis, assurance, and design and implementation support. The Government and the World Bank share these insights and reports periodically with the community engaged with state building in Somalia.

Abyrint is also commissioned by the World Bank to provide monitoring, assurance and advisory support on the MPF portfolio. Insight gained through monitoring is consolidated to produce fact-based analysis and recommended actions to the World Bank, as well as targeted capacity-building support to government. The scope covers expenditures incurred through use-of-country-systems in federal and member states. Through evaluating the performance of Somali institutions responsible for financial governance, Abyrint contributes to government and Bank efforts to rebuild core state functions.

Environmental impact assessment in Somalia, as well as environmental impact management, is nascent. MPF projects are supported by a practical approach, which includes the maximum use of detailed templates and checklist formats with preconfigured lists of the scope of activities, linked to the range of anticipated impacts, the related mitigation measures, and the M&E arrangements to ascertain proper implementation. These can be completed by non-specialist personnel, attached to construction contracts, and are readable and accessible by the contractor’s site personnel. The urban portfolio within the MPF bears the greatest environmental safeguards risk. In these projects, accountability for risk management and mitigation has been integrated into civil works construction contracts. These contracts are implemented by private sector partners with good capacity for construction site management as well as occupational health and safety management.

The best way to build environmental impact management capacity is in the context of project design and construction. This approach both ensure safeguards compliance as well as builds capacity on-the-job. The Puntland Ministry of Environment has put into place an Environmental Impact Assessment Regulation as well as Environmental Law,

Box 7: Abyrint

The World Bank commissioned Abyrint for periodic strategic reviews of emerging issues of institutional reform and state building in Somalia. The studies are part of a larger program whereby Abyrint provides analysis, assurance, and design and implementation support.

The MPF portfolio is expanding, and increasingly provides support through use-of-country-systems. The MPF supports salaries of civil servants and teachers, and of non-salary expenditures, across the Federal and the regional governments. The introduction of a policy based support mechanisms, the “surge support”, also brings in a new process to help rebuild the core government systems of Somalia.

Abyrint is tasked with monitoring the financial support from the World Bank that is fully using the government systems. All payments, at both Federal and Member State levels are tracked at a transaction level. The approach is using data from a range of systems. Both manual and digitized structured information is reconciled systematically. This also gives a unique view of system performance, and insights are fed back into systems improvement efforts.

When Bank projects were designed in 2013, government systems were considerably weaker. Government expenditures were exchanged in cash form, and there were no meaningful concepts of control and transparency.

Much has changed. Systems have been developed, hand-in-hand with support from important MPF programs and currently, the governments systems are more capable than ever before. Government financial systems currently support a more expansive government policy, to reach new policy areas like health and education, and they are more transparent and accountable.

Lack of tools and mechanisms are no longer the main impediment for effective financial management. These have been rebuilt. Full scale implementation depends mainly upon changing behaviors of the thousands of people involved, and in filling in some of the remaining gaps.

The main challenges of today include:

- Purchasing and procurement is largely not implemented in accordance with policies and procedures. This creates significant difficulties for management of anything but salary expenditures.
- Continued reliance upon cash-payments although better options exists. While all MPF supported activities are channelled through the modernized systems, much of governments own activities are still conducted using cash payments and undocumented transactions.
- Both manual and digitized processes co-exist, to a certain extent, in duplication giving rise to unnecessary work efforts, as well as ambiguity as to which system that prevails.
- The Central Bank and Ministry of Finance integration still relies on ad-hoc work arounds, creating difficulties for cash management, the effective flow of payment instructions, and account reconciliations.
- The security sectors have largely been excluded from reform efforts.
- Standard audits are not possible due to the system deficiencies. Financial monitoring relies on highly adapted processes to ensure control.
- Tools and mechanisms for managing funds transfers to Federal Member States exist, but the implementation could be more streamlined. There is no concept for integrated fiscal policy, financial planning, management or reporting across the Federal and Regional levels.

Systems and practices in Puntland are largely similar to those in the Federal Government although the scale is smaller. The new member states are also building their administrative systems. These are naturally more bare-bones currently, but have also been built from scratch, without the need to take account of legacy systems and practices.

However, as the regions will have significant roles in a.o expanding the provision of health and education, there is a need to build scalable solutions also there. For example, the current mechanisms for supporting teachers relies on *ad-hoc* workflows using spreadsheets and many other work-arounds for lack of a fully thought through system. Scaling-up primary education will require significant investments in core systems building.

which mandates environmental impact assessment for all projects with potential environmental impact. The FGS has requested assistance to put into place similar environmental impact assessment policies. An environmental and social safeguards training is proposed for MPF projects in early 2018. Lastly, a Country Environmental Analysis for Somalia is being prepared to prioritize the natural resources of Somalia with regards to sustainable development and management.

Gender

MPF projects and analytic activities are reviewed and assessed by the World Bank to systematically consider and address gender inequalities in: 1) the underlying analysis, 2) in the actions proposed, and/or 3) in monitoring and evaluation arrangements. If a positive response is recorded in at least two of these three dimensions, the operation is flagged as gender-informed. Projects are self-tagged by the Task Team Leader in at project concept stage and updated at the appraisal stage when the project is fully developed. The Gender Tag gives operational teams an active role in identifying operations that are critical to closing key gender gaps and helps corporate reporting capture the work that teams are doing to address gender inequalities and



achieve tangible outcomes. Not all projects are expected to be tagged for gender.

Building on the evolving portfolio of work addressing gender-based violence in Somalia, the World Bank team recently launched efforts to strengthen the Bank's capacity to identify, mitigate, and prevent risk of sexual exploitation and abuse and other forms of gender-based violence in the projects it supports. During the next reporting period, the World Bank team will be working with all relevant stakeholders to identify means to mitigate this risk within the MPF portfolio.

Box 8: Preventing Sexual Exploitation and Abuse and GBV in World Bank-supported Operations

The World Bank has recently increased its attention to the potential risks Bank-supported operations present to the potential incidence of sexual exploitation and abuse and other forms of gender-based violence in environments where it operates (see <http://www.worldbank.org/en/news/press-release/2017/11/08/new-action-plan-addresses-gender-based-violence-in-world-bank-operations>).

Building on these efforts, the Somalia team is working proactively and pre-emptively to identify potential risks of sexual exploitation, harassment and abuse and to develop potential mitigation and response measures to address them. Initial work includes a portfolio-level risk assessment based on available data and analytical work, including findings from the Somalia GBV Survey completed FY17. Risk identification efforts will further include a full review of existing and pipeline operations to assess the extent to which they may exacerbate or contribute to risks of sexual harassment, exploitation and abuse. Mitigation and management of these risks will vary across projects, but may include establishment of Codes of Conduct for any contractors or consultants, establishment of grievance redress mechanisms (GRM) with specific measures to handle allegations of SEA/GBV, or potential Third Party Monitoring a critical measure to ensure proper supervision and monitoring of risks related to SEA/GBV. Building the capacity of both Bank staff as well as government partners to understand and manage these risks will be critical in preventing potential incidence will also be critical. Community engagement, to ensure potential risks are known and understood and available response or redress measures are articulated will also be a critical facet of risk mitigation.



5. MPF MONITORING FRAMEWORK

The MPF monitoring framework serves as a tool for strategic portfolio management by providing a clear picture of how projects contribute to fund-level strategic objectives. It is adapted over time and in line with the evolution of the MPF portfolio. The framework is designed to track fund-level results and operational performance, with the aim of enhancing coordination and programmatic complementarities across the portfolio and informing dialogue with the government and development partners.

A limited number of country-level outcome indicators (Table 1) serve as a contextual backdrop for monitoring the results of the MPF. They draw primarily from knowledge products developed by the World Bank (e.g. Somalia Economic Updates, Somali Poverty Profile) or with the support of the World Bank (e.g. annual Aid Flow Analysis). They also utilize data on revenue published by the Ministry of Finance. Due to the lack of regularly updated national statistics, not all indicators are updated on an annual basis.

MPF results are measured through a compilation of indicators drawn from project-level reporting. The dashboard distinguishes two levels of indicators in line with standard World Bank procedures: Project Development Objective (PDO) level indicators and Intermediate Indicators.⁴ The former tends to be more outcome focused, while the latter are often related to outputs. However, this is not a strict rule and with a portfolio focused heavily on strengthening core government functions, distinguishing outputs from outcomes can become rather subjective.

MPF operational performance is measured through indicators measuring operational and organizational efficiency and effectiveness (Table 3). Whereas results indicators will regularly be updated as the portfolio evolves, performance indicators will remain relatively fixed, as they draw on common indicators used to monitor pooled funds internationally.

⁴ Additional indicators may be found in the dedicated results frameworks and reporting by Recipient-executed projects. For Bank-executed projects, which typically lack results frameworks, indicators and benchmarks have been identified with project teams to facilitate reporting at the fund level.

Table 3: Country-Level Indicators ⁵			
Indicators	2015	2016	2017
GDP (US\$ billion)	5.9	6.2	6.5
Real GDP growth per year, at constant market prices (%)	3.6%	3.2%	2.4% ⁶
Foreign Direct Investment (US\$ million)	666	756	-
FDI to GDP Ratio	11%	12%	-
Remittances (US\$ billion)	1.4	-	-
Remittances to GDP Ratio	24%	-	-
Domestic Revenue (FGS, US\$ million)	114	113	142.4
Domestic revenue to GDP Ratio	1.9%	1.8%	2.2%
External Revenue (FGS, US\$ million)	27	55	103.9
Official Development Assistance (US\$ billion)	1.2	1.3	1.6
ODA to GDP Ratio	20%	21%	25%
Indicators	2016		
Poverty incidence (% of population living on < US\$ 1.9 per day in 2011 PPP terms)	51.6%		
Unemployment	60%		
Adult literacy	55%		
Male	56%		
Female	54%		
Outlook on employment opportunities	38% optimistic, 33% pessimistic, 29% neutral		
Outlook on living standards	44% optimistic, 31% pessimistic, 24% neutral		

Source: World Bank Somali Poverty Profile 2016.



⁵ Sources: 2017 Somalia Economic Update & 2017 Aid Flow Analysis.

⁶ Real GDP growth was estimated to have weakened due to severe drought in 2017.

Table 4: MPF Results

Effective, Accountable Government						
PDO-level Indicators	Baseline		2016	2017	2018	2019
Government demonstrates progress on key governance reforms and benchmarks, as demonstrated by achievement of an increased % of RCRF annual review benchmarks [Source: RCRF]	NA	Target		60%	70%	75%
		Actual	Target exceeded 92%			
Federal government demonstrates improved fiscal discipline, revenue generation and cash management, as evidenced by more regular civil service salary payments i) # of months of civil service payments outstanding at the end of the year ii) Average days between FGS salary payments [Source: RCRF]	i) -- ii) 37 (2015)	Target	i) -- ii) 40 days	i) 3 ii) 40 days	i) 2 iii) 35	i) 2 ii) 30
		Actual	i) 4 months ii) 43 days	Target exceeded i) 0 months outstanding ii) 28.6 days		
Share of salaries of non-security civil servants financed by government [Source: RCRF]	0 (2015)	Target	30%	40%	60%	65%
		Actual	47%	Target Exceeded 70% ⁷		
				Target Exceeded 54% ⁸		

The FGS met 12 out of 13 benchmarks of the RCRF annual review. Key achievements included: MoF assumed responsibility for collection of revenue at Immigration and Commerce through SFMIS collection system; Finance Ministers Fiscal Forum (FMFF) agreed a common tax on Khat, Tobacco and Departure; MoF suspended all practice of off-payroll cash payments at the Ministry of Finance and began making allowance payments directly into individual bank accounts; Government-wide civil service headcount exercise launched; and Ministries of Labor, Social Affairs and Finance began paying 100% of internet and electricity bills by electronic funds transfer to vendors.

The FGS paid all twelve months of civil service wages and salaries during calendar year 2017. This was the first time all twelve months of salaries have been paid since 2014, and the first time all twelve months of salaries have been executed within the calendar year since RCRF payroll finance began. This underscores the FGS' commitment to prioritizing timely payment of salaries during 2017, despite a reduction in available RCRF finance under the 'sliding scale', down from US\$16 million in 2016.

RCRF II is supporting the financing of the civil service wage bill on a declining scale, with the FGS financing an increasing share of the cost. The % of salaries financed by government averaged 70% for 2017.

⁷ Baseline only (does not include surge support funds which were channelled through the RCRF payroll reimbursement)

⁸ Baseline plus RCRF policy-based fiscal support (surge support)

Intergovernmental transfers: i) # of FMS receiving transfers from FGS ii) % annual increase of inter-governmental transfers to sub-national governments [Source: RCRF]		Target	i) 2 ii) 10%	i) 3 ii) 20%	i) 4 ii) 40%	i) 5 ii) 50%
		Actual	i) 2 ii) 73%	Target Exceeded i) 4 ii) 150%		

In addition to delivering fiscal transfers to Puntland, Jubbaland, Galmudug and South West, discussions began in late 2017 regarding introducing Hirshabelle State of Somalia into RCRF. The task team met with H. E. Minister of Finance to explain the Readiness Criteria, and Macro-Fiscal and Financial Management Assessments are planned for end of first quarter 2018. 31 Intergovernmental transfers have been made to all regions in 2017. Total amount stood at US\$ 2.7 Million in 2017 comparing to 1.5 Million in 2016.

Reduced variance between actual primary expenditure and the originally budgeted primary expenditure (%) [Source: PFM]	FGS: 45 (2013)	Target	40%	30%	25%	--
		Actual	43% (2015)	Target met 31% (2016)		

The variance between actual expenditure and the originally budgeted expenditure improved relative to the previous year. This indicator is measured for the previous year based on end of year data.

Ministries/agencies with operational HR & FM functions [Source: CIP]	0	Target	FGS: 1, PL: 1	FGS: 3, PL: 3	FGS: 5, PL: 5	FGS: 7, PL: 7
		Actual	FGS: 10, PL: 9	Target exceeded FGS: 10, PL: 9		

All of the 9 of the beneficiary institutions in Puntland and the 10 beneficiary institutions in Mogadishu continue to have operational HR and FM Functions, exceeding the targets for this indicator. A ministry/agency is considered to have an operational HR and FM function in place when at least three of the four criteria below are met: i) organigram developed, ii) Unit staffed (at least 60%), iii) Unit staff trained, iv) produces key outputs (e.g., financial reports, HR records). Functionality will be further assessed through qualitative assessment conducted by the implementing partner or M&E firm.

Staff appointed to key positions by CIM through approved procedure (cumulative) with 20% minimum target for women [Source: CIP]	0	Target	FGS: 50, PL: 25 20% women	FGS: 90, PL: 50 20% women	FGS: 130, 20% PL: 70, 20%	FGS: 210, 20% PL: 110, 20%
		Actual	FGS: 65, PL: 60 23.2% women	Target Exceeded FGS: 97, PL: 76 25%		

The number of staff appointed to key positions by CIM through approved procedures has surpassed targets in FGS (target: 90; actual 97) and Puntland (target: 50; actual: 78). The recruitment process for 49 positions at the FGS level is ongoing with an envisaged finalization in February 2018. In Puntland, another 34 positions are scheduled to be filled in the coming calendar year. Despite surpassing its target, female representation still remains a concern since most female staff are not represented at the top leadership level within the FGS. The Bank has taken measures to ensure that gender considerations are taken into account during recruitment. Staff retention is high for both FGS and Puntland, with 90% and 99% of staff remaining in their positions respectively. The projected recruitment target has been surpassed in FGS and Puntland.

Increased uptake of Financial Governance Committee (FGC) recommendations: i) # of contracts / concessions reviewed by FGC (cumulative) ii) Increased #/% of FGC confidential assessments with evidence of FGC recommendations being implemented (cumulative) [Source: FGP]	i) 12 ii) --	Target	i) 15 ii) 8	i) 22 ii) 15	i) 27 ii) 18	i) 32 ii) 21
		Actual	i) 19 ii) 12 / 63%	Target Exceeded i) 28 ii) 21 / 75%		

Since its establishment, the FGC has published three reports on FGS contracts and concessions, and issued confidential assessments for 28 contracts, which the Federal Government of Somalia (FGS) has used to inform decision-making. Of the contracts reviewed by the FGC, three incorporated FGC amendments and were signed, nine did not proceed, six were cancelled, one was allowed to expire, and only two went forward without incorporating recommended amendments. A further two are under renegotiation, while the FGC's comments on the remaining five continue to be addressed.

Intermediate Indicators	Baseline		2016	2017	2018	2019
Improved revenue administration capacity [Source: PFM]	<i>Ad hoc approach to revenue mobilization</i>	Target	TA Firm recruited to support of revenue mobilization plan development	Revenue Mobilization Plan developed	Procedures manual for tax administration disseminated and training conducted	--
		Actual	TA Firm recruited	Target Exceeded Plan developed and adopted		

With support from the PFM II project, the FGS developed and adopted a short-medium term (6-12 months) strategic plan for revenue mobilization. The FGS and Puntland are in the process of agreeing a transition plan towards applying an *ad valorem* tax. Under the project, the Federal Ministry of Finance contracted Ernst & Young to provide consultancy services for revenue mobilization and tax administration, by developing strategies and providing technical support to Inland Revenue departments. The primary focus of the TA is to support improvements in the efficiency and effectiveness of tax administration with the broader expectation of an enhanced domestic revenue collection. More detail on the Ernst & Young completed reports can be found in the project brief.

Support for improved civil service management functions (Y/N) [Source: CIP]	--	Target		• Payroll audit completed in Puntland • Firm contracted for FGS payroll audit	• Basic HRMIS established in Puntland • Payroll audit completed for FGS	Basic HRMIS established for FGS
		Actual		Target met Yes		

Puntland completed its HR Audit ahead of schedule, and validated the Report. It has already initiated the process of procuring consultant services for cleaning the payroll, preparing staff personal records and biometric identification numbers and cards, and planning the installation of the Human Resource Management Information System (HRMIS).

At the FGS level, a firm has been awarded the contract. The inception report together with the data gathering tool are yet to be submitted to the Bank for review. The HR audit is a critical exercise whose results are needed to inform the work on pension, pay and grading, payroll cleaning and the development of new personal records and biometric staff identification numbers for civil servants. FGS has rededicated itself to implement this activity within the new timelines.

Reports published on MoF Website		Target	12 each	12	12	12
i) # of monthly payroll reports ii) # of fiscal summary reports [Source: RCRF]	4 (2015)	Actual	i) 8 ⁹ ii) 12	In Progress i) 11 ii) 6		

The Ministry of Finance has posted 11 of 12 payroll reports for 2017. It has also posted 6 fiscal summaries for January, February, March, May, June and August. The World Bank team is following up with Ministry of Finance colleagues regarding the reasons for the delays.

Support for fiscal federalism dialogue:		Target	i) 3 ii) 1	i) 3 ii) 2	i) 3 ii) 3	i) 3 ii) TBD
i) # of annual inter-governmental fiscal dialogues ¹⁰ ii) # of fiscal federalism analytical products (cumulative) [Source: RCRF/FGP/K4R]		Actual	i) 3 ii) 4 iii) No	Target Exceeded i) 4 ii) 4 (+1 in progress)		

Four Finance Ministers' Fiscal Forums (FMFF) were held in 2017. The first two of the year were held in Nairobi in February and June; the latter two were held in Garowe (October) and Kismayo (December). The next meeting is scheduled for March 2018 in Mogadishu. A few key decisions emerging from the October and December meetings included (for more detail, see RCRF project brief in annex):

- **Sin tax harmonization:** Final ministerial agreement on harmonization of "*sin taxes*" including on khat and cigarettes and departure taxes for inclusion in 2018 budgets;
- **Sales tax:** The technical committee of the Fiscal Forum agreed that the Sales Tax Law needs to be amended before Sales Tax collection can be harmonized.
- **Revenue Assignment:** The technical committee agreed to: a) Raise the technical expertise of the technical committee, by introducing and including expert advice; b) a study tour of how other countries share and manage revenue is planned, and; c) to harmonize selected local revenues.
- **'Surge support' progress update:** The Inter-Governmental Technical Committee discussed and agreed a progress update on surge support which included the final funding allocations for the FGS, Benadir Region and FMS.

ToRs for a policy note on Education Service Delivery in Federal Systems has been prepared and finalized. Two international consultants were hired to prepare case studies of selected number of international and regional countries on education service delivery in federal systems relevant to the post-conflict rebuilding process in Somalia. The consultants shared the first draft outline of the report, including the timeline of the key deliverables in 2017.

% of injected staff with salaries compliant with harmonized salary scale [Source: CIP]		Target	100%	100%	100%	100%
		Actual	100%	Target Met 100%		

The World Bank, UNDP and an increasing number of donors adhere to the agreed harmonized salary scale for line positions and advisor posts, in accordance with guidelines established through the Somalia Capacity Injection Mechanism (CIM).

⁹ Only 8 months of civil servants' salaries were paid in 2016. As such, reports were posted for all months in which payments were made, thus meeting the target for transparency, if not those for regularity and timeliness

¹⁰ The MPF supports an integrated approach to financing of inter-governmental fiscal relations whereby: FGC meetings with the regions occur in parallel to meetings of the Finance Ministers Fiscal Forum (FMFF), with the "Support to Financial Governance Policy Dialogue" project supporting four meetings per year in Mogadishu, and the World Bank's Recurrent Cost and Reform Finance (RCRF) operation (Recipient Execution) supporting other meetings including technical-level meetings and those in regional capitals.

Enabling Economic Growth

PDO Indicators	Baseline		2016	2017	2018	2019
Regulatory environment: # of recommended laws / regulations / amendments / codes enacted or policies adopted for financial and private sector development (cumulative) [Source: SCORE / SICRP]	0	Target	3	3	5	--
		Actual	0	In Progress 1 enacted, 3 ready for Cabinet submission		

In Somaliland:

- Despite the political impasse due to the elections, the **Somaliland Company Act** was finally enacted in December 2017. This was achieved through support from the SICRP, which provided advisory input.
- The **Somaliland SME policy** was formulated and consulted through the PPD process. It was validated by stakeholders on 7 December 2017. The revised draft policy will be submitted to Cabinet for consideration and endorsement.
- The **Somaliland National Investment Policy Statement (SNIPS)** was drafted with SICRP support and consulted on by stakeholders. SNIPS was presented to stakeholders by the Hon. Minister of Trade and Investment at the 2017 Somaliland Investment Conference in September 2017.

In FGS:

- The SICRP has continued advisory work to review the text of the **FGS Draft Company Law**. SICRP organized a workshop in September 2017 gathering relevant stakeholders in Nairobi in order to review the full text of the law. The reviewed text is currently in consultations at the federal level, supported by SICRP.
- SICRP will also provide technical assistance to MoPIED in order to draft the **Somalia Investment Policy Statement**. This statement will capture the country's investment objectives, principles and high-level reform action plan.

Private sector growth: i) Grant applications received (cumulative) ii) Grant applications awarded (cumulative) [Source: SCORE]	i) 0 ii)	Target	Catalytic Fund Established	i) 1,500 ii) Granted: 85	i) 1,500 ii) Granted: 201	--
		Actual	Yes	Target Exceeded i) 1,750 ii) 101		

After a large inflow of 1,750 initial eligible applications, a total of 101 enterprises were approved for grants in Round 1 amounting to a total of \$7.7 million in grant value.

- In Somaliland, 752 eligible applications were short listed to 41 through a two-stage process and then reduced to a final selection of 35 following final on-site due diligence checks and SAP review. The projected value of Round One grants is US\$2.8 million and estimated new jobs number about 1,500. The main subsectors receiving grants will be manufacturing, construction and business services.
- In Puntland, 476 eligible applications were shortlisted to 39, and a final 29 were selected after onsite due diligence checks. The likely value of Round One grants is US\$1.7 million and estimated new jobs amount to about 750. The main subsectors receiving grants will be agriculture, fisheries and manufacturing.
- For the rest of southern and central Somalia, 522 applications were reduced to 45, with 37 approved worth US\$ 3.1 million and an estimated number of new jobs of up to 2,000. The main subsectors receiving grants are currently expected to be business services, agriculture and fisheries.

Total # of direct jobs created in enterprises supported by the catalytic funds (cumulative) i) Total ii) Women iii) Youth [Source: SCORE]	i) 0 ii)	Target	i) 100 ii) 30 iii) 40	i) 100 ii) 30 iii) 40	i) 500 ii) 150 iii) 400	i) 1,000 ii) 325 iii) 400
		Actual	i) 0 ii) 0 iii) 0	In Progress		

Based on early estimates, job creation is expected to catch up and exceed targets in 2018, however, these are not captured in the table over. A total of 4,250 jobs are expected to be created through the 101 enterprises receiving round one grants from the Catalytic Fund (1,500 in Somaliland, 750 in Puntland and 2,000 across the rest of Somalia) and will be recorded during the next reporting period. The above indicators do not reflect the individuals who found employment through the Small and Medium Enterprise Facility (SMEF) Skills Training and Entrepreneurship (STEP) Pilot. Of the 49 young women who have completed the training, 40% (20 women) have already found employment.

Safeguarding remittances: i) Key regulations drafted for Money Transfer Businesses (MTBs) (Customer Registration, AML/CFT/ Operational) ii) MTBs receiving on or off-site supervision by joint CBS/Trusted Agent Supervision team [Source: SRF5]	i) No ii)	Target	i) Yes ii) 2	i) Yes ii) 4	--	--
		Actual	i) Yes ii) 12	Target Exceeded i) Yes ii) 12		

In order to strengthen the regulatory framework for the Money Transfer Business (MTB) sector, the World Bank worked with the CBS to draft and enact MTB Operating Regulations based on the recently adopted AML/CFT Law. The World Bank had also provided technical assistance for the drafting of the law. The regulations include provisions for customer due diligence, recordkeeping, ongoing monitoring, reporting, internal controls, consumer protection, and risk management. The Regulations apply to all registered and licensed MTBs operating in Somalia. The WB also worked with the CBS to draft and enact MTB Customer Registration Regulations, which apply to customers of all MTBs to ensure a level playing field.

The Trusted Agent (Abyrint) supervises with the CBS all Money Transfer Operators licensed by the CBS, following the existing regulatory framework and focusing on existing regulations on registration & licensing, and operation. Reports for each MTB have been produced which include summary of the findings of the examination, a tentative assessment status with respect to the consistency of the MTB's policies and practices with the CBS regulations and recommendations for improving compliance. As of December 2017 the CBS Licensing and Supervision Department staff with the support of the Trusted Agent had completed two rounds of off-site examination of all MTBs, and on-site examinations of the three largest MTBs with the remaining on-site examinations expected to be completed in the coming months.

Intermediate Indicators	Baseline		2016	2017	2018	2019
# of diagnostic reports on legal, regulatory, institutional and infrastructure setting aimed at supporting orderly financial sector development (cumulative) [Source: SCORE / SICRP]	--	Target	4	4	8	
		Actual	0	Target Met i) 5 ii) 0		

At FGS level: The market study and legal diagnostic work are now expected to be completed during February 2018 and not December 2017 as earlier anticipated. Information gathering for the study was delayed due to the October 2017 security incidents in Mogadishu and extended election period in Kenya. The study covered around 886 households and businesses and included semi structured discussions with senior level executives at financial institutions operating in Somalia. Young aims to provide the missing data needed by policy makers, regulators and other market players to understand the nature of market demand and supply of financial services in Somalia with a view to identifying urgent priority policy reforms and possible green-field investment opportunities for the FGS to bolster both the demand and supply sides.

In Somaliland: In November 2017, the consulting firm Ernst and Young completed the **legal diagnostics related to 2 Acts - the Central Bank Act and Islamic Banking Act**. Further, the firm completed the **review of 3 draft bills relating to AML/CFT, Remittances and Mobile Money**. In December 2017, Central Bank of Somaliland working together with Ernst and Young held a stakeholder consultative conference to consider findings and recommendations from the legal diagnostics. In the coming review period, the firm is expected to incorporate feedback obtained from the stakeholder consultation in December 2018 into legal drafts of the proposed bills. The firm will also advance efforts aimed at building capacity of Central Bank of Somaliland financial institutions supervision. This will involve added technical assistance on strengthening supervisory processes and practice, and finalizing all legal drafts.

Training: i) # of individuals receiving subsidized BDS, TVET or other forms of training financed by the SCORE project ii) Total annual increase in revenue of firms supported by SBCF and SMEF that received training and advisory services (%) [Source: SCORE / SICRP]	--	Target	i) 80 ii) 0	i) 200 ii) 0	i) 800 ii) 5	i) 1,500 ii) 10
		Actual	i) 0 ii) 0	Target exceeded i) 1062 ii) 0		

497 individuals are receiving subsidized Business Development Services (BDS) or advice and 565 individuals are receiving subsidized Technical Vocational Education and Training (TVET) or other forms of training. BDS consists of specialized master classes (e.g. business planning, evaluating technical viability of a business project, market analysis, human resources, and other topics) to enhance ability of BDS providers to deliver services to the market. TVET entails skills development services to institutions and individuals focused on specific technical skills to perform well on the job as well as skills which meet specific SME needs to become employed. For more detail, see SCORE project brief.

Private sector engagement: i) # of Public Private Dialogues (cumulative) ii) Ease of Doing Business Survey conducted annually [Source: SCORE / SICRP]	--	<i>Target</i>	i) 1 ii) No	i) 2 ii) Yes	i) 4 ii) Yes	i) 6 ii) Yes
		<i>Actual</i>	i) 4 ii) No	Exceeded i) 7 ii) Yes		

The PPD component has been instrumental in enhancing trust and drawing in the private sector to inform policy and regulation. Working at an economy wide level in Somalia and Somaliland, the PPD structures have created opportunities for engagement across various sectors leading to prioritization of reforms and commencement of implementation. Not only has the PPD supported public to private engagement but also prompted private-to-private consultation, bringing together industry players who in some instances hitherto were reluctant to engage. Additionally, SICRP has offered support mobilizing the relevant technical advisory services at the sectoral working group level to promote balanced engagement thus addressing potential distortion of the regulatory role of public sector given the private sector strength.

PPD Events: 1 Economy-wide meeting as side event to the Somalia London Conference; **3 Senior Somali Business Advisory council meetings; 3 Economic sector level meetings in Somaliland;** PPD Working Group meetings: ICT, Doing Business, Energy Sector; and 2 Workshops.

Following the successful completion of data collection and inclusion of Somalia to the Doing Business report for the first time ever, SICRP partnered with the Ministry of Commerce and Industry as well as the Somali Chamber of Commerce and Industry to commence the indicator based reform work beginning with the starting a business indicator where the reform appetite had already been established. Support to the improvement of the starting a business indicator through providing advisory inputs to the SCORE led legal review report.

ICT: i) ICT licensing and taxation framework established ii) Increased contribution of ICT Sector to public treasury (cumulative) [Source: ICT]	--	<i>Target</i>	i) Yes ii) US\$ 10m	i) Yes ii) US\$ 11m	i) -- ii) US\$ 12m	--
		<i>Actual</i>	i) No ii) US\$ 12 m	Target Exceeded i) Yes ii) 17.3 m		

The Communications Act was approved by the lower and upper houses of Parliament in August 2017 and was signed by the President on 2 October 2017, establishing an ICT licensing and taxation framework for Somalia. The Law sets a 90-day timetable for the creation of the new ICT regulator – the National Communications Authority – following publication of the Law. The signing of the Act marks the culmination of some ten years of effort by the Government of Somalia. The final push benefitted from support from IFC and the Bank's Somalia team for a public/private dialogue which met in Nairobi, 29-31 March 2017, with several subsequent meetings in Nairobi and the Federal Member States. The focus of the support is now on establishing the Authority. Some seven new positions for individual consultants have been advertised and a firm contract award issued. The telecommunications sector has contributed US\$ 17.3 million to the public treasury since the project's inception, of which US\$ 5.7 million was collected in 2017, according to Ministry of Finance revenue records.

Urban Infrastructure

PDO Indicators	Baseline		2016	2017	2018	2019
Infrastructure development and rehabilitation: i) Financed sub-projects that are functioning /delivering services to communities three months after completion ii) Direct beneficiaries of infrastructure projects financed through intra-governmental transfers iii) # of regional administrations accompanying project design and implementation (consultation, identification, procurement and implementation) [Source: SFF-LD]	0	Target	i) 2 ii) 250,000 iii) 2	i) 3 ii) 1,000,000 iii) 5	i) 3 ii) 1,000,000	--
		Actual	i) 0 ii) 0 iii) 2	In Progress i) 2 completed, 3 started ii) 0 iii) 5		

The project identified in Bay and Middle Shabelle were both road rehabilitation. The subproject in Middle Shabelle has been completed, and the one in Bay is near completion. The second proposed set of regions (Gedo, Nugal and Bakool) were confirmed with government counterparts and the project Steering Committee. A community consultation process to select subprojects was completed and designs for the subprojects prepared. The procurement process for contractors to carry out implementation is underway. Delays were due to insecurity, which made the transportation of bitumen difficult.

Increased international internet bandwidth per inhabitant (Bit/s) [Source: ICT]	~85 (2014)	Target	510	680	850	--
		Actual	500	Target Exceeded 2,845		

International internet bandwidth was last estimated to be around 36 Gbit/s (as of Oct 2017) or around 2.8 Kbit per inhabitant, representing a mix of satellite and submarine cable connections. Capacity purchased directly under this project amounts to 155 Mbit/s for Government Backbone Network with a further 155 Mbit/s on order for higher education.

The procurement, via the Africa Connect project, of bandwidth for the university community has been completed through a competitive tender, and a point of presence established in Mogadishu. Some 155 Mbit/s of internet capacity will soon be available to the university sector. The project has also financed acquisition of a router and covered operations and maintenance costs for two years.

A 48km fiber optic loop in Mogadishu, serving 25 ministries and the Central Bank, is now complete and fully operational. The Government has requested an upgrade in bandwidth to 620 Mbit/s as the initial 155 Mbit/s is fully used. The cable cut in June/July 2017, which caused economic losses estimated at around US\$12m, has reinforced the need for diversity in supply.

Intermediate Indicators	Baseline		2016	2017	2018	2019
Feasibility assessments and preliminary plans developed for urban investments [Source: SUIPP]	0	Target	3	3	--	--
		Actual	0 <i>Behind schedule</i>	Target met 3		

Mogadishu – Road Rehabilitation: Feasibility studies, preliminary engineering designs, and safeguards instruments have been completed for the rehabilitation of primary roads as well as secondary/tertiary roads at the district level to improve transport and transit efficiencies. There has been some cost savings from this work with, which UNOPS has prepared detailed designs and bidding documents for the secondary road investments.

Garowe – Roads and bridges: Feasibility studies, preliminary engineering designs and safeguard instruments for the identified roads and potential bridges have been completed. These studies provide estimated costs and identify the trade-offs to inform the selection of potential roads construction.

Hargeisa – Waste management: Feasibility studies, preliminary engineering designs and safeguard instruments have been completed for the solid waste management, waste water management investments in Hargeisa. The proposed SURR also aims to support water supply investments in Hargeisa but feasibility studies for these have already been prepared by UNHABITAT.

# of municipal Power Master Plans developed	0	Target	1	2	3	--
		Actual	0	In progress		

After a number of initial challenges, including non-responsiveness from potential bidders, the study has been awarded to a consultant in consortium with three local consultants. The consultant started activities in in Mid-March 2017 and expected to complete by June 2018.



6. FINANCIAL UPDATE

As of December 2017, donors have committed a total of US\$ 321.9m to the MPF, of which US\$ 244.9m (76%) has been paid in. This financial overview includes the recently signed contribution to the MPF of US\$ 28.9m in December 2017 by Germany through KfW and recent additional contributions from the UK, (US\$34.5 million), the EU (US\$21.9 million), Norway (US\$6.3 million) and Sweden (US\$6 million).

These recent contributions are strategically significant to the MPF as a tool for government-led development and for the overall engagement of the World Bank moving forward. This injection of resources into the trust fund allows for a comprehensive forward look, in line with the strategic process of defining the World Bank Group's next country strategy. These additional resources allow for a discussion about the role of the MPF in supporting the country's longer-term development and eventual re-engagement with IFIs.

US\$ 185.3m have been committed for: 1) signed project grants (US\$ 162.9m); 2) preparation, supervision and monitoring of endorsed MPF pipeline and active projects (US\$ 13.4m); and 3) trust fund management and administration (US\$ 9.1m).

MPF has disbursed a total of US\$ 137.2m, representing 54% of all paid-in contributions, an increase from 44% of the corresponding funds at the end of 2016. A majority of the disbursements have been for project grants (US\$ 120.4m, 88%). Of these grants, most have been recipient-executed (US\$ 98.3m, 82%) and implemented by Somali authorities.

In addition to grants, funds have been disbursed for management and administration (US\$ 6.6m, 4.8%) and preparation, supervision and monitoring by World Bank teams (US\$ 10.2m, 7.4%).

Annual disbursements increased in this reporting period as all projects moved to full implementation. In 2015, disbursements totaled US\$ 24.4m as more projects became active. In this early phase, the governance portfolio was prioritized (mainly PSG 5 investments), laying the necessary foundations for other projects in the portfolio to make full use of country systems. In 2016, the fund scaled up investments under PSG 4 investments (economic foundations), disbursing US\$ 38.1m. In 2017, US\$ 62.46m has been disbursed.

Table 5: Financials as of December 31, 2017

Contributions (including investment income)		\$321.9
Paid in	\$244.9	
Unpaid	\$74.8	
Investment income	\$2.3	
Commitments		\$185.3
Management & Administration	\$9.1	
MPF Administration	\$7.1	
HQ Central Fee	\$2.0	
Preparation, supervision, monitoring	\$13.4	
Project Preparation & supervision	\$5.7	
Monitoring Agent	\$7.7	
Project Grants	\$162.9	
BE Grants	\$13.8	
BE on behalf Grants	\$23.8	
RE Grant	\$125.3	
Appraised but not signed		\$125.2
Disbursements		\$137.2
Management & Administration	\$6.6	
MPF Administration	\$4.6	
HQ Central Fee	\$2.0	
Preparation, supervision, monitoring	\$10.2	
Project Preparation & supervision	\$4.9	
Monitoring Agent	\$5.3	
Project Grants	\$120.4	
BE Grants	\$8.9	
BE on behalf Grants	\$13.3	
RE Grant	\$98.3	
Unallocated cash balance (Paid-in - Commitments)		\$59.5
Cash balance (Paid-in - Disbursements)		\$107.7

As of December 31, the MPF has an unallocated cash balance of US\$ 59.5m which will be allocated to appraised projects already approved by the SDRF. Additionally, the fund administrator maintains a flexible “buffer” of approximately US\$ 10m in order to allow the fund to flexibly respond to the most urgent requests across the portfolio, bringing projects to scale as funding becomes available.

However, the decision on allocated funds will depend on the outcome of i) the restructuring processes of SCORE, RCRF and CIP as well as the outcome of the design phase of the PFM II Additional Financing and ii) the outcome of the CPF process. These processes are running in parallel and will be completed by July 2018.

FIGURE 1: Increasing Annual Disbursement

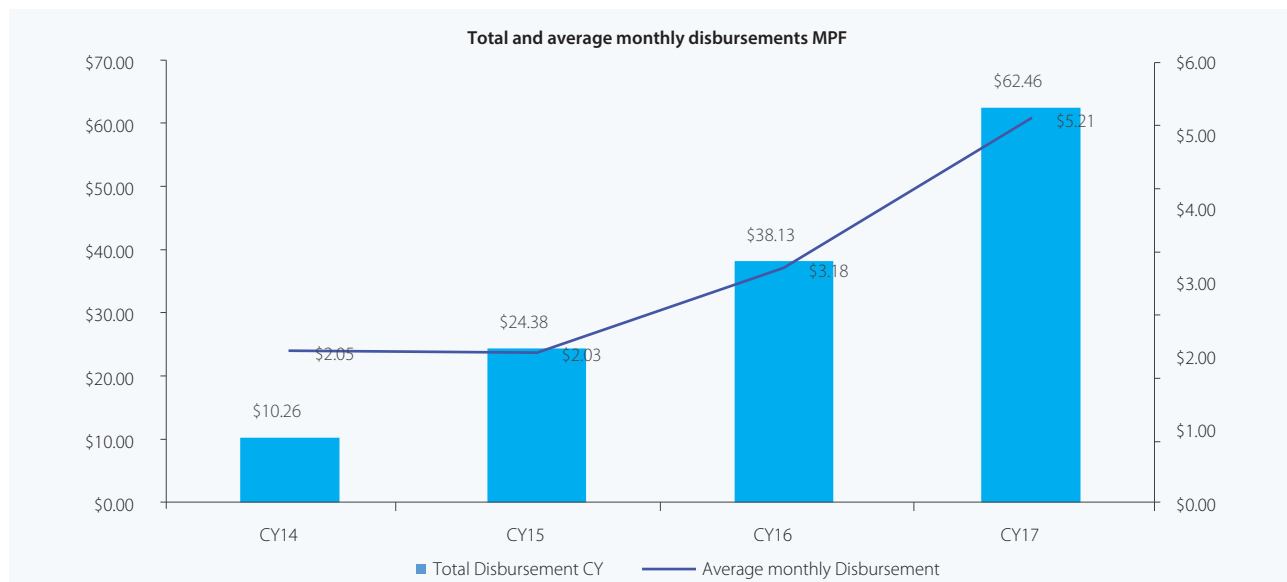
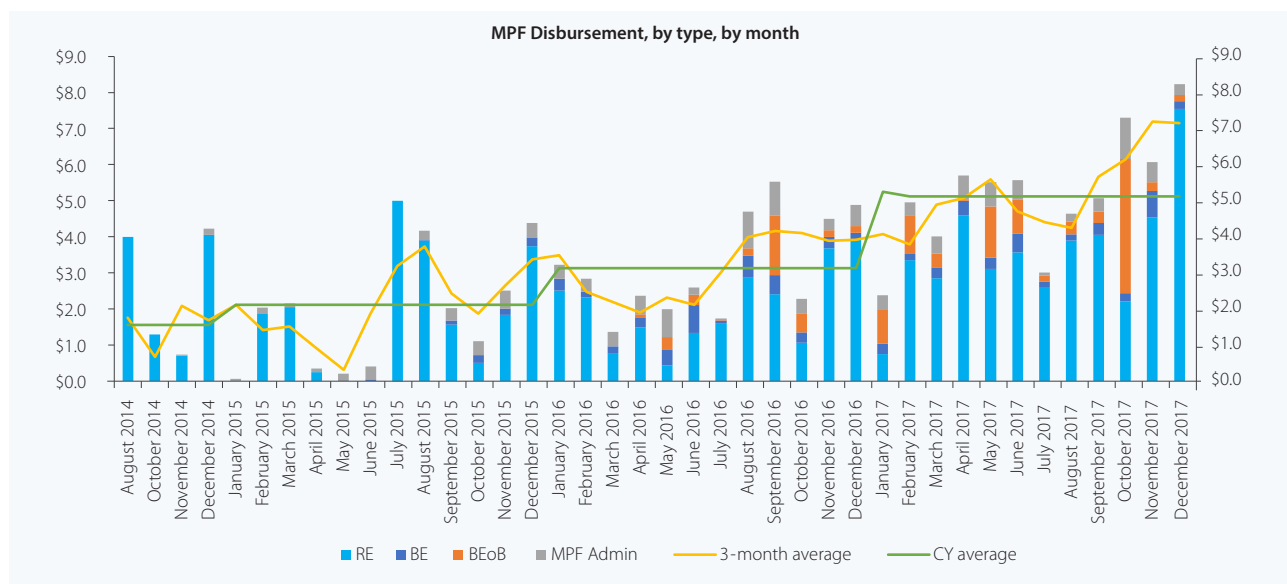


FIGURE 2: MPF Disbursement by Type & Month



Donor Commitments

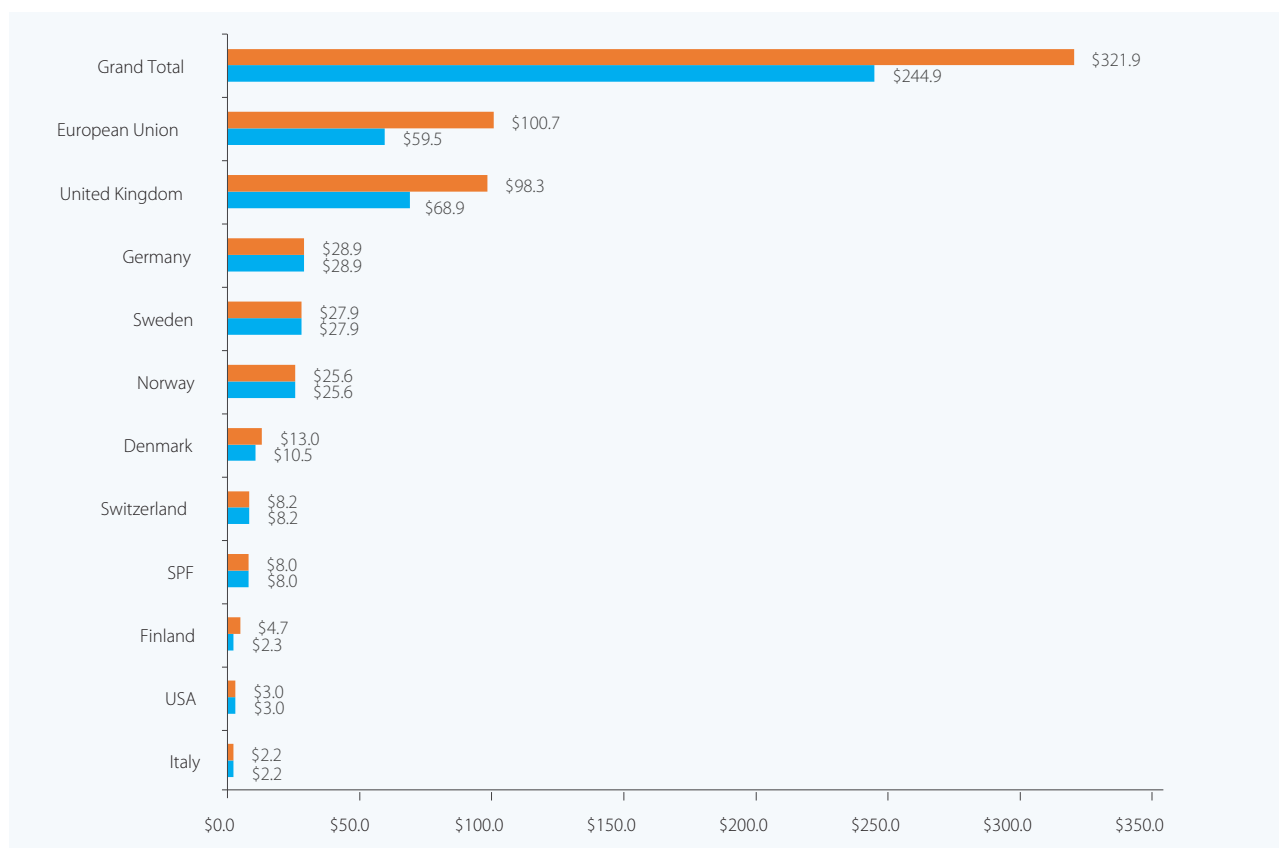
Eleven donors have committed funds to the MPF: the European Union (EU), the United Kingdom's Department for International Development (DFID), Germany G, the Swedish International Development Agency (Sida), the Royal Norwegian Embassy, the Danish International Development Agency (DANIDA), the Swiss Agency for Development Cooperation (SDC), the World Bank's State and Peace-building Fund (SPF), the Finnish Ministry for

Foreign Affairs, the United States Agency for International Development (USAID) and the Italian agency for Development Cooperation.

DANIDA, DFID, USAID, Germany and the EU have preferred portions of their funds. MPF preferencing is capped at 40% of donor contributions, therefore donors who have preferenced a higher percentage are expected to provide further resources without preferences.

Table 6: Project-Level Financing Status

Recurrent Cost & Reform Financing (RCRF)	Active	2015-19	144	Phase I: 14.8	\$14.8
				Phase II: 51	\$48.0
PFM Reform - Phase II	Active	2015-19	\$20.0	\$20.0	\$12.1
Public Sector Capacity Injection and Institutional Strengthening (CIP)	Active	2015-18	\$40.0	\$16.0	\$8.8
Support to Financial Governance Policy Dialogue	Active	2015-16	\$2.0	\$4.0	\$1.8
MPF Knowledge Fund	Active	2016-19	\$4.5	\$2.8	\$2.0
Analytical and technical assistance on education	Active	2016-17	\$1.0	\$1.0	\$0.3
SL Civil Service Strengthening Project	Active	2015-21	\$10.0	\$2.5	\$1.6
ICT Sector Support	Active	2015-18	\$14.0	\$10.0	\$6.5
Petroleum Sector Inclusive Development	Active	2015-16	\$4.5	\$3.0	\$2.6
Somalia Core Economic Institutions and Opportunities Program (SCORE)	Active	2016-19	\$28.5	\$18.6	\$10.4
Somalia Investment Climate Reform Program (SICRP)	Active	2015-18	\$3.5 (of which US\$ 1.9m from MPF)	\$1.85	\$1.1
Supporting Remittance Flows to Somalia (SRFS)	Active	2015-17	\$3.1	\$3.1	\$2.0
Somali Urban Investment Planning Project (SUIPP)	Active	2015-16	\$6.0	\$6.0	\$4.9
Special Financing Facility for Local Development (SFF-LD)	Active	2016-18	\$6.0	\$6.0	\$2.4
Somalia Power Sector Development Support	Active	2015-18	\$1.6	\$1.2	\$0.4

FIGURE 3: Pledged vs. Paid in Contributions to the MPF (in millions, USD)

The World Bank, UN, European Union (EU) and FGS collaborated on the Disaster Impact and Needs Assessment (DINA) and subsequent Resilience and Recovery Framework (RRF) to identify root causes of recurrent drought and develop a strategy for medium-term recovery and long-term resilience.



7. WORLD BANK-UNITED NATIONS COLLABORATION

Over the past four years, the World Bank (WB) and United Nations (UN) in Somalia have established a strong partnership, to a level rarely realized in other contexts. WB and UN are working together to achieve policy outcomes that advance state building efforts, including budget support, arrears clearance, supporting a more defined relationship between the public and private sector, strengthening the functionality of the federal system, and realizing the humanitarian-development-peace nexus.

Policy commitments for stronger WB-UN partnership translated into tangible action in Somalia at different levels of engagement in the reporting period, from strategic planning to operational coordination in the field.

The UN and WB have conducted joint analyses for their respective institutional country strategies. Both institutions also provide coordinated support for the establishment and maintenance of the Somalia Development and Reconstruction Facility (SDRF) as the centerpiece for the partnership between the government and international community.

Analytical Collaboration and Joint Initiatives

The World Bank, UN, European Union (EU) and FGS collaborated on the Disaster Impact and Needs Assessment (DINA) and subsequent Resilience and Recovery Framework (RRF) to identify root causes of recurrent drought and develop a strategy for medium-term recovery and long-term resilience. The DINA and RRF have been led by the FGS, with the active participation of the FMS and the support of the EU, UN, and World Bank. From October to November 2017, more than 180 sector experts from Government and international partners have collected, validated and analyzed data, and developed recovery strategies across 18 sectors and cross-cutting areas. DINA was launched in Mogadishu in December 2017, and the RRF will be presented in February 2018.

The team has also continued to support the humanitarian response in Somalia through the UN cluster system: The team participates in the regular meetings of the Cash Working Group (CWG) in Nairobi, coordinating and supporting the large-scale, innovative cash programs that have been mounted in response to the on-going drought. This research informs wider cash learning within the

Box 9: DINA & RRF

Recurrent drought, food insecurity and subsequent famine risk have become a devastating and increasingly unsustainable cycle in Somalia in recent decades. Since the end of the previous famine in 2011, approximately US\$ 4.5bn has been spent on emergency responses to save lives. While these efforts have since averted another famine, only long-term development gains will lift the country out of poverty, vulnerability and insecurity.

The Federal Government of Somalia (FGS) requested a Drought Impact and Needs Assessment (DINA) and subsequent Resilience and Recovery Framework (RRF) in August 2017 to identify the root causes of recurrent drought and develop a strategy for medium-term recovery and long-term resilience. The DINA has benefitted from the leadership of the FGS and the active engagement of the Federal Member States (FMS), ensuring Government ownership at multiple levels and recovery strategies that will reflect the priorities of the Somali Government and the needs of the Somali people. The DINA further underlines the ability of Somalia's federal and state governments to work together to address the recovery and resilience needs of the people. The DINA and RRF align with the National Development Plan (NDP) and the National Disaster Management Policy.

The objectives of the DINA include estimating the physical, economic and human impacts of the 2016-17 drought on the socio-economic development of the country at national, state and regional levels; assessing and quantifying sector drought recovery needs, as well as the associated overall resilience building needs of the country; developing a recovery plan that includes medium-term recovery and long-term resilience building measures; and assessing and developing the capacities of local and national government recovery and reconstruction systems. These processes aim to integrate concepts of disaster risk reduction, durable solutions for displacement, resilience, and "building back better" initiatives into recovery planning and implementation, considering impacts on gender and the environment.

DINA findings and recommendations will inform the development of a Recovery and Resilience Framework (RRF), which will provide the basis for policy-making, institutionalization and financing of recovery and long-term development. The RRF serves two distinct functions: it offers a framework for prioritizing operations and financing investments, while further developing government capacity to manage its recovery program, implementing the platform for the DINA. The RRF will feature a financing framework, situated within Somalia's National Development Plan (NDP), which will seek out public, private and international investment, coordinate outreach to traditional and non-traditional donors, and identify innovative financing tools.

The programming and prioritization process under the RRF will be the first real attempt in Somalia to align all stakeholders—humanitarian, recovery, and development—behind drought-related recovery and resilience building efforts.

The DINA and RRF have been led by the FGS, with the active participation of the FMS and the support of the EU, UN, and World Bank. From October to November 2017, more than 180 sector experts from Government and international partners have collected, validated and analyzed data, and developed recovery strategies across 18 sectors and cross-cutting areas.

Sectors include: agriculture (irrigation, rain-fed crops, livestock and fisheries), water supply and sanitation, transport, environment, clean energy and natural resource management, health, nutrition, and education. Cross-cutting sectors include: urban development and municipal services, social protection and safety nets, food security, livelihoods and employment, gender, governance, conflict, displacement and migration and disaster risk reduction.

With damages amounting to US\$ 1.02bn, and losses estimated at US\$ 2.23bn, the total effect of the drought in Somalia is expected to exceed US\$ 3.25 billion. Total recovery needs are estimated at US\$ 1.77bn. Agriculture (irrigated and rain-fed crops) and urban development and municipal services are the most affected sectors, representing 28% and 17% of total needs, respectively.

humanitarian system. Moreover, the World Bank is currently supporting a joint evaluation of the on-going cash response through the CWG, and continues to liaise with UN agencies (WFP, FAO and UNICEF) in developing a second wave of mobile money research that can help bridge critical knowledge gaps that have been identified. This on-going cooperation is also helping to inform implementation of a commissioned mobile money bulk payment platform that will be administered and piloted by the FGS with the assistance of the World Bank. Finally, the team has helped

inform an analysis of the domestic ICT sector conducted by the Emergency Telecoms Clusters, which aims to aid emergency preparedness and planning moving forward.

The World Bank team has been collaborating with the International Telecommunication Union (ITU), a specialized agency of the UN, in providing technical assistance to the Ministry of Posts, Telecom and Technology (MPTT) on the development of Somalia's national numbering plan for telecommunication services. Numbering regulations

are being drafted, which will be reviewed and adopted by the new independent regulatory body, the National Communications Agency (NCA). Separately, the Bank team is also advising the Government on the use of the .so country code top-level domain (ccTLD), which will require consultation with ITU and the Internet Corporation for Assigned Names and Numbers (ICANN).

“With progressive and incremental recovery investment, we can address the structural drivers of vulnerability while the humanitarian response proceeds.”

Franck Bousquet, Senior Director of the
Fragility Conflict and Violence (FCV) Group,
World Bank

The Country Economic Memorandum (CEM) for Agriculture was developed with the UNs Food and Agriculture Organization (FAO) Investment Centre, with critical inputs from the FAO Somalia office. The CEM leverages both institution's expertise in relevant livelihood sectors, environmental impact assessments, governance and reform work on agricultural recovery and reform. The CEM aims to assess the medium- and long-term performance (mid-1980s to mid-2010s) of the primary agricultural sub-sectors (livestock, crops, and fishing, as well as forestry) and of agro-processing, with regard to their contributions to livelihoods, exports, and economic growth.

The Macroeconomics and Fiscal Management (MFM) team is also developing a joint report with UNDP that addresses the state of affairs on federalism in Somalia, leveraging the Bank's macro-fiscal and governance engagement with the UNs work on local governance.

For the past four years, the FGS has tracked aid flows in Somalia with the support of the WB and UN. Previously led by the Aid Coordination Unit, MoPIED is now leading the exercise. Significant progress has been made in improving aid transparency, which has informed better coordination. Aid data, which includes reported funds from 45 development partners, has also proven useful for monitoring aid effectiveness principles. MoPIED is

planning to launch a new Aid Information Management System (AIMS) in 2018, which will provide an interactive tool for reporting and accessing aid data for Somalia. A final report based on data collection in 2017 will be published in early 2018.

The World Bank (with contribution from Identity for Development Program ID4D) has been collaborating with UNDP and IOM towards the completion and dissemination of the ID Systems report. This Report analyzed the present situation of the identity management systems in Somalia, including policies, laws, institutions, governance arrangements, practices and procedures, hardware and software (including the utilization of technology), and government capacity to support the implementation and operation of legal identity systems. The feasibility report has recommended national identification options with regards to legal and functional registries, such as voter registration, development applications and verification systems (financial sector). Additionally, the Bank will continue providing advice and collaborating with UNDP that will be liaising with the Government in defining and reviewing the enabling environment and structure: the overall purpose and architecture of the identification system, including (a) short-and long-term functionality, (b) the governing structure and roles and responsibilities of different stakeholders with regard to all phases of the identity lifecycle (enrolment, credentialing, authentication, data storage and management, oversight and redress), (c) a timeline and strategy for enrolling the population, (d) standards for data privacy and access, (e) potential business models.

Operational Coordination

At the fund level, a common operations manual and joint risk management strategy have been established for the three funds established under the SDRF: the Bank's Multi Partner Fund (MPF), UN Multi Partner Trust Fund (MPTF), and the African Development Bank's Somali Infrastructure Fund (SIF). Trust fund administrators meet quarterly to discuss portfolio coordination and pipeline development. For country PFM systems, the procedures for the UN National Window have been aligned with those used for Bank RE projects.

At the project level, UNDP and the World Bank apply a harmonized salary scale for civil servants and advisors embedded within government. They also have complementary programs on capacity development and civil service reform, which are coordinated under a joint steering committee chaired by government.

The Special Financing Facility for Local Development (SFF-LD) has been scaled up to several additional regions by the UN National Window, which uses the same PIU to deliver small-scale infrastructure development and rehabilitation projects through government. The World Bank and Somali authorities are coordinating with other actors, such as UN-HABITAT, to avoid duplication of urban development assessments.





8. COMMUNICATIONS

In the reporting period, the World Bank increased its internal coordination for communications activities with partners, and established a precedent of how the MPF communicates its results to the wider public. The World Bank team used the leverage from the previous reporting period to increase content production, civil society engagement, media exposure, joint communications efforts and capacity building for Somali stakeholders.

Traditional Communications

More World Bank content, including feature stories, blogs and competitions, has been developed in the reporting period. Content highlights the added value of the MPF portfolio, which the media and civil society regarded as a) using country systems to incentivize reform and ensure ownership, and b) the portfolio's analytical products, continue to attract readership from Somali audiences. Two examples include the feature story on urban resilience work led by BRA and the blog on the importance of reform communications.

As a result, the media footprint of the MPF increased substantially throughout 2017. Traditional media outlets continue to publish World Bank Somalia content. Every

MPF publication has been published by the twelve largest media houses in the reporting period (compared to five in the previous reporting period). The MPF is increasing its media outreach through media interviews with Bank staff, including the Country Representative, the MPF Manager and the Senior Macro-Fiscal Economist.

Government Communications

Government communications continues to improve. The MPF Communications team supports PIUs with developing stories, strengthening media relations and increasing the availability of project information through government websites and social media.

The MPF communications team worked with the Ministry of Information to host a 2-day communications workshop at Villa Somalia. Apart from launching the previous progress report, the objective of the workshop was to i) increase awareness of the operational and thematic linkages of RE reforms for senior government officials, media and civil society, ii) improve the quality of reporting on Bank-supported reforms, and iii) acquaint all stakeholders in the modus operandi of Bank operations in Somalia.

BOX 10: Reform Communications

Reform communications explains and promotes reforms to all concerned audiences, and ensures consistency, balance, and participation, all the way from a reform's design to its implementation. It can also make sure that audiences understand the reform, contribute to stakeholder inclusion, and hold the owners of the reform accountable.

What does that mean in a country like Somalia? More importantly, what does that mean for a country like Somalia right now?

Somalia's narrative is frequently characterized by weak institutions, vulnerability, and conflict. Development partners' tendency of presenting Somalia as intrinsically vulnerable, though, is particularly worrying—too often, those same practitioners place their interventions as small solutions to Somalia's supposedly axiomatic weaknesses, with little mention of Somali capabilities.

Despite this practice, the fact remains: The Somali government has made remarkable progress since the World Bank reengaged with it in 2014. The Ministry of Finance has established a digitized financial management system. Transparent and merit-based recruitment is becoming the norm in government institutions, rather than an exception. Through the World Bank Multi Partner Fund alone, the Government of Somalia has implemented projects worth US\$ 80 million since 2014.

Major trends can also be seen in how communications shape socioeconomic and cultural advancements in Somalia. Mobile phone penetration is amongst the highest in Africa. Several social media-based movements, such as Caawi Walaal and Abaaraha, were created to provide home-grown solutions to the drought. Another group of young entrepreneurs opened the first innovation hub in Mogadishu, reflecting an increasingly tech-savvy population.

With all of these advances in the political, socioeconomic and cultural identity of Somalia, why is the most accessible narrative often so dismal? In a steadily evolving information and communication era, it makes no sense to reduce the Somali narrative to conflict or vulnerability. The rapidly changing media landscape should lead to alternative narratives.

If anything, it indicates that, for too long, the narrative has been dominated from the outside.

These conclusions guide the Bank's communications work with Somali authorities. Taking charge of the reform narrative and producing content that is accessible to Somali audiences needs to hallmark how authorities and development partners communicate their efforts. More Somalis have better access to information, making the primary audience more accessible than ever.

Empirical evidence—captured in academic research—suggests that targeted communications activities can play a critical role in translating reform objectives to actual results on the ground. Research also shows that communication can lead to improved governance through citizen engagement in different types of political systems.

In other words, the success of reform hinges on how well it is communicated.

To this end, we are supporting Somali stakeholders in effectively communicating reform. The influential media is also included in our work; connections must be addressed between strategic communication, behavior change campaigns, and independent media development to avoid low-impact or counter-productive programs.

One good example of this is how Somali media partners have improved the quality of reporting on those recurrent cost mechanisms that are supported by the Bank.

Through consultations and workshop with the government, civil society, and media, we identify challenges and opportunities for communicating reform more effectively. The Government of Somalia agrees that it needs to inform its audience more often, with content tailored for the diverse Somali public.

This is the first step in developing, centralizing, and disseminating a government-wide reform storyline based on job-creation, investments, infrastructure, and strengthened institutions, which can help ensure a wider audience understands the reform being made.

Civil society and media stress the need for more interface with authorities to access more information and boost public confidence in public institutions. Every stakeholder emphasizes the need for translated articles, reports, and documents.

The World Bank will continue to support capacity-building opportunities for journalists, which will contribute to higher quality reporting on urban development, financial news, and economic reform.

We will also strengthen the communications capabilities benefiting institutions to reach Somali citizens with a narrative more aligned to their realities.



Designing, implementing and communicating reform is a collective task that needs all affected stakeholders to be involved. This workshop signaled the willingness of Government, media and civil society to own and communicate reform effectively. The workshop is the first step in developing, centralizing, and disseminating a government-wide reform storyline based on job-creation, investments, infrastructure, and strengthened institutions, which can help ensure a wider audience understands the reform being made.

"I thank the World Bank for their understanding on the importance of strategic communications in order to reach out to the public, so that Somali citizens will be better informed, and hold the government accountable for our efforts."

Abdirahman O. Osman, former Minister of Information, Culture and Tourism

The Government is making strides in increasing interface with media and civil society in Somalia. The Ministry of Finance hosted several open forum events, inviting civil society and media to a public dialogue on revenue and job creation. MPF launches and events are increasingly gaining traction among senior officials, including the Prime Minister, which in turn is increasing public interest in MPF projects and related reforms.

"Blog4Dev is a great opportunity to present home-grown solutions that affect my peers and I on a daily basis."

Awil Osman, co-founder of iRise and Blog4Dev winner

The Blog4Dev competition was launched in the reporting period. A first for Somalia, the competition invited youth to write short blog posts on boosting job creation for young people. Over 100 submissions were received and reviewed, covering energy, ICT, agriculture and regional trade. Two winners and two runner-up contestants had their blog posted on the World Bank blog page. The winners will travel to Washington D.C. in April 2018 to participate in the Spring Meetings.

The World Bank is an active member of the UN Information Group (UNIG), where partners harmonize the international communities' key messages during main events and crises, such as the Somali Partnership Forum (SPF) and the DINA. The communications team also attends the Somali Media Support Group, maintaining relations with Somali media stakeholders at an operational and political level.

Online

The MPF website redesign has been completed and approved by the Washington D.C. based Africa External Communications and Partnerships (AFREC). The new website is more user-friendly and accessible, with all project documents, easy-to-read infographics and resources in Somali. The website will be migrated to the Bank server in February 2018.

The MPF Twitter page continues to provide project updates, events, press releases, feature stories and photos for wider Somali audiences. The number of followers have increased substantially in the reporting period, from 1,300

to over 3,200. Moreover, to increase distribution of MPF content, a database of 1,200 stakeholders receive regular updates on projects, portfolio and events related to the MPF. The database includes government representatives, civil society, media, multilateral partners, key influencers and donors. An MPF Facebook page will be launched in the next reporting period.

Moving forward, MPF communications will continue to push for government-owned outreach and emphasize the analytical advantage of the World Bank in Somalia. The next reporting period will see an increase in audio/visual production that captures the impact of Bank engagement in Somalia since 2014.





9. LOOKING AHEAD

During the next reporting period (Jan 1 – June 30, 2018) there will be a strong focus on reorienting the MPF portfolio in line with the new WBG Country Partnership Framework (CPF). The develop of the CPF will bring together analytical and diagnostic work to understand the constraints and opportunities for development in Somalia as well as drawing on lessons learned from operational reviews. The RCRF, CIP and SCORE restructuring processes as well as the PFM Additional Financing process will also inform the new MPF portfolio structure.

This exercise will also involve reexamining the existing portfolio, looking at relevance and scope. As one example, as a result of the DINA and as the RRF process develops, the MPF projects will be examined to see where there is scope to leverage existing activities to respond to the findings of the DINA and contribute to drought recovery and resilience.

As the portfolio expands geographically and move towards financing of infrastructure investments, the World Bank will be looking to set up 'Enhanced Supervision' mechanisms along with more comprehensive risk identification and management. Enhance supervision of projects will require more intensive engagement from Fiduciary, Environmental and Social safeguards teams and development of additional third party and remote monitoring methodologies, currently under development with the World Bank's FCV Group. At the same time as increasing the World Bank's ability conduct more intensive and comprehensive supervision, the capacity of Somali stakeholders will also be supported, through increased government capacity and enhanced stakeholder engagement and citizens feedback mechanisms.

10. PROJECT BRIEFS

This section provides detailed information on the 15 MPF projects for this reporting period.

EFFECTIVE AND ACCOUNTABLE GOVERNMENT

RECURRENT COST & REFORM FINANCING (RCRF) PROGRAM – Phase II	
Timeframe: 2015-19; Budget: US\$ 144m; Grant Value: US\$ 51m Status: Effective	
Objectives:	Support the government to provide credible and sustainable payroll and to establish the foundation for efficient budget execution and payment systems for the non-security sectors in FGS and eligible federal member states, interim and emerging administrations.
Beneficiaries: Primary beneficiaries include the government, civil servants and employees of the implementing Ministries, Departments and Agencies in the FGS and 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.	
Implementation Arrangements: Recipient Executed (RE).	
Geographic Coverage: In addition to support at the level of the FGS in Mogadishu, four regions have achieved a level of readiness for RCRF Phase II project support: Puntland, South West, Galmudug, and Jubbaland. Hirshabelle is expected to undergo readiness assessments in early 2018.	
Component 1: Support to core government functions in MDAs in FGS (US\$ 81m).	
Sub-component 1: Ongoing Financing of eligible civil service salaries in non-security sectors in FGS	<p>RCRF II is supporting the financing of the civil service wage bill on a declining scale, with the FGS financing an increasing share of the cost. Total general civil service wage bill support for 2017 was initially allocated US\$ 10m. The FGS paid all twelve months of civil service wages and salaries during calendar year 2017. This was the first time all twelve months of salaries have been paid since 2014, and the first time all twelve months of salaries have been executed within the calendar year since RCRF payroll finance began. This underscores the FGS' commitment to prioritizing timely payment of salaries during 2017, despite a reduction in available RCRF finance under the 'sliding scale', down from US\$16 million in 2016. Available baseline financing will reduce by a further US\$ 2 million to US\$ 8 million for 2018.</p> <p>In mid-2017, the Prime Minister and Minister of Finance requested support from the World Bank and MPF development partners to provide additional fiscal support. In response, the World Bank, working together with the FGS and MPF donors, devised a package of RCF Policy-Based Fiscal Support (also known as "surge support"). An initial allocation of US\$ 6 million was developed as a test case that, if successful, could be scaled-up. The approach provided temporary, policy-based financing. All payments were made through Reimbursement of FGS civil servants' salaries in accordance with agreed procedures under RCRF Component 1.1 "Financing eligible civil service salaries in the non-security sectors in FGS", with the FGS initially paying salaries from domestic revenues and seeking reimbursement from the Bank based upon prior review by the Monitoring Agent and in line with the terms of the Grant Agreement and Disbursement Letter.</p> <p>The "surge support" approach introduces a set of policy-linked disbursements: The RCRF Grant Agreement section on Implementation Arrangements requires that the Project Operations Manual (POM) shall include "the benchmarks to be attained by the Recipient [FGS]... in order to continue to benefit from the Project." In order to begin to operationalize this, the \$6 million additional RCRF civil service salary reimbursement was released into the Treasury Single Account (TSA) based around three steps in the policy dialogue (Table 1).</p>

**Sub-component 1:
Ongoing**

Financing of eligible civil service salaries in non-security sectors in FGS

Table 1: Steps in Policy Dialogue Process of Initial “Surge Support” Package

Stage of Process	Status
Benchmarks agreed: a first tranche of \$2 million upon sign-off on the final agreed policy benchmarks, delivered through reimbursement of April FGS civil service salaries [before end-July];	Completed; US\$ 2 million disbursed
First policy review: a second tranche upon sign-off on completion of the first Review of policy benchmarks (August tranche) and subject to reimbursement of two months of FGS civil service salaries, \$1 million per month [before end-August], and;	Completed; US\$ 2 million disbursed
Second policy review: a third tranche upon sign-off on completion of the first Review of policy benchmarks (October tranche) and subject to reimbursement of two months of FGS civil service salaries, \$1 million per month [before end-October].	Completed; US\$ 2 million disbursed

The benchmarks were developed through a process of negotiation between the Ministry of Finance and the World Bank team. The Governance and Macro-Fiscal Management teams in the World Bank responsible for leading on RCRF, Capacity Injection Project (CIP), and Public Finance Management (PFM) projects contributed benchmarks linked to successful implementation of the reforms supported under those projects. Each set of benchmarks is grouped in accordance with four Results Areas – see Table 2.

Table 2: Results Areas of Initial “Surge Support” Policy Benchmarks

Results Area	Problem Statement
1. Revenue	Inland revenues very low, especially from private sector (telecoms, hotels, water, electricity, financial services). Poorly developed revenue administration systems and capabilities.
	Weak implementation of existing laws (e.g. Law no. 2 of 1984) and need for adoption and implementation of updated legal framework (e.g. ICT Bill)
	Customs revenue collections are well below full potential and associated systems, capabilities and policy and legal framework need strengthening.
2. Fiscal Federalism	Lack of coordination to overcome collective action problems. No clear revenue & expenditure assignments. No common legal framework for revenue and PFM. Emerging inequity in revenue bases.
3. Expenditure	Public sector wage bill subject to weak fiscal controls, expanding year-on-year without strategic direction. Cash payments made off-payroll to some civil servants.
4. PFM	Lack of formal controls around payment process. Weak cash management.
	Inland revenues very low, especially from private sector (telecoms, hotels, water, electricity, financial services). Poorly developed revenue administration systems and capabilities.

This support has triggered important reforms by linking additional financing to policy benchmarks. At time of writing, eleven out of thirteen benchmarks had been achieved, with a further two benchmarks awaiting additional documentation/actions by FGS in order to be assessed as ‘achieved’. Major successes have included: i) shift from cash-based payment of allowances to bank account payment for certain categories of Ministry of Finance employees; ii) Bringing revenue collection at airport (visas) and commerce (business licenses) under MoF control, and; (iii) pioneering inter-governmental fiscal tax harmonization agreement signed. By agreeing policy benchmarks with the Office of the Prime Minister, this approach has elevated the level of political attention on difficult technical reforms. For example, the Prime Minister played a crucial role in enabling the Ministry of Finance team to take over revenue collection for visa fees from the Immigration Department at Mogadishu International Airport.

	<p>The policy benchmarks agreed under the “surge support” modality are deliberately relatively “granular” in nature and implemented and monitored over a relatively short timeframe. This is in part because of the very urgent nature of the request for funds disbursement from the Prime Minister. However, it also reflects the fact that systems reform progress at FGS level has in recent years been very opportunistic, taking advantage of short-term windows of opportunity. The MoF team of ‘reform actors’ suggested many of the benchmarks as areas where they were already undertaking work, but needed assistance in raising the level of support for the proposed reform within the FGS. The reforms selected as benchmarks are broadly linked to the ongoing portfolio of WB projects, as well as the IMF SMP, but represent very tangible intermediary reform steps. Choosing a reform step as a benchmark helped to get the MoF leadership as well as the OPM focused on particular issues. In low capacity environments with multiple reform challenges, there is a danger of ‘trying to do too much at once’ – the benchmarks have helped to focus attention on a few key reform areas.</p>
<p>Sub-component 2: Ongoing</p> <p>Financing of salaries and allowances to government staff and young graduates recruited under the CIM (FGS)</p>	<p>The major focus for RCRF-CIP coordination in 2018 will be the incorporation of the FGS Ministries of Education and Health into the CIP program in support of RCRF’s social service delivery objectives. This was agreed at the CIP Mid-Term Review in December 2017 and these Ministries will be in the first batch of newly introduced MDAs in 2018.</p> <p>At FGS-level, a total of 97 people have been recruited through the Capacity Injection Mechanism (CIM) into 12 MDAs in the FGS, of which 24% are women (surpassing the 20% gender benchmark). Their monthly salary payments – which were de-linked from the FGS civil service payroll during 2017 – are executed via RCRF in a timely manner.</p> <p>Staff retention is high for FGS, with 90% of staff remaining in their positions. The projected recruitment target has been surpassed in FGS (target: 90; actual 97). Records Management Officers have been recruited in all FGS beneficiary institutions and at the Somali National University (SNU).</p>
<p>Sub-component 3: Ongoing</p> <p>Financing of eligible non-salary recurrent costs in MDA in the FGS</p>	<p>As with the first SMP, the second SMP has adopted RCRF non-salary recurrent costs (NSRC) as a structural benchmark, with the FGS and IMF agreeing to “Meet the eligibility criteria required to achieve 100 percent of non-salary recurrent cost” during 2017, where the targeted amount for 2017 as per the FGS budget was US\$ 2 million of eligible transactions.</p> <p>The FGS has consistently highlighted liquidity constraints as a primary barrier to the generation of sufficient volumes of eligible NSRC transactions under this Sub-Component. There is a back log of commitments entered into by line ministries which are not eligible for reimbursement under RCRF which FGS uses its domestic revenues to clear incrementally in order to avoid increased arrears accumulation.</p> <p>A number of benchmarks in the surge support package were also directly intended to support system strengthening and the generation of eligible transactions under this Sub-Component. Specifically, the MoU benchmarks targeted: i) Ministry of Finance internet and electricity bills paid 100% by electronic funds transfer direct to vendors, and; ii) Ministries of Interior, Labor, Social Affairs, and Finance to pay internet and electricity bills 100% by electronic funds transfer direct to vendors.</p> <p>During the last quarter 2017, there was a marked improvement in performance on a number of dimensions of the NSRC expenditure management process, with a huge increase in the number of transactions made via electronic funds transfer for example.</p> <p>As at December 31, the Government had submitted expenditures to the Monitoring Agent team for review and the World Bank awaited submission of the associated monitoring report. At time of writing, initial indications were that only a relatively small amount of expenditures would meet the eligibility criteria however. This is due to a number of challenges, and in particular to:</p> <ul style="list-style-type: none"> • The 2017 Appropriation Act (Section 3.3(2)) requires that “No expenditure or commitment of expenditure can be incurred from the budget approved before a budget allotment is allocated and approved by the Budget Department of the Ministry of Finance.” A significant portion of expenditures do not meet this requirement. • At time of writing the FGS had not issued any Procurement Guidelines or Procedures. In the absence of these, the Eligibility Criteria require that three quotations are obtained for all procurements in excess of US\$2,000.

	<p>Filling the gap in procurement policy and procedures will provide the opportunity to realize more eligible costs. This remains an important priority for government.</p> <p>It has been agreed that for 2017 for selected budget items such as utilities, it will not be necessary to obtain three quotations in order for an expenditure to be eligible (for example, there is only one major electricity supplier – BECO – in Mogadishu making this unfeasible in practice).</p>
Component 2: Inter-Governmental fiscal transfers for core functions of eligible federal member states, interim and emerging administrations, (US\$ 34m)	
<p>Sub-component 1: <i>Ongoing</i></p> <p>Transfers to interim and emerging states for core government functions</p>	<p>In addition to delivering fiscal transfers to Puntland, Jubbaland, Galmudug and South West, discussions began in late 2017 regarding introducing Hirshabelle State of Somalia into RCRF. The task team met with H. E. Minister of Finance to explain the Readiness Criteria, and Macro-Fiscal and Financial Management Assessments are planned for end of first quarter 2018.</p> <p>In Puntland, 76 recruits have been injected into the Puntland civil service, of which 26% are women. Staff retention is very high for Puntland, with 99% of staff remaining in their positions. The projected recruitment target has been surpassed in Puntland (target: 50; actual: 78). Another 34 new positions are scheduled to be filled in Puntland in the coming calendar year. This recruitment covers 9 institutions in Puntland. As at the FGS-level, the major focus for RCRF-CIP coordination in 2018 will be the incorporation of the Puntland Ministries of Education and Health into the CIP program in support of RCRF's social service delivery objectives. This was agreed at the CIP Mid-Term Review in December 2017 and these Ministries will be in the first batch of newly introduced MDAs in 2018.</p> <p>Non-Salary Recurrent Cost issues with Federal Member States were discussed at length in the end of year RCRF Mid-Term Review and a fuller update will be provided through the MTR aide memoire.</p>
<p>Sub-component 2: <i>Ongoing</i></p> <p>Inter-governmental fora on transfers and information exchanges</p>	<p>Following the second Finance Ministers' Fiscal Forum (FMFF) in Nairobi in February 2017, and third meeting in June 2017, two more meetings have taken place during the reporting period: a meeting hosted in Garowe (Puntland) in October and a meeting hosted in Kismayo (Jubbaland) in December.</p> <p>Key decisions emerging from the Garowe and Kismayo meetings included:</p> <ul style="list-style-type: none"> • Sin tax harmonization: Final ministerial agreement on harmonization of "sin taxes" including on Qat and cigarettes and departure taxes for inclusion in 2018 budgets; • Sales tax: the technical committee of the Fiscal Forum agreed that the Sales Tax Law needs to be amended before Sales Tax collection can be harmonized. A review (what need to be introduced and what should be taken away) and subsequent amendment of the Sales Tax Law is to be undertaken, followed by an extensive and cohesive public awareness campaign on introducing Sales Tax across the nation, and sourcing skilled professionals who can advise the FGS on how to raise revenue. • Revenue Assignment: The technical committee and forum agreed they lack the necessary expertise to successfully determine Revenue Assignment for Somalia. Thus, the technical committee agreed to: a) Raise the technical expertise of the technical committee, by introducing and including expert advice; b) a study tour of how other countries share and manage revenue is planned, and; c) to harmonize selected local revenues. • Status of Mission Agreement (SOMA): SOMA is an agreement between the UN and the FGS concerning the status of the UN Assistance Mission in Somalia. The agreement (under Arts 12 and 13) means that all contractors of the UN are exempt from all government taxes and a number of other charges, resulting in significant tax expenditures as highlighted by the FGS delegation to the IMF/WB Annual Meetings. The committee is suggesting that the SOMA agreement be reviewed and amended, based on the Geneva Convention and national laws, and passed by parliament. • 'Surge support' progress update: A representative of the FGS Office of the Prime Minister presented a progress update on surge support to the Inter-Governmental Technical Committee, including the final funding allocations for the initial US\$6 million to FGS, Benadir, and Federal Member States (see attached presentation slides), which were discussed and agreed. <p>The next meeting is scheduled for March 2018 in Mogadishu.</p>

Component 3: Support of recurrent costs in health and education sectors in FGS and eligible member states, interim and emerging administrations (US\$ 20.0m)

Puntland	<p>Puntland State of Somalia successfully paid out 12 months of teacher salaries during 2017 calendar year, including a counterpart contribution from domestic revenues for the education payroll amounting to 20%. While it was originally envisaged that this would increase to 30% in 2018, it was agreed during the RCRF MTR that this would remain at 20% for 2018 owing to fiscal challenges and the forthcoming elections to ensure that the good precedent set in 2017 is maintained during 2018, including timelier monthly payment of salaries during the year.</p>
FGS (Benadir)	<p>The Federal Government of Somalia successfully commenced financing of a payroll comprising of around 300 teachers in the Benadir region on an interim basis for the period October to December 2017: while it is recognized by the Ministry that teachers' payroll is a subnational function, Benadir Regional Authority (BRA) is not a beneficiary of RCRF at present. In order to initiate payments, the FGS achieved the following four final steps with support from the task team and Monitoring Agent team:</p> <ul style="list-style-type: none"> • Inclusion on-budget: teachers were captured in the FGS 2017 supplementary budget. • Addressing findings of Monitoring Agent pay list verification work: Address outstanding payroll verification findings – exceptions relating to payment information have been resolved. Only 0.6% of the payroll contains – 'exceptions' – a materially insignificant amount. • Payroll procedures: Interim teacher payroll procedures have been agreed – a draft clearly laying out business processes was shared by the Federal Ministry of Education, this has been reviewed and revised by our Financial Management team and approved with minor amendments. • Nominate Technical Implementation Unit (TIU): a draft TIU structure was shared by the Federal DG of Education, and subsequently amended to incorporate an OAG representative. <p>The FGS has subsequently committed in the 2018 budget to finance the recruitment of an additional 300 teachers (50 each in Galmudug, Hirshabelle, Jubbaland, and South West, and 100 in Benadir) a strong sign of the FGS' commitment to prioritize education service delivery.</p>
Jubbaland	<p>The Jubbaland State of Somalia team successfully commenced financing of a payroll comprising of around 300 teachers for the period October to December 2017. In order to initiate payments, the FGS achieved the following four final steps with support from the task team and Monitoring Agent team:</p> <ul style="list-style-type: none"> • Inclusion on-budget: Budget allocation – Ministry of Finance has shared 2017 budget appropriation file confirming RCRF-financed teachers' salaries are captured; • Addressing findings of Monitoring Agent pay list verification work good progress has been made in reducing the number of exceptions on the teachers' payroll. Only 1% of payroll entries still have financial exceptions, a materially insignificant amount. • Teacher pay scale formalized: The JSS team amended the civil service decree to accommodate the teachers' pay scale. • Nominate Technical Implementation Unit (TIU): The Ministry of Education has nominated a Technical Implementation Unit (TIU) to support the ongoing system strengthening process. <p>Remaining actions required to activate payment of teachers' salaries include: (i) mapping the payroll process in writing (using the existing civil service payroll manual where applicable); (ii) finalizing the pay list following the verification mission and uploaded into the BISAN financial management system; (iii) documenting the process by which teachers were selected for inclusion in the pay list; (iv) confirmation that the revised 2017 budget captures the 304 teachers. Once these steps are completed payments can begin, with the possibility of back-dating them to 1st June 2017 to ensure six months of salaries are paid in 2017.</p>
South West and Galmudug	<p>A clear Action Plan has been shared with the South West and Galmudug teams with an associated briefing on the steps they will need to implement – with support from the FGS, task team, and Monitoring Agent – to achieve readiness to begin RCRF-supported teacher payroll financing.</p>
<p>Contacts: Geoff Handley, ghandley@worldbank.org; and John Randa, jrand@worldbank.org</p>	

PUBLIC FINANCIAL MANAGEMENT (PFM) REFORM PROJECT – Phase II

Timeframe: 2015-19; **Budget:** US\$ 20m, Grant value: US\$ 20m

Phase II of the PFM Reform Project carries forward some of the work financed through the SPF under Phase I which closed on March 31, 2016.

Objectives: Establish and strengthen institutional capacity for the management of public funds in central finance agencies and targeted sectors.

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.

Component 1: Revenue mobilization, planning and budget preparation (US\$ 2.75m)

Sub-component 1:
Ongoing

Strengthening
planning and
budget preparation

The support for budget preparation at the FGS is currently being financed through TA by the IMF and the African Development Bank (AfDB). As such, the US\$ 0.32m budgeted for this component has been reallocated to sub-component 1.2 – revenue mobilization in light of resource need. Indicators related to budget preparation therefore will be based on the Bank's intervention in Puntland.

In Puntland, the process for procurement of a TA to support the government is ongoing. The TA while not onboard prior to the commencement of the 2018 budget calendar, will support the government in monitoring budget implementation and ensure its readiness for the 2019 Budget preparation.

Sub-component 2:
Ongoing

Revenue
mobilization and
tax administration

FGS: The Ministry of Finance (MOF) contracted M/s Ernst & Young in January 2017 to provide consultancy services for revenue mobilization and tax administration, by developing strategies and providing technical support to Inland Revenue departments in the Ministry of Finance. The primary focus of the TA is to support improvements in the efficiency and effectiveness of tax administration with the broader expectation of an enhanced domestic revenue collection. In the reporting period, EY completed the following on behalf of the government, with specific diagnostics of risks, opportunities and critical next steps/recommendations:

- Tax policy gap analysis and revenue policy potential report with concrete measures in policy, legal, strategy, organizational structure and staffing needs to close the tax gap.
- Unique Taxpayer Identification Number (TIN) to register and maintain taxpayer database
- Taxpayer segmentation with tailor made compliance strategies for each segment
- Shift of customs duty from specific rates to ad valorem tax regime

These outputs, together with the other deliverables for this phase of the assignment, marks the conclusion of the planning and design component of the proposed tax reform in Somalia. The 2nd phase of the Bank's support will focus on: (i) re-engineered business including "to be" process flow diagrams; functional and user requirements for a revenue system and accompanying bidding documents; (ii) tax administration diagnostics. The Additional Financing will be directed to support activities that will assist in defining processes and requirements for improvements to enable SFMIS effectiveness and efficiency in revenue collection and accountability.

<p>Sub-component 2: Ongoing</p> <p>Revenue mobilization and tax administration</p>	<p>The project has also contributed to the smooth processing of both revenue and expenditure transactions through Government PFM System, Somalia Financial Management Information System (SFMIS). This includes amongst others the automation of immigration visa fee collection system; the integration of the SFMIS with the Central Bank of Somalia Core Banking System; and the development of the revenue collection system and its integration with the SFMIS. During Q3 of 2017, an analysis was performed in coordination with the Revenue Director at the Ministry of Finance on the revenue collection process, followed by the design of the architecture and database for the system. The Revenue Management system environment was established, configured and tested to host the system, and the base application was developed including the creation of Collecting Points structure and user interface. Continued support can be expected for Revenue Management System including the development of additional collecting points and revenue collection forms such as Passport Renewal, Driving Licenses, Vehicle Registration, airport customs, etc.</p> <p>Puntland: In November 2016, the Puntland State finalized the contract for UNICON of UK to support its implementation of activities under the revenue component. Terms of reference include: tax policy gap analysis; taxpayer information and education; supporting the government in the transition of customs duties to Ad valorem; support the government towards membership of WCO; taxpayer segmentation and the development & implementation of Tax Identification Numbers (TIN); establishment of systems and procedures for revenue recording and reporting; Training & Capacity Building; and providing assistance to the Government in harmonizing of customs Tariff between the Federal Government and members States.</p> <p>The World Bank is preparing additional financing to place greater emphasis in financing individual consultants to support the inland revenue department in implementing the short-medium term recommendations tax revenue gap. The work will include conclusion of the tax policy gap diagnostics, facilitate to implement measures that close identified tax policy gaps, set up of Taxpayer Registration database, tax administration processes reviews and related improvements, taxpayer segmentation, staff skills development and background support to enable Puntland dialogue with wider Somalia during discussions to transit from specific to ad valorem customs tax regime.</p> <p>In the meantime, through the TA support, the officers of the revenue department have undergone training in tax policy development and steps to increasing revenue mobilization and international perspective of taxation.</p>
<p>Component 2: Treasury management, budget execution, procurement, accounting and financial reporting (US\$ 9.88 million)</p>	
<p>Sub-component 1: Ongoing</p> <p>Treasury management and budget execution</p>	<p>At the Federal Government level, individual technical advisory support for the Office of the Accountant General have been instrumental to the improvements in day-day treasury functions. For example, the office of the Accountant General is now able to scrutinize payment transactions to ensure expenditures are in line with the budget and expenditure commitment framework, subjected to appropriate internal controls, recognized, classified and reported in accordance to the authorized Standard Chart of Accounts (SCoA).</p> <p>In February 2017, Crown Agents were hired as technical advisors to the FGS for treasury management under an 8-month contract to October, 2017 with the following expected deliverables: the development of a Comprehensive Operating Manual (COPM) and associated accounting procedures and Financial Regulations; support to the operationalization of the Treasury Single Account (TSA) Framework; the establishment of a cash reporting framework that allows availability of daily cash monitoring reports which can be used for managing fund balances, tracking revenue flows, budget execution and fiscal discipline; and the development of an asset Management Policy. Crown Agents also completed i) review and re-engineering of the budget execution and accounting functions in the FGS report, ii) Comprehensive Operating Procedures Manual, iii) Draft Public Financial Management Regulations, and iv) Accounting Procedures Manual. The reports and manuals has been completed and are currently being reviewed by the FGS prior to official validation.</p> <p>Puntland: See sub-component 4.</p> <p>Somaliland: In April 2017, the government of Somaliland signed a 12-month contract with PwC to support its treasury management and budget execution. PwC developed and submitted the inception report, which included an assessment of the government's PFM capabilities. It includes: i) current financial regulations, treasury circular and ministerial orders, ii) current business processes for treasury management, iii) Treasury Single Account (TSA) processes, iv) cash management policies, and v) Standard Chart of Accounts.</p>

<p>Sub-component 2: Ongoing</p> <p>Accounting and financial reporting</p>	<p>Dedicated Technical Assistance is in place to support the FGS on developing its accounting and reporting framework in collaboration with the SFMIS team. The efforts of this team continue to provide quality and comprehensive financial information.</p>
<p>Sub-component 3: Ongoing</p> <p>Concessions, procurement and contract management</p>	<p>FGS: Ernst & Young was contracted in May 2016 on a 12-month assignment focused on the following activities: (i) development of an enabling policy, legal and regulatory framework for public procurement; (ii) development of PPP policy and regulations and institutionalization of the PPP (concessions) legal framework; and (iii) establishing a Governance and Organization Structure that will deliver the mandate of the Procurement Authority. All deliverables under this assignment have been completed by Ernst & Young and currently being quality assured by the FGS – with support from the Bank. 46. The above deliverables were submitted to the FGS technical team for review and comments. An onsite validation was thereafter undertaken from 2-6 May 2017, which entailed having practical walkthrough sessions with the Procurement Unit team in the Ministry of Finance on the implementation of the developed documents. The purpose of the walkthrough sessions was to adequately equip the MOF procurement team with the knowledge and skills of using the developed documents which will enable them to be the lead agents of transferring the same knowledge and skills to other officers in the line Ministries. The development of the final Phase I report is in progress.</p> <p>Puntland have adopted a different approach by deciding to recruit individual TAs to primarily support the review of existing procurement laws and ensuring its alignment with the FGS as a way of facilitating greater harmonization. Through the Bank's Hands-on Extended Implementation Support – the PSG has been able to conduct an initial review of the existing law and regulations (prepared by KPMG under a UNDP-funded intervention). Internal discussions are ongoing with regards to ways forward including the scope of assignment of individual consultants and advisors. These discussions will also focus on agreeing on a harmonized procurement policy and procedures aligned with the FGS.</p>
<p>Sub-component 4: Ongoing</p> <p>Bespoke Financial Management Information Systems</p>	<p>FGS: During the reporting period, an analysis was performed in coordination with the Revenue Director at the Ministry of Finance on the revenue collection process, followed by the design of the architecture and database for the system. The Revenue Management system environment was established, configured and tested to host the system, and the base application was developed including the creation of Collecting Points structure and user interface.</p> <p>Configuration of the first collection point was completed for the revenue collection at the airport. The revenue collection is currently deployed for Arrival Visa Receipts. The Receipt batch was developed which will be used for reconciliation of collected cash against the issued receipts prior to deposit in the Central Bank.</p> <p>Web services were developed to exchange the receipt data between the Revenue Collection system and SFMIS, and the Revenue Voucher in SFMIS was updated to allow auto-generation of RVs for daily collected revenue.</p> <p>The Passenger Exit form was developed to be used by MoF check point the exit of the airport where the passenger will show the barcoded visa receipt to the MoF representative and the receipt will be validated by the system. The Business Registration Receipt form was developed and deployed which will be used by the MoF collecting point at Ministry of Trade & Industry (previously Ministry of Commerce & Industry).</p> <p>Configuration of business registration were completed and creation of collecting point. The list of industries as per UN standard was loaded to the system to be used by the Business Registration receipt. The Epson Receipt printer was deployed with high speed capability to print the barcoded receipts from the system. 6 Epson receipt printers were procured and installed.</p> <p>The Immigration Visa Extension form was developed and Ministry of Labor receipts for Work Permits. This included the configuration of new collecting points and update on the Receipts Batch function for auto-generation of Revenue Voucher.</p> <p>The Budget Preparation Module was updated to include the Strategic Objectives section to be entered by MDA's, and auto-generation of Payroll budget and development of payroll budget entry screen. The Budget Plan report was developed and the display of all budget items that are exceeding the ceiling set by Budget Department.</p>

<p>Sub-component 4: Ongoing</p> <p>Bespoke Financial Management Information Systems</p>	<p>In the next reporting period, the project will continue to support development of Revenue Management System including the development of additional collecting points and revenue collection forms such as Passport Renewal, Driving Licenses, Vehicle Registration, airport customs, etc. This will also include the deployment of passport reader devices at specific collecting points such as the Airport and Immigration Department. The component will establish a cloud solution for SFMIS environment to ensure sustainability of the system.</p> <p>Another priority was set by the Government is the implementation of commitment controls, therefore, one planned activity is the deployment and support of the Purchasing Module.</p> <p>Achievements of the SFMIS Designer TA.</p> <p>The SFMIS Designer TA continued the incremental deployment approach to gradually develop and implement additional functions and reports to improve the Government's financial controls and processes. The following features and modifications were deployed in the reporting period:</p> <ul style="list-style-type: none"> • Consultations and Analysis: Extensive analysis and consultations were held with the MoF Revenue Department including numerous site visits. In addition, consultations were held with all the relevant stakeholders including CBS, AG, and the relevant collecting agencies. • Process Design and Mapping: Completed the process design and mapping; architecture and the required infrastructure to support the new module. • Collection Points: Implemented the first collection points for the SFMIS Revenue Collection System (Immigration Arrival Fees Collection and Ministry of Commerce Business License Fees Collection, Immigration Visa Extensions Collections Fee, and Ministry of Labor Work Permits Fees). The system automates the collection process end-end from issuing system generated and barcoded receipts to fully automating the back-end processes of creating revenue vouchers to CBS deposits. Training was conducted for all the relevant teams including the SFMIS support team, MoF Revenue Department, CBS Cashiers and the Immigration Officers. • Web services Implementation: Web services were implemented to exchange the receipt data between the Revenue Collection Module and SFMIS Revenue Capturing Module, and the Revenue Voucher in SFMIS was updated to allow auto-generation of RVs for daily collected revenue; • Improved controls: The Passenger Exit form was developed to be used by MoF Revenue Staff at the exit checkpoint where the passenger will show the barcoded visa receipt to the MoF representative and the receipt will be validated by the system. • Improved Processing Timelines: Introduced specialized high-speed receipt printers with the capability to print the barcoded receipts from the system. The receipt printers significantly reduced the processing time per passenger to less than one minute. <p>Several enhancements were made to the budget preparation module per the request from the Budget office. The module has been available in system for the past couple of years but has not used. Enhancements were made to be aligned with the budget team's current processes. The changes made include:</p> <ul style="list-style-type: none"> • Strategic Objectives tab to allow the MDA's to document their objectives and plans for the year. • Simplified the employee compensation budgeting process by auto-generating the payroll budget using data from the payroll module. • Usability enhancements. • Budget reports. • Provided training to the Revenue Department Staff.
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	<p>Puntland: significant progress has been made with SFMIS “go live” on January 1, 2017 supported by individual Consultants hired under the PFM project in early 2016. In addition, the following activities have been completed as of March 31, 2017: (i) development of core functions and training of super users (Training of Trainers - ToT); (ii) distribution of all system equipment (computers, printers, hard disks, projectors, etc.) to users; (iii) configuration and delivery of the Cloud system by UN Habitat; (iv) completion of process integration with Central Bank, interim bank module with “barcode reading” capability at Puntland Central Bank; (v) issuance of ministerial order to direct all MDAs and stakeholders on the use of the system; (vi) Systems roll-out in all regions in Puntland with a team member in each region to support the user groups on system related issues. The progress recorded so far has been instrumental to the following: (i) the ability of the government to capture all donor funded project through the new design of 5 segments COA features and generate reports; (ii) pilot testing of the payroll module with the capability of covering all government sectors in all regions; (iii) the recording of the 2017-18 budget in the system enabling monthly budget utilization & revenue performance reports with effect from end of March 2017; (iv) the generation of mandatory Interim unaudited Financial Reports (IFRs) through the FMIS starting with the quarter ended March 2017.</p> <p>Somaliland: the following activities took place in the reporting period:</p> <ul style="list-style-type: none"> • Payroll Module: Implementation of Payroll Module for Pilot Ministries which will include loading the payroll data of these ministries, creation / approval of payroll update transactions and generation / approval of monthly payroll sheet. • Billing and Revenue Collection for Local Governments: Development and implementation of Billing and Revenue Collection for Local Governments which includes invoice billing, receipts at collecting points and auto generation of Revenue Vouchers. • Fixed Asset Module: which will include the asset register and reports and will be implemented for WB projects as pilot. <p>The SL MoF has identified the following needs to improve FMIS:</p> <ul style="list-style-type: none"> • Hiring of TA Consultancy Service Provider and Individual Consultants – The PFM Reform Unit will assist with the hiring of the Integrity TA Consultancy Service Provider and individual consultants including the M&E consultant and the SLFMIS Consultant • Procurement of Equipment – Assist in the procurement required for the Disaster Recovery Centre for the SLFMIS, vehicles, IT equipment and other materials as required (e.g. Heavy-Duty Printer and software).
<p>Sub-component 5: Ongoing</p> <p>Modernizing Central Bank of Somalia banking operations and financial control environment</p>	<p>Following the procurement of the Technical Advisory firm – SOFGEN – in May 2016, progress has been made with regards to this sub-component. Functional and technical requirements for core banking system have been assessed and completed. The findings of the audit were completed in Q2 of 2017, informing the Government/IMF and Bank second SMP dialogue. Currently, the installation of the core-banking system is ongoing however, its commissioning has been delayed but expected to be completed in 2018. The next steps include data cleaning, mapping and migration simulations; training CBS on ERP; UAT-FACTS testing; and SFMIS/SWIFT interface testing.</p>

Component 3: Strengthening of integrity pillars (e.g. audit modernization and manuals) (US\$ 1.945 million)																									
<p><i>Sub-component 1: ongoing</i></p> <p>Foundations for Supreme Audit Institutions (SAI)</p>	<p>There were no key activities undertaken under this component during Q3 and Q4 of 2017 for FGS. However, with the appointment of a new Auditor General, the OAG has over the past few months developed a Strategic and Operational Plan that provides direction on the medium- longer goals of the office over the period 2017-2020. The key focus is to ensure 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 as well as better follow up by Parliament of audit recommendations. The additional financing will kick-start and support the delayed SAI institutional strengthening activities to fast track the audit of projects and Government-wide Annual Financial Statements. For more information, see SCORE Project Brief.</p> <p>In Puntland, there has been notable progress made over the past few months especially with the successful recruitment of Ernst & Young in May 2017 as the technical advisory firm to support the government. The TA firm shares regular project update (last dated November 2017), which outlines the status of project tasks and deliverables. Highlights include a SAI capacity assessment, benchmarked against the AFROSAI-E Institutional Capacity Building Framework (ICBF) and the SAI Performance Measurement Framework (SAI-PMF) that has been completed. In addition, a framework for collaboration with the media and non-state actors — which is a crucial element towards promoting outreach for the work of the Parliament Accounts Committee (PAC) has also been finalized. In order to deepen the capacity development and transfer of the staff in the Office of the Auditor-General (OAG,) the Bank’s fiduciary team agreed with the Government to use the 2016 audit of Bank projects as a strategic opportunity. As such together with the TA to be provided by EY, the firm will also be twinned with staff from the OAG in conducting the 2016 audits which is expected to be done using the IFMIS.</p>																								
<p><i>Sub-component 2: Ongoing</i></p> <p>Planning, Finance and Public Accounts Committee (PAC)</p>																									
Component 4: PFM Professionalization (US\$ 1m)																									
<p><i>FGS completed</i> <i>PL completed SL on going</i></p>	<p>The activities in FGS and Puntland were completed in Q1 of 2017. The aim of the component is to build capacity of government staff in handling their respective PFM functions and was managed by the MoF in Mogadishu. The objective of this component is to build PFM competencies through the CIPFA and ITC-ILO certification program respectively. This approach was adopted to facilitate a sustainable approach to deepening PFM skills and expertise in government especially through the establishment of a PFM scheme of service under the Civil Service Commission both at the FGS and in Puntland. 53% (i.e. 126 out of 239 registered students) passed the IPFM certificate level exams, while 59% passed the ITCILO procurement stream certificate level exam.</p> <p>Table: Students registered at each university</p> <table><tr><th>University</th><th>Students (inclusive of Tutors)</th><th>From PFM stream</th><th>NEW</th></tr><tr><td>Puntland</td><td>94</td><td>44</td><td>50</td></tr><tr><td>East Africa</td><td>94</td><td>44</td><td>50</td></tr><tr><td>SIMAD</td><td>51</td><td>4</td><td>47</td></tr><tr><td>Mogadishu</td><td>47</td><td>6</td><td>41</td></tr><tr><td>Total</td><td>286</td><td>98</td><td>188</td></tr></table> <p>The initial aim was to support eligible candidates to the diploma level of both the CIPFA and ITC-ILO certification. However, the funding for the activity could only support students to the certificate level. As such, without additional financing resources, the component activities as they relate to the FGS and Puntland are deemed to have been completed as of December 2016.</p> <p>The activities in FGS and Puntland were completed in Q1 of 2017. The aim of the component is to Puntland: The Puntland government has shown a strong commitment for this program as reflected in the success and immersion rates of the participants. For example, 36 out of the 45 students enrolled for the CIPFA examinations at the Puntland State University, have passed at the certificate level; with 7 of these students currently employed under World Bank-supported projects. All the 45 enrolled students are civil servants.</p>	University	Students (inclusive of Tutors)	From PFM stream	NEW	Puntland	94	44	50	East Africa	94	44	50	SIMAD	51	4	47	Mogadishu	47	6	41	Total	286	98	188
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<p><i>FGS completed PL completed SL on going</i></p>	<p>Somaliland: PFM Education and Training Program is underway, currently limited to the Chartered Institute Public Financial Accounting (CIPFA) program. The first course was completed in September 2017 with 82 initial students, 81 who sat the exam and 50 who passed the initial exam. 84 students eventually proceeded to the second course, PFM for Somaliland, after the completion of re-sits and new entrants. The next reporting period will include procurement modules and continued CIPFA.</p> <p>The Learning Management System (LMS) institution of PFM Computer Lab at the University of Hargeisa is now online. The PFM Computer Lab at the University is available to allow students to review the learning materials electronically. WYG, who were contracted in May 2017, have delivered their Scheme of Service to the Somaliland Government. The project will see continued delivery of E&T Program, including completion of workshops and delivery of PFM for Managers Course.</p>
<p>Component 5: Project oversight, coordination and management (US\$ 2.925m)</p>	
<p><i>Ongoing</i></p>	<p>The Project Coordination Units in FGS, Puntland and Somaliland continue to submit quarterly progress reports kept the Bank team updated on all project activities.</p>
<p>Component 6: Demand-driven Just-in-time services (Bank Executed) (US\$ 1m)</p>	
<p><i>Sub-component 1: Pending</i> Social Accountability and Open Government Data (OGD)</p>	<p>No activities to report in reporting period</p>
<p><i>Sub-component 2: Pending</i> Governance/PFM reviews and advisory notes</p>	<p>No activities to report in reporting period</p>
<p>Risks & Opportunities</p> <p>Government PFM Priorities: Revenue mobilization, treasury management; budget execution and financial reporting as well as the sustainability of the IFMIS remain critical priorities for the Governments across Somalia. For the FGS, while the revenue mobilization is considered important, the scope of the Bank intervention is expected to remain on inland revenue administration with the objective of improving efficiency and effectiveness of tax administration. For Puntland, the PFM Education & Training is considered an important component for developing sustainable institutional capacity. The Bank's Additional Financing will therefore be based on these priorities as affirmed at the mid-term review. The Additional Finance is expected to build in flexible financing to respond to emerging issues as well as a result-based window to incentivize results.</p> <p>Emerging new leadership: In addition, the appointment of a new Accountant General as well as anew Auditor General at the FGS has provided the needed fillip to drive critical reforms and it is expected that under the new leadership significant progress will be recorded. Providing targeted TA support in the next 6-12 months will therefore will be essential .</p> <p>Establishment of DP sub-working groups: Give the synergies and linkages in the support by development partners, harmonization of interventions presents a risk and also an opportunity. The establishment of a revenue sub0-group as well as an "external oversight and accountability" sub group offers a platform to ensure greater alignment and maximize efficiency of resource utilization especially with the resource constraints.</p> <p>Operationalizing the DRM agenda: Revenue mobilization, treasury management; budget execution and financial reporting as well as the sustainability of the IFMIS remain critical priorities for the Governments across Somalia. Operationalizing the DRM agenda especially for the FGS will require (i) that the recent Strategic Plan for revenue mobilization is well-costed and serve as basis for development partners support; (ii) clarity on the scope and timing of support of the Customs TA by DfID and the AfDB; and (iii) the harmonization of customs and tariffs with implications on inter-governmental fiscal federalism and political leadership at the highest levels.</p>	
<p>Challenges:</p> <p>Procurement of firms has been a challenged during this project. Challenges have been related to government capacity to implement procurement processes as well as the market response to tenders. In some cases, financial proposals have exceeded the allocation in the project budget and this has required lengthy negotiations to reach contract-award stage.</p> <p>These challenges have since been resolved and firms are in place to deliver planned activities. However, it is important to note that to mitigate the potential effects of procurement delays, the World Bank has mobilized individual consultants to provide capacity support to the Government.</p>	
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SOMAOOOO SOMALIA CAPACITY INJECTION PROJECT (CIP)	
Timeframe: 2015-20; Budget: US\$ 40 m; Status: Effective	
Objective:	To strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core Government functions.
Beneficiaries: Direct beneficiaries: government counterparts; Indirect beneficiaries: citizens.	
<p>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.</p> <p>Puntland: Office of the President, Ministry of Finance, Ministry of Labor, Youth and Sports, Ministry of Planning, Civil Service Commission and selected line ministries.</p>	
Implementation Arrangements: Project is government-executed. Project is complemented by a separate UNDP project 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. First in a series of projects.	
<p>Component 1: Developing capacity for key cross-cutting government functions (US\$13 million).</p> <p>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.</p>	
<p>Sub-component 1.1: Ongoing</p> <p>Supporting harmonized and government-led capacity injection in priority institutions</p>	<p>At FGS, the number of staff appointed to key positions by CIM through approved procedures has surpassed its target (97 staff against the envisaged 90 staff). Recruitment process for 49 positions is ongoing with an envisaged finalization in February 2018. Female representation, even though having surpassed its target at 24% against the envisaged 20% still remains a concern since most female staff are not represented at the top leadership level. The Bank has taken measures to ensure that gender considerations are taken into account during recruitment. 64 staff will be recruited in the next (second) wave of recruitment. In Puntland, the number of be recruited had been exceeded by 2 staff. Recruitment process for 34 positions was ongoing with an envisaged finalization in February 2018.</p> <p>Staff retention is high for both FGS and Puntland, with 90% and 99% of staff remaining in their positions respectively. The projected recruitment target has been surpassed in FGS (target: 90; actual 97) and Puntland (target: 50; actual: 78). Another 34 new positions are scheduled to be filled in Puntland in the coming calendar year. This recruitment covers all 10 beneficiary institutions in FGS, and 9 institutions in Puntland. In addition, Records Management Officers have been recruited in all FGS beneficiary institutions and at the Somali National University (SNU).</p> <p>For FGS, all HR and FM units have been staffed and unit structures developed. HR staff advertisements have been published and FM advertisements will be published in early 2018.</p> <p>Guidelines for recruitment and performance appraisal have been developed and approved by the Steering Committee. All guidelines that have been developed under the project include: Recruitment, Selection and Appointment policy; Records & Archival Management policy; Performance Management and Appraisal System policy; Coaching & Mentoring policy; Code of Conduct; Career Development & Schemes of Service; Establishment Control guidelines; and Competency policy.</p> <p>The target on proportion of injected staff with salaries compliant with harmonized pay scale has been exceeded in both FGS (100% against the envisaged 80% at MTR) and Puntland (100% against the envisaged 80% at MTR). Payment of salaries for staff in both FGS and Puntland are in compliance with the harmonized CIM pay scale approved by the Steering Committee.</p>

<p>Sub-component 1.2: Ongoing</p> <p>Providing specialized training and coaching support for new recruits and their teams</p>	<p>FGS: All the CIM recruited staff have undertaken induction training. Government has established a civil service training school (School of Management and Public Administration-SOMPA) in the Somalia National University.</p> <p>On continuous training for FGS, negotiations have been conducted and MoUs have been signed between FGS and external partner institutions, the Kenya School of Government; and the Civil Service College of Uganda to provide training and capacity building to civil servants and SOMPA. Preparation of curriculum and training materials, as well as plans to start conducting ToTs are underway. Puntland, negotiations have been conducted and MoUs have been signed between PSG and external partner institutions, the Kenya School of Government; the Tanzania Civil Service Institute; the Civil Service College of Uganda; and the Ethiopia Civil Service college to provide training and capacity building to civil servants and Puntland's Institute of Public Administration and Management-IPAM. Preparation of curriculum and training materials, as well as plans to start conducting ToTs are underway.</p> <p>The Bank is working closely with government to ensure that curricula are developed according to international best practice standards.</p> <p>180 civil servants, of which 60 were recruited via CIM, have undergone short-term training on common function areas. 136 respondents use the skills acquired through the training programs provided by the project. Post-training tests administered to the 180 civil servants show an increased gain of knowledge and skills evidenced by their performance reports and observations by supervisors. Trainings focused on HR, procurement, FM, M&E, policy planning and research, and ICT. The client has identified the link between capacity building opportunities and staff retention in both FGS and Puntland. Advanced level training on these common functions have been conducted in both FGS and Puntland and training reports will be out in the next reporting period.</p> <p>A two-story unit block of 12 classrooms dedicated to civil service training officially opened in April 2017. The school, known as the School of Management and Public Administration (SOMPA) is located at the Somali National University, and will host all civil service training sessions. The CIP is also supporting filling critical staff positions in SOMPA.</p> <p>The Bank will be making a request to development partners to support equipping libraries of the two Schools with relevant publications on civil service governance.</p>
<p>Component 2: Strengthening the policies and procedures for civil service management (US\$12.25 million).</p> <p>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 Government and development of related frameworks.</p>	
<p>Sub-component 2.1: Ongoing</p> <p>Supporting priority ministries in re-organization and change management</p>	<p>All 10 BIs in FGS and 9 BIs in Puntland have undergone reorganization review, and have new organization structures, new staffing plans, and change management plans. 8 BIs in FGS have currently implemented their change management plans. There are plans to support the development of change management plans for MOF and MOPIED.</p> <p>8 BIs in Puntland have implemented their change management plans. The Ministry of Finance in Puntland is yet to give guidance on the proposed organizational structure of the ministry. Restructuring of the other MDAs in both Puntland (12 MDAs) and FGS (35 MDAs) is currently ongoing. Although this was not planned under the project, it has become necessary in order to agree on establishment list and staffing plan for the civil service to reduce ad-hoc hiring and to help improve the wage bill.</p>
<p>Sub-component 2.2: Ongoing</p> <p>Strengthening basic policies for civil service management</p>	<p>The formation of Government Committees to prepare administrative policies, rules and procedures circulars, for submission to the Steering Committee for cabinet approval and subsequent presidential decree is underway. Critical to this Committee will be its composition which should comprise Technical Advisors on: (i) <u>Recruitment</u> (reorganization reviews and establishment control, TORs/JDs, advertisement, selection, hiring, on-boarding, promotions, transfers, redeployment, retirement, staffing plans, pay, job classification, probation, induction, grading structure, HR audit, personnel records/files, leave, HR data management/HRMIS; (ii) <u>Performance</u> (performance management and appraisals, career development, schemes of service, retention, severance, redundancy management, pension, talent management); (iii) <u>Training</u> (short term, medium-long term, continuous, on-the-job, training needs assessment, training plans development, coaching and mentoring, competency development, Executive leadership training); and (iv) <u>Legal</u> (administrative rules and regulations, industrial strikes, code of conduct, sanctions and disciplinary regime, appeals and mediation, violations, labor regulations).</p>

<p>Sub-component 2.2: Ongoing</p> <p>Strengthening basic policies for civil service management</p>	<p>Pay and Grading</p> <p>FGS: Preparation of the Civil Service Pay Policy and a phased plan for its implementation and subsequent submission for cabinet approval is a Year 3 target. However, by MTR, the Project had already initiated it in Yr 2. The Pay and Grading Reform assignment is at RFP stage.</p> <p>Puntland: Preparation of the Civil Service Pay Policy and a phased plan for its implementation and subsequent submission for cabinet approval is a Year 3 target. However, by MTR, the Project had already initiated it in Yr 2. This assignment is at RfP stage and the Bank will be receiving shortly the combined evaluation report.</p> <p>This activity is ahead of the planned schedule, and the Bank is working closely with Government on a timely delivery.</p> <p>Pension Policy</p> <p>FGS: This activity is a Yr 3 target. However, by MTR, the project had hired a consultant to help prepare ad Pension Policy. There have been discussions on the unavailability of the consultant, and FGS will re-advertise the consultancy.</p> <p>Puntland: This is also a Yr 3 target for PSG. However, by MTR, PSG had already started implementing the activity. The Pension Policy, Pension Benefits, and draft Pension Bill reports have been submitted to Government.</p> <p>The Committees set up to review the policies mentioned under sub-component 1.1 above will also review the Pension Policy. Administrative policies, rules and procedures circular will be drafted and submitted for Cabinet's approval. The Bank will work closely with both FGS and PSG in operationalizing this Committee.</p>
<p>Sub-component 2.3: Ongoing</p> <p>Civil service work force management</p>	<p>Activities under this sub-component include (i) human resource audit; (ii) human resource data management; and (iii) development of severance policy and implementation plan.</p> <p>FGS: This is currently pending at FGS level. A firm has been awarded the contract, and an inception report together with the data gathering tool was to be submitted to the Bank in end-December 2017 for review and clearance. The HR audit is a critical exercise without which cleaning of the payroll; preparation of staff personal records and work on the HRMIS cannot be undertaken. The Bank is following up with FGS to submit the inception report and data gathering tool for review.</p> <p>Data management under this project includes using data generated from the HR audit to form the basis of a credible personnel data management system and subsequent strengthening of controls on the payroll process and management of civil servants, including managing their retirement and professional development. All these have to be preceded by the HR audit.</p> <p>Puntland: has completed its HR Audit, hence paving way for subsequent activities which including payroll cleaning, preparation of staff personal records and support to the HRMIS. The Bank has shared with PSG ToR for Developing a Modern Payroll and Personnel Data Management System for Puntland Civil Service, for their comments.</p> <p>The World Bank and the CBS have agreed on the implementation schedule for the Severance policy and redundancy scheme at Central Bank of Somalia. Severance policy has been developed for the Central Bank of Somalia, though its implementation delayed. The Bank has requested FGS to include the Severance package in the budget, and will be following up with FGS the status of budget approval, after which the project will disburse funds on the severance package.</p>
<p>Sub-component 2.4: Ongoing</p> <p>Strengthening the ethical foundation of the civil service</p>	<p>The FGS Civil Service Code of Conduct has been validated. However, at MTR, FGS requested Bank's concurrence that they review and re-write the code of conduct with the purpose of framing it within the Somalia context. The Bank is discussing this with FGS. In Puntland, the Civil Service Code of Conduct has been developed and rolled out to MDAs.</p>

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 3 sub-components.

<p>Sub-component 3.1: Target achieved & activity ongoing</p> <p>Strengthening capacity for aid coordination and monitoring and evaluation of the Somali Compact</p>	<p>FGS: The function of the Aid Coordination Unit (ACU) had been integrated into the Office of the Prime Minister (OPM), and that the ACU, with the support of the UNDP, continues to curate, analyze, and publish data annually.</p> <p>Puntland: Support to ACU is done at the Federal level only as the Aid data managed by FGS includes Puntland's.</p> <p>The latest aid flow analysis is available at http://somaliaaidflows.so.</p> <p>On strengthening M&E and the Statistics of MOPIED, the Bank has supported Government through this Project to fill M&E positions in the BIs. The Project has recruited the Director of Statistics at MOPIED. On strengthening M&E of the Somali Compact in Puntland, the Bank has supported Government through this Project to fill M&E positions in the BIs.</p>
<p>Sub-component 3.2: Ongoing</p> <p>Developing basic policy management capabilities</p>	<p>Directors of M&E, Policy Planning, as well as Statistics have been recruited in FGS. In Puntland, the Head of Policy Planning has been recruited whereas the Heads of M&E and Statistics Departments will be recruited under the ongoing 2nd wave of recruitment.</p> <p>The OPM's policy and delivery monitoring oversight unit and the capacity development coordination unit have been set up in FGS, and a Director of Policy Coordination and Delivery recruited. In addition, a National Authorizing Officer/Coordinator has been recruited at MOPIC.</p> <p>Support to establish and strengthen policy units in targeted institutions: Recruitment of Heads of Policy Planning units completed in both Puntland and FGS. Short term training on policy planning was completed in April and May 2017, for both FGS and Puntland, respectively. Overall, sixty (60) civil servants in the field of policy planning were trained.</p> <p>Support development of M&E framework and establishment of M&E system at MOPIC/PCU – to help track the performance of the overall flagship program and national development plan: the Bank is currently reviewing the TOR to develop the M&E framework and establish a M&E system in both Puntland and FGS.</p> <p>Support to cabinet management process: Puntland's Cabinet manual has been developed, translated into Somali language, and by Parliament. The Bank is working closely with PSG to ensure training on cabinet procedures and sensitization on the manual is undertaken. The preparation of a cabinet manual for FGS is pending, and the Bank has shared with FGS in September 2017, ToR for TA support to strengthen capacity for policy development and cabinet processes at center of government. This ToR will also cover the preparation of, and sensitization on the cabinet manual. FGS is reviewing the ToR and will be getting back to the Bank shortly.</p>
<p>Sub-component 3.3: Ongoing</p> <p>Strengthening leadership for change and delivery</p>	<p>Executive Leadership Program (partnership with external institutions): Training will be undertaken as a collaboration between Puntland State University / Somali National University and the external partner institutions (based on signed MoU and agreed work plan/curriculum development). MoUs were signed with Kenya School of Government (KSG), Tanzania Public Service College (TPSC) and Ethiopian Civil Service University (ECSU).</p>

Component 4: Project management and coordination (US\$6 million)	
Sub-component 4.1: Ongoing Project Management	The Project Coordination Units in FGS and Puntland continue to submit quarterly progress reports and has from time to time kept the Bank team updated on all project activities.
Sub-component 4.2: Pending Demonstrating Results	The first annual financial audit was conducted by an external consultant firm and reported the finding for correction and learning.
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SUPPORT TO FINANCIAL GOVERNANCE POLICY DIALOGUE	
Timeframe: 2015-17; Budget: US\$ 2 m; Status: Effective	
Objectives:	Provide technical advice and facilitate policy dialogue to strengthen transparency and accountability in the areas of strategic public procurement and concessions, asset recovery, and other selected areas of financial governance.
Beneficiaries: Financial governance and oversight institutions of the FGS.	
Government Counterparts: The Ministry of Finance, the Central Bank of Somalia, 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 sub-federal Ministries of Finance.	
<p>The Financial Governance Committee (FGC) plays an important role in assisting the FGS and the international community to strengthen governance within the public financial institutions in Somalia. It offers a forum for frank and confidential discussions and provides independent non-binding advice in certain areas as required and where expertise is available. From July through December 2017, the FGC met three times in September, October, and December.</p> <p>During this reporting period, the Federal Minister of Finance and Chair of the FGC, H.E. Dr Abdirahman Beileh welcomed H.E. Dr Abdirahman Abdi Hashi, Minister of Fisheries and Marine Resources and representative of the Cabinet Inter-Ministerial Economic Committee, as a new member of the FGC. The FGC also welcomed the establishment of the Economic Committee on the part of the Somali Federal Government and the inclusion of its representative in the FGC Membership, which will provide an opportunity for further fiscal and economic policy coordination and action going forward.</p> <p>The FGC held informal Financial Governance Forums (FGFs) around FGC meetings. The informal FGF's 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 August and November.</p> <p>In November, the FGC welcomed a new National Secretariat who is based in Mogadishu, which has helped forge stronger ties with the FGS and monitor and support the workplan in between meetings. In addition, the FGC Secretariat is also providing support to the Cabinet Inter-Ministerial Economic Committee which has enhanced communication and coordination between the two bodies.</p>	

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

The establishment of the Cabinet Inter-Ministerial Economic Committee and the inclusion of its chair on the FGC has opened a new channel for the FGC to engage the FGS and provide technical advice and facilitate policy dialogue. FGC International Delegates have attended Economic Committee meetings and have made presentations on natural resource revenue sharing and the protection of public property. In addition, topics and action items raised in the FGC have been taken up and resolved by the economic committee.

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. In August, the FGC prepared a report titled Immediate Protection of Public Land & Property: Steps for Strengthening of the FGS Management of State Assets with the support of a e-government specialist. The report identified issues of concern, drew on international lessons learned, provided immediate and longer-term recommendations, and identified guiding principles. In addition, during this reporting period, the following notes have been produced:

- Favors Contract Renegotiations Updates
- Findings of 2017 Somalia & Eritrea Monitoring Group (SEMG) Report
- Government Borrowing and the Public Financial Management (PFM) Bill
- Harmonizing Federal and Member State Legislation for Public Financial Management
- Improving Coordination & Dialogue on Support for PFM
- Informal Comments on the Current SOMA Agreement for New Negotiations
- Mauritanian experience in renovating overseas assets
- Natural Resource Revenue Sharing
- Next Steps on Inter-Governmental Fiscal Transfers
- Petroleum Bill Procurement Provisions
- Ports Contract Renegotiations Updates
- Proposed Procedure for Somalia Embassy Renovations
- Verification Requirements for Goods Delivery

The FGC has also continued to share press releases and meeting summaries after each meeting, which are made available via twitter and the Ministry of Finance website. In the last six months, three press releases and nine tweets have been issued. To improve communications with the broader FGS, the FGC has also translated key advisory notes and presentations into Somali.

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

Since its establishment, the FGC has published three reports on FGS contracts and concessions, and issued confidential assessments for 28 contracts, which the Federal Government of Somalia (FGS) has used to inform decision-making. Of the contracts reviewed by the FGC, three incorporated FGC amendments and were signed, nine did not proceed, six were cancelled, one was allowed to expire, and only two went forward without incorporating recommended amendments. A further two are under renegotiation, while the FGC's comments on the remaining five continue to be addressed.

In 2016, the FGC reviewed the contract for police rations and recommended that the cash component be stripped out and paid directly by FGS through the payroll system instead, and during this reporting period the FGC has received confirmation that police rations cash is now being paid direct through the payroll system. The FGC has also supported the Federal Government's SNA registration exercise, which has resulted in the registration of the details of 947 SNA personnel to the Somalia Financial Management Information System (SFMIS) payroll module, which will enable payment of their salaries directly to their bank accounts. This represents a significant milestone in strengthening security sector expenditures.

The FGC also supports the Interim National Procurement Board (INPB), which is responsible for overseeing the procurement of FGS contracts and concessions until such a time as the provisions of the 2016 Procurement Act are implemented. The INPB has held three meetings since August 2016. The INPB has been supporting the review and renegotiation of the terms of three concession agreements for revenue collection (vehicle license plates, road tax, property transfer tax), which were all cancelled during this reporting period. The Federal Government has now resumed direct responsibility for collection of road taxes, vehicle licensing, and property transfer taxes. It has also been providing support and advice for the renegotiation of the port, dry port, and airport contracts.

Component 3: Supporting Oversight and Transparency of Asset Recovery (approx. US\$ 0.1 m)

With the assistance of the World Bank's STAR program, almost one million US dollars has been recovered so far from accounts in the UK, Germany and Belgium in 2017. The CBS has also been in communication with various banks in Italy and United States concerning the transfer of identified assets to the government's designated asset recovery holding account.

The CBS also continues to make progress towards its goal of currency reform, in order to re-establish the credibility of the local currency. The first phase of the reform is expected to commence in early 2018, once strong anti-counterfeiting measures are in place. A formal financing request to donors to support currency reform will be made once the remaining technical steps are completed.

Challenges:

- Commitment of other international partners to the FGC remains varied. The EU provides a delegate on behalf of the bilateral donors and the IMF provided a new delegate in January 2017, however, the FGC is still awaiting a replacement delegate from the ADB.

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MPF KNOWLEDGE FUND

Timeframe: 2016-19; **Budget:** US\$ 4.5m; **Grant value:** US\$ 2.8m **Status:** Effective

Objectives:

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

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

Government Counterparts: Ministry of Finance and Ministry of Planning and International Cooperation.

Implementation Arrangements: These activities are Bank-executed on behalf of Recipient. Bank execution is sought on behalf of the recipient mainly owing to (i) the client's extremely limited capacity for implementation and (ii) the critical need for neutrality – specifically in carrying out the political economy analysis.

Geographic Coverage: This component will be designed to benefit all participating Somali stakeholders equally. The World Bank brings neutral convening power and expertise.

Component 1: Poverty and Distributional Analysis and Statistics (US\$1.5m).

This component aims to produce, analyze and make available socio-economic 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 to provide the most comprehensive update on the status of the current crisis in these regions.

A technical appendix was approved through high-level consultations with the Ministry of Planning and International Cooperation, World Bank and development partners. It describes the sample design, cleaning and construction of consumption aggregates for Wave 1 of the Somali High Frequency Survey.

The data from Wave 1 offers the opportunity for a comprehensive analysis of poverty and related socioeconomic indicators to improve our understanding of conditions in Somali regions, and provides crucial information to shape policy. Wave 1 covered 21,026 people living in Mogadishu, urban and rural areas in Puntland and Somaliland, as well as in IDP settlements, which represents around 40% of the total population. The Somali Poverty Profile 2016 reports the incidence and depth of poverty, compute measures of inequality, describe and decompose poverty and inequality across population sub-groups, and examines selected topics like remittances, child poverty and social protection alternatives.

Additional waves of the SHFS will help understand poverty dynamics and increase coverage. Wave 2 is currently in the field expanding the geographical coverage of the Somali High Frequency Survey (SHFS) to urban and rural areas in emerging states and interim administrations in FGS, and include the Somali nomadic population. The data from Wave 1 and Wave 2 will be analyzed as part of a Somali Poverty Assessment, expected to be published in June 2018.

Component 2: Macro-Fiscal Framework (US\$ 1.2m):

Under this component, the project aims to shine a spotlight on Somalia's economy, assess economic trends, and provide regular analysis that generates policy dialogue in the development arena for the Somali population. This will be through tailored analytical products including regular Somalia Economic Updates (produced biannually), fiscal assessment notes, technical studies, and just-in-time technical assistance informing Somalia's National Development Plan (2017-2019), I-PRSP, and debt relief (HIPC) dialogue.

The Macroeconomics and Fiscal Management (MFM) team has prepared the 2nd edition of the Somalia Economic Update, with a special focus on Domestic Revenue Mobilization which was launched in August 2017. The next SEU is expected to be launched in the first half of 2018.

On the TA side, the team continue with regular fiscal monitoring and reporting for the FGS and FMS. These regular analyses help in monitoring the fiscal situation and as background contributions for Bank projects.

The team provided technical support to the FGS on 2018 budget preparation; prepared a background paper on "Modernizing the Chart of Accounts", and together with the IMF held a joint budget workshop for FGS budget officials. The team participated and contributed to the RCRF II MTR.

Component 3: Public Expenditure Reviews (PER) and Fiscal Federalism (US\$ 0.9m)***Sub-component 1: On track***

Building on the success of the SKOPE program, this project seeks to continue supporting prudent fiscal policy and management in Somalia to enhance service delivery. Currently, there is wide knowledge gap in both delivery of services and financing across the various sectors in Somalia. Additionally, there are many outside actors undertaking service delivery in various sectors and who do not necessarily coordinate or share with governments their programming, financing, information on these sectors.

The concept note has been developed and is ready for internal review, with implementation starting in February through July 2018.

<p>Sup-component 2: Fiscal Federalism</p> <p>With the adoption of a new Provisional Federal Constitutions a new federal state—Somalia—joined the federal family of states. Although the Provisional Constitution is clear on the principles of federalism, it leaves a number of questions unanswered, particularly on the structure of the fiscal framework and how it will be negotiated. In its Vision 2016, the Federal Government of Somalia identified Federalism, Boundaries and Resource sharing as its top priorities. Although very little progress has been made so far on these important issues, it will be high on the agenda over the next few years. The World Bank will continue its support to the Government to achieve a workable and sustainable federal system of government. This will be done through knowledge sharing activities aimed at distilling and disseminating international experience most relevant to Somalia's fiscal federalism context; a series of short analytical products and presentations to inform the current fiscal federalism dialogue; and technical assistance such as tariff harmonization and revenue mobilization and any other request.</p>	<p>Two deliverables under this component is an analytical paper that would examine basic revenue sharing and functional assignment concept for Somalia. These papers are in approval and peer-review process and are being finalized by the MFM team. A joint WB-UNDP stock taking exercise on functional assignment has concluded with a draft report on "State of Affairs on Federalism in Somalia" and is undergoing through internal reviews. This study examines laws, regulations and practices on the ground in eight selected sectors.</p> <p>On the TA side, tax and customs harmonization dialogue is in progress through the Finance Ministers Fiscal Forum. An agreement has been reached to harmonize taxes on khat, tobacco and departure tax after the September 2017 Fiscal Federalism Forum in Garowe. There is also agreed strategy to harmonize customs, adopting a common national customs law, uniform IT systems and common classification of goods. A second forum held in the reporting period in Kismayo furthered these discussions.</p>
<p>Component 4: Growth Drivers (US\$ 0.9m)</p>	
<p>Under this component, the project seeks to guide the Somalia authorities on how to develop economic policies, rebuild institutions of economic management, and provision of infrastructure and social services, which can generate stable economic growth and reduce poverty. This will involve carrying-out fresh, comprehensive, and in-depth analysis of the Somali economy to understand how stable growth can be generated in the next three to five years. The analytical products expected under this component include Somalia Country Economic Memorandum (CEM) and stand-alone studies in ICT, livestock, and fisheries sectors.</p>	<p>Two modules of the Somalia CEMs have been completed and reviewed in the reporting period: 1) Agriculture module, developed with FAO and in close consultations with authorities, and 2) Physical and Digital Connectivity. The latter module consolidates connectivity related to ICT, financial services, transport and energy. Part 1 attempts to reap digital dividends within a growing ICT sector; Part 2 explores the nature of the digitized financial sector; and Part 3 looks at the potential for expanding domestic and regional transportation in Somalia. The module provides actionable guidelines for policymakers and regulators to create inclusive ecosystems in the ICT, financial, and transport sectors. The two Modules will be published in early 2018.</p>
<p>Challenges:</p> <p>Generating new GDP figures for Somalia remains as a major challenge. In the absence of a reliable baseline, generating sector disaggregated economic activity has also been challenging. However, the team is working with National Accounts experts and the IMF to find innovative solutions to generate comprehensive National Accounts for Somalia.</p> <p>For the SHFS, the main challenges were reflected in the sampling design: 1) coverage of remote areas; 2) limited face-to-face time for an interview; and 3) updating the sample frame. Some of these challenges were overcome by a newly developed methodology to collect consumption data in 60 minutes, and with the design of a remote real-time data monitoring system. Wave 2 will expand the geographical coverage and include the nomadic population through the use of state-of-the-art satellite technology.</p> <p>The SHFS activities have highlighted the need to provide further capacity support to the Department of Statistics in order that the Somali government can play an increasing role in the exercise of data collection and analysis.</p> <p>Furthermore, the drought impacts have highlighted the urgent need to start developing accurate poverty data across the country in order to inform investments and policies. This will need additional financing to expand the SHFS. Moving forward, the MPF management will consider establishing a separate project on Poverty Analysis in order to ensure that financing is available over the next three years so that credible poverty data can be collected.</p>	
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ANALYTICAL AND TECHNICAL ASSISTANCE ON EDUCATION

Timeframe: 2016-19; **Budget:** US\$ 1m; **Status:** Effective

Objectives:

Address critical knowledge and information gaps in 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.

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 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.

Linkages with RCRF & MPF Knowledge Fund

Component 3 of the RCRF has planned support for: i) the establishment of a basic accountability system for the education and health sectors, ii) payment of salaries and allowances for eligible teachers and health workers and iii) eligible non-salary 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.

Implementation:

Puntland

- Verification and payroll mapping has been completed.
- 1,195 teachers were paid for Nov and Dec 2016.
- Payroll co-financing has been agreed (20% in 2017, 30% in 2018, 40% in 2019).
- We are awaiting expanded payroll for 2017 from the Ministry of Education for approx. 2,200 but have received the consolidated pay list for 2195 teachers. Verification has been undertaken and the expanded payroll signed off by the Task Team.
- Payroll manual work has commenced and ready in draft form, subject to final review and agreement with Task Team.
- Capacity injection project started supporting integrated head count and biometric registration exercise for all government teachers during 2017. This will provide added assurance to the integrity of teachers' payroll.

Banadir

- Agreement has been reached with FGS on numbers (approx. 300) and pay scale for Banadir – USD100 for primary, USD150 for secondary.
- Tentative agreement has been reached with Ministry of Finance regarding co-financing of Banadir teachers' payroll from 2018 onward, subject to further discussion and confirmation during the budget process.
- Pay list for 304 teachers has been received and is under review by the Task Team.
- Scheduling for a verification mission to take place in August.

Jubbaland

- Joint FGS / RCRF education mission was undertaken, including the Director General of the Ministry of Education to Kismayo. This is the first World Bank project supervision mission to the capital city.
- Agreement has been reached for 308 teachers and the pay scale harmonized with FGS.
- Pay list for 308 teachers and associated HR files have been shared with Task Team for review, together with official recognition of their status as civil servants by Jubbaland civil service commission.
- Dialogue is ongoing regarding fiscal sustainability.
- A verification mission is being scheduled to take place in first week July.

Other regions

- FGS convened a Mogadishu workshop in April where agreement was reached for identification of teacher pay lists for Galmudug and South West states. There was agreement for follow up with an intergovernmental education meeting to be held in the third quarter of 2017.
- As part of the Knowledge Fund, the Bank's macro-fiscal team plans to undertake a social services Public Expenditure Review (PER) with a focus on health and education in 2017. This is a separate analytical product from the activities proposed here as part of the knowledge generation and sharing pillar of this assistance. However, the knowledge generated through this activity will likely provide useful insights on education sector that will be useful for the PER.

PER:

The Public-Sector PER is scheduled to commence. A concept note has been developed, ready for internal review.

Component 1: Strengthen teacher payroll system and support strategic implementation of education activities under the Recurrent Costs and Reform Financing (RCRF) Project (US\$ 0.13 m)

Active

Under this component, the project will strive to strengthen the government's teacher payroll system linked to a reasonably sound teacher's database and support the RCRF to provide payment for teacher salaries hinged to low hanging reforms, e.g., development of a teachers' recruitment, professional development and career progression policy framework. This goes beyond what the RCRF had originally envisaged and provides benefits to the sector that extend beyond the project.

RCRF II MTR meeting was held between 27 November to December 1, 2017. The meeting was attended by officials from the Ministries of Finance & Education, Civil Service Commission and MPF donors.

The objectives of the MTR was to: (i) review progress; results and outcomes; (ii) identify challenges experienced so far in project implementation; (iii) outline course-correcting actions that will ensure that the project is on track to achieve results by its completion; (iv) reassess project risks, identifying any new risks that need to be taken into consideration; (v) review the continued relevance of the project development objectives and likelihood of achievement during the remaining implementation period; and (vi) identify and document keys and enablers of successful project implementation.

Support to Education Sectors (RCRF II Component 3): Progress has been made on rolling out support to the education sector in Puntland, Jubbaland and FGS (Benadir). During the implementation of education activities several issues related to teacher's policy, current system of teachers' accountability and management, sustainability of payment teachers' salaries by the governments, in the broader context of budgeting and financing of education have emerged and was widely discussed. The issues are discussed in the separate MTR note on education. Another key issue to explore is how to expand the policy benchmarks required under the Grant Agreement to the education sector.

The next steps will be: a) develop MTR report that will suggest and outline corrective actions will be produced; b) roll out teacher salary payments to the newly formed and eligible Federal Member States of South-West, HirShabelle and Galmudug; and c) Education team to work with the Somali Authorities in the finalization of the education policy benchmarks.

In the reporting period, salaries for 2117 teachers and non-teaching workforce in Puntland at the central and district level offices were rolled out. Similar rollouts will be completed for 308 teachers in Mogadishu (Benadir) and 300 teachers in Kismayo (Jubbaland) in FY18.

One-off teacher payroll database verification on sample basis has been completed. A payroll mapping, which outlines interim payroll procedures, was also drafted in the reporting period. "Structured Walk Through" was prepared for the first and second pay runs and the existing mechanisms was formalized in writing.

A checklist for monitoring Education sector public teacher payroll was prepared to provide updates on payroll management, budget allocation, payroll preparation, execution, reporting and withdrawal applications. The Bank team reviewed the agreement between Amal Bank (a commercially-owned bank) and the Ministry of Finance. The agreement specifies that Amal Bank will execute the payroll and ensure that teachers receive their salaries through Bank/Mobile money. The pay list, which shows all the teachers who will receive salaries through Amal Bank, will be finalized by the Government in the next reporting period.

Component 2: Knowledge generation and sharing (US\$ 0.42m)	
<p>Active</p> <p>The project will bring in lessons from global good practices on: (i) education service delivery in federal system aiming to strengthen Somalia's evolving federal framework for education service delivery; (ii) lessons from other fragile and conflict-affected countries on successful education interventions; and (iii) innovative use of technology for teaching, training, data collection, management, and improved governance and accountability; and (iv) evaluate some of the innovative education programs which seemed to have worked in Somalia.</p>	<p>Developing Federal Framework</p> <p>ToRs on Education Service Delivery in Federal Systems has been prepared and finalized. Two international consultants were hired to prepare case studies of selected number of international and regional countries on education service delivery in federal systems relevant to the post-conflict rebuilding process in Somalia. A kick-off meeting was held on December 12 with the consultants. The objective of the meeting was to discuss the proposed work plan, report structure, scope of the report, decentralization and key issues to consider – Somalia specific issues. The consultants shared the first draft outline of the report, including the timeline of the key deliverables.</p> <p>The next steps are: a) submit the full conceptual framework and case study structure; b) submission of initial case study by January 2018; and c) follow up discussion to provide feedback and further guidance for case studies.</p> <p>Education Management Information System:</p> <p>An international consultant was hired to assess the current education data collection and management systems in Somalia and prepare a proposal on an EMIS architecture. A draft work plan was prepared by the consultant. Inputs and feedback were given on the work plan. Subsequently, an initial meeting was held with the DGs of Education from the Federal and sub-national Governments. The objective of the meeting was to discuss the current EMIS initiatives in Somalia and the proposed World Bank intervention in strengthening EMIS systems in Somalia. A mapping template of existing EMIS initiatives was shared with the DGs. A short survey was designed to assess the highest priority functions for the first phase of EMIS implementation. The team provided inputs into the draft EMIS Functions Survey. The consultant shared a revised version of the EMIS Functions Survey. The final survey tool was shared with the DGs of Education.</p> <p>The next steps are to compile data collection initiatives and share with DGS of Education. The final survey will be shared by January 2018. Subsequently, all DGs and DPs will convene for a two-day EMIS workshop.</p>
Component 3: Promoting public private partnership and alternative modes of delivery (US\$ 0.45m)	
<p>Active</p> <p>The project will (i) provide policy advice on promoting Public-Private Partnership (PPP) within a broad policy framework; and (ii) propose appropriate modalities for hard to reach populations (e.g. pastoralist populations) based on evaluation of pilot programs that seemed to have shown some results in Somalia.</p>	<p>The task team, led by the Education team in Washington D.C., initiated the preliminary work of this activity. The ToRs were finalized and a local consultant recruited. The REOI evaluation will be finalized in early 2018, and the contract awarded in January 2018. The firm is expected to deliver the report by April 2018, and dissemination is scheduled for June 2018.</p>
<p>Challenges:</p> <ul style="list-style-type: none"> Political changes at the Federal level in late 2016 affected the smooth and timely implementation of the planned activities in FY17. 	
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SOMALILAND CIVIL SERVICE STRENGTHENING PROJECT	
Timeframe: 2016-21; Budget: US\$ 10 m; Status: Effective	
Objectives:	Strengthen basic functions for payroll, human resources and policy management in selected central agencies and line ministries.
Beneficiaries: Direct beneficiaries: government counterparts; Indirect beneficiaries: citizens.	
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. As a smaller sub-set 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 m)	
	<p>The HR Audit (including the Biometric exercise) is set to kick off. The Bank is working with the Government of Somaliland to finalize the data gathering tool. The newly elected President of Somaliland, H.E. Muse Bihi, was briefed by the Civil Service Commission Chairman on the project, including the HR Audit, and offered his full support on the processes. The Payroll audit will be rolled out immediately after the headcount to ensure controls are effectively in place and constantly monitored.</p> <p>Most Human Resource Management (HRM) consultancy assignments have been completed:</p> <ul style="list-style-type: none"> • Competency Framework for the civil service (completed) • Code of Conduct for the civil service (completed) • Coaching and Mentoring Policy and Program (completed) • Staff Retention Schemes (completed) • Performance Management System (completed) • Career Development Framework and Scheme of Service (completed) • Records Management and Archival Improvement in the civil service (draft completed, awaiting validation) <p>The Bank is currently working with the client to speed up implementation of the following activities:</p> <ul style="list-style-type: none"> • Developing pay and grading structure for the civil service: the current structure will be modernized to ensure a relative sound grading structure is in place. Capacity of the Civil Service Commission will also be strengthened to manage the pay and grading exercise • Develop recruitment and appointment policy and procedures: the policies have been completed but have not been applied and tested yet • Develop training policy and procedures: scheduled to begin in 2018 <p>It is envisaged that in Year 2, the Civil Service Institution (CSI) will begin to roll out and develop training materials for all these HRM areas. In addition, the TOR for these consultancy assignments will have a "blueprint" that will guide the development and rolling out of the training to civil servants.</p> <p>A consultant has been contracted to develop pension policy and pension scheme for the GoSL civil service. This exercise was completed in the reporting period, and the draft pension policy and pension bill have been submitted to cabinet for approval.</p>

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

Reorganization of key departments in Targeted MDAs.

This activity has been completed for 10 targeted ministries, departments and agencies (MDAs). All the 10 MDAs have new organizational structures, streamlined mandates, staffing plans, skills requirement needs, and staff ceiling to manage the wage bill. The MDAs are:

- Civil Service Commission
- Civil Service Institute
- Ministry of Finance
- Ministry of Planning and Development
- Ministry of Education and Higher Education
- Ministry of Health
- Ministry of Labor and Social Development
- Ministry of Rural Development and Environment
- Ministry of Mineral Resources and Energy
- Ministry of Presidency'

Civil Service Talent Management Program

A baseline study has been completed and an Operations Manual for the Talent Management Program (TMP) is in place (first DLI), and verification and confirmation of achievement of this DLI has taken place. The framework includes management policies and procedures, procedures for identifying jobs, recruitment and placement, payment system, and implementation arrangements for managing the program by both the Civil Service Commission and Civil Service Institute. The Department of recruitment in the CSC is being strengthened to implement the TMP. GoSL is now able to recruit the needed skills through the TMP manual.

Management and Common Services Training and Coaching

A government team including the Civil Service Commission (CSC) and the CSI is currently undertaking a study tour to identify external training institutions to establish partnership arrangements for continuous training, training of trainers, curriculum development and accreditation. CSC members have visited the Kenya School of Government (KSG); the Ghana Institute of Management and Public Administration (GIMPA); and the Rwanda Institute of Management (RIM). CSC plans on visiting the Institute of Public Administration Canada (IPAC), and submit a report compiling findings from visits to all higher learning institutions.

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

Two activities that took place in 2017 under this component are: a) Developing a Cabinet Manual/ Handbook. This has already been done through DFID support. The Bank is working closely with DFID to provide support to the center of governance to implement provisions and the cabinet manual. A retreat will be arranged for Cabinet members to be taken through it; and (b) Develop basic standards and procedures of policy development for the Centre of Government. DFID are involved in the Presidency on policy management, and the Bank is working with them to ensure that activities do not overlap. The Bank will recruit a senior Policy Analyst in the next reporting period that will train ministers and policy departments in ministries.

The formation of a Government Committee to prepare administrative policies, rules and procedures circulars, for submission to the has been done. The cabinet will work on administrative policies developed with support of the project. They include: (i) Recruitment (reorganization reviews and establishment control, TORs/JDs, advertisement, selection, hiring, on-boarding, promotions, transfers, redeployment, retirement, staffing plans, pay, job classification, probation, induction, grading structure, HR audit, personnel records/files, leave, HR data management/HRMIS; (ii) Performance (performance management and appraisals, career development, schemes of service, retention, severance, redundancy management, pension, talent management); (iii) Training (short term, medium-long term, continuous, on-the-job, training needs assessment, training plans development, coaching and mentoring, competency development, Executive leadership training); and (iv) Legal (administrative rules and regulations, industrial strikes, code of conduct, sanctions and disciplinary regime, appeals and mediation, violations, labor regulations).

The dated covenant of appointing external monitoring and evaluation experts/Independent verifiers, acceptable to IDA, to act as third-party verifiers of the proper fulfillment of the DLIs set forth in Schedule 4 of the Agreement, within 30 days of effectiveness, these arrangements have been discussed with government has been achieved. The verification shall be undertaken by the Office of the Auditor General with the support of technical assistance of a PFM Expert and a Monitoring and Evaluation Expert has been done.

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ENABLING ECONOMIC GROWTH

ICT SECTOR SUPPORT – Phase II	
Timeframe: 2015-19; Budget: US\$ 14m appraised, Grant value US\$10m; Status: Effective since June 2015	
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 (MPTT), Ministry of Finance, Central Bank of Somalia.	
Implementation Arrangements: These activities are Government-executed, with one component that is executed by the World Bank on behalf of the Government.	
Geographic Coverage: The project is intended to benefit Somalia as a whole. Specific activities will be completed in the different economic zones of the country. The management of the activities will primarily take place in Mogadishu, with activities in Puntland, Somaliland and other economic regions, but the impact of the project will be national.	
Component 1: Enabling Environment (US\$ 4.5m appraised, of which US\$ 3m available)	
Activity 1.1: Ongoing Ongoing Regulatory Support	<p>The Communications Act was approved by the lower and upper houses of Parliament in August 2017 and was signed by the President on 2 October 2017. The Law sets a 90-day timetable for the creation of the new ICT regulator — the National Communications Authority — following publication of the Law. The signing of the Act marks the culmination of some ten years of effort by the Government of Somalia. The final push benefitted from support from IFC and the Bank's Somalia team for a public/private dialogue which met in Nairobi, 29-31 March 2017, with several subsequent meetings in Nairobi and the Federal Member States. The focus of the support is now on establishing the Authority. Some seven new positions for individual consultants have been advertised and a firm contract award issued.</p> <p>Other activities undertaken during this period include the support for spectrum management, where a team analysed spectrum in use in six localities across the country, and provided training to Ministry staff. The interim report with recommendations has been provided for comments, and a stakeholder consultation will be held in January 2018.</p>
Activity 1.2: Ongoing Facilitation and support for the implementation of an effective mobile-money framework	A firm has completed a household survey of mobile-money use across Somalia, covering 1'800 households as well as focus group discussions and interviews with key stakeholders. The results were discussed at a stakeholder workshop in March 2017. The household survey results have been used to understand how mobile money is used, and the risks associated with it. This research will inform an operational pilot program, awarded through competitive tender, which will be used to help the Government make salary payments to teachers, and payments to food vendors in drought affected areas. A further US\$ 2m has been made available for additional financing from the State and Peace-building Fund (SPF) to support the work on using mobile money payments for drought response.
Component 2: Efficiency and equity in connectivity access (US\$ 7.8m appraised, of which US\$ 6m available, with US\$ 1.2m co-financing from EU AfricaConnect program)	
Activity 1: Ongoing Establishing a framework for SIM card	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 in Somalia. A study completed by the World Bank, UNDP, IOM and Terra Incognita was completed in May 2017. A firm has been appointed to conduct a follow-on study on the use of a PPP model for digital ID, with a stakeholder consultation planned for early 2018.

<p>Activity 2: Ongoing</p> <p>Supporting the connectivity in the higher education sector</p>	<p>The procurement, via the Africa Connect project, of bandwidth for the university community has been completed through a competitive tender, and a point of presence established in Mogadishu. Some 155 Mbit/s of internet capacity is now available to the university sector, having gone live on 5 December 2017. The project has also financed acquisition of a router and covered operations and maintenance costs for two years.</p>
<p>Activity 3: Ongoing</p> <p>Extending communications rooms in key ministries across all economic zones</p>	<p>An initial pilot program to provide two Communications Rooms in Mogadishu has been completed. Procurement for a further 18 sites was completed, covering six federal member states, as well as procurement for additional bandwidth. The existing communications rooms have been used for supervision meetings, as well as communicating with other partners and multilateral institutions in Kenya, US, and Europe.</p> <p>A 48km fiber optic loop in Mogadishu, serving 25 ministries and the Central Bank, is now complete and fully operational and a formal launch will take place after Ramadan. The Government has requested an upgrade in bandwidth to 620 Mbit/s as the initial 155 Mbit/s is fully used. The cable cut in June/July 2017, which caused economic losses estimated at around US\$12m, has reinforced the need for diversity in supply.</p>
<p>Component 3: Project Management and Coordination US\$ 1.7m appraised; of which US\$ 1m available</p>	
<p>Support for the Project Implementation Unit established in the Ministry of Posts, Telecommunications and Technology, working closely with the Ministry for Finance, for program management and coordination, and for capacity-building. A subsidiary Project Coordination Unit was established in Puntland.</p>	
<p>Update on the sector</p> <p>Mobile Telephony</p> <p>Mobile phone penetration in Somalia is high, with over 80 per cent of respondents interviewed in the 2017 mobile money household survey reporting that they had access to a mobile phone, and some 73 per cent using mobile money. Internet access is much lower, with only around 6 Internet users per 100 people. While mobile access is cheaper than in some neighboring countries (e.g. Djibouti), service providers can't negotiate mobile roaming agreements for their customers because they lack internationally-recognized licenses. Hopefully, the new Communications Act will be followed by the issue of proper licenses for operators, allowing them to negotiate mobile roaming agreements and to attract foreign investment.</p> <p>Somali domain repatriation</p> <p>As part of its support to the ICT sector, the MPF ICT team engaged a subject expert and provided overall support to the Ministry of Post, Telecommunications and Technology to repatriate the country code top-level domain name 'so'. An any-cast server and an internet exchange point are planned for delivery to the cable landing station in Mogadishu to replicate the central registry, located in Australia. However, the responsibility for the domain name contract is still in the name of the former Minister, Mohamed Ibrahim. It has been agreed with the Government to delay delivering the equipment to Mogadishu until responsibility for the domain name has been reassigned to SONIC (the Somali Network Information Centre) located within the MPTT.</p>	
<p>Potential areas for Phase III investments</p>	
<ul style="list-style-type: none"> • Technical Assistance for Telecom licensing process • Technical assistance for establishment of new ICT regulatory agency and capacity building • Nationwide system of Digital ID Mobile Money • Mobile Money: further extension of Government's ability to make use of bulk payments 	<ul style="list-style-type: none"> • Infrastructure investment • Mutualization of telecom backbone with roads/electricity/etc. • Creation of a PPP to manage backbone (fiber-optic connectivity) • A PPP-based approach for a national digital ID system • Corridor investments • Undersea cable to connect Berbera, Bosaso and Kismayo, in addition to Mogadishu • Support for ICT in education • Support for Somalia's tech ecosystem

Challenges:

Changes in the management in the Project Implementation Unit (PIU), as well as frequent changes in Minister, have caused some delays to project implementation. Moreover, the procurement processes for federal member States vis-à-vis the Federal Government of Somalia are still being harmonized, with technical assistance from the World Bank. To mitigate these delays, the closing date of the project has been extended to September 2019. Unpredictable financing from donors has also made project planning difficult.

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PETROLEUM SECTOR INCLUSIVE DEVELOPMENT

Timeframe: 2015-18; **Budget:** US\$ 4m, remaining uncommitted: US\$ 0.3m; **Status:** Pillar I Partly Complete, Pillar II Complete.

Objective

- Facilitating a consultative process to harmonize issues related to ownership, control and revenue sharing.
- Supporting the development of a petroleum policy, legal, fiscal and revenue sharing framework .
- Building government capacity to negotiate and manage petroleum contracts.

Beneficiaries; Primary Audience: Federal Government of Somalia (FGS) and Federal Member States (FMS), 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 & Mineral Resources.

Implementation Arrangements: Executed by the World Bank on behalf of the Government. Planned additional funding from the Extractives Global Programmatic Support (EGPS) TF will be recipient executed with a PIU established in the Ministry, providing a foundation for future support.

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

KEY ACTIVITIES, OPPORTUNITIES & CHALLENGES**Pillar Activities**

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

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. As a result 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, Jubbland and South West State) convened in Nairobi, Kenya for two knowledge-building workshops on petroleum resources management (Dec 1-3 & 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 3 FGS members and 2 members from each of the 5 Member States. The technical committee was tasked with drafting a shared vision for petroleum ownership, control and revenue sharing. A website capturing knowledge sharing workshop material, the outcomes and subject matter articles has been set up.

<p>Phase 3: Ongoing</p> <p>Facilitated meetings aimed at a shared vision for sector development</p>	<p>Delayed because of the 2016/7 election process, this phase is re-starting under the new administration. The Ministry has re-stated its request for support from the Bank. The importance of a shared vision on ownership, management and revenue sharing of petroleum resources in an inclusive manner is well understood. New coordination mechanisms in the FGS (including an initiative between the Ministry of Constitution, Ministry of Planning and other related Ministries to prepare key principles for revenue sharing that inform the constitutional review process) need to be considered.</p> <p>It is anticipated that in the remainder of this phase, expert advice, dialogue facilitation and logistic & secretariat support to future FGS/FMS meetings will be provided to conclude the agreement. The FGS has recently expressed commitment to deliver a detailed work plan completing Phase 3 in 2018.</p>
<p>Phase 4: Ongoing</p> <p>Embedding the shared vision in the constitutional and the petroleum legal framework</p>	<p>The Somali Constitution is still under review with the status of the natural resources and the allocation of powers between FGS and the 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 2 regulations covering environment, health, safety) have been drafted, with support of the Bank and AfDB. The Model PSA was reviewed by the Financial Government Committee. The Petroleum Bill already contains aspects of ownership and management of petroleum resources, e.g. FMS seats on the Board of the new Petroleum Authority. In September, the new Petroleum Bill accompanied with the Model PSA has been presented to the Council of Ministers. So far, no deliberations in Parliament have taken place over this Bill. A Downstream Petroleum Bill was drafted and subsequently downgraded to a technical regulation. Its enactment is pending.</p>
<p>Component 2: Focused Technical Assistance (US\$ 2.5m)</p>	
<p>Activity 1: Complete</p> <p>Review of the petroleum legal, regulatory and fiscal framework</p>	<p>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.</p>
<p>Activity 2: Complete</p> <p>Training to strengthen the technical and commercial capacity related to petroleum agreements</p>	<p>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.</p>
<p>Activity 3: Complete</p> <p>Bringing qualified expertise into the MPMR</p>	<p>An advisor on petroleum legal/contractual matters and advisor on petroleum institutional and governance matters have been 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 Centre. The data are ready for hand 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.</p>
<p>Opportunities:</p> <p>Strategically, the development of the Somali Petroleum Sector contributes to the country's diversification of revenue streams. It enables socio-economic and institutional development as well as international best governance practice. Wider collaboration between FGS & FMS is being stimulated.</p> <p>The Extractives Global Programmatic Support (EGPS) TF has made some funds (US\$ 0.5M) 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 would potentially include support for the establishment of the Somali Petroleum Authority, the development of a communication strategy, and the operationalization of the environmental, health & safety regulations. The final scope is under discussion with the Ministry. The project will be recipient-executed to provide the foundation for future funding sources, as the EGPS funds are limited and will not cover all the essential capacity needs.</p>	

Challenges:

- The progress on completing a shared vision agreement on ownership, management and revenue sharing of petroleum resources in an inclusive manner has been slow due to the dynamics ahead of the elections and within the new administration. This delay has also affected the enactment pace of key petroleum legislation. The complexities of establishing such a vision, in the context of the broader fiscal federalism and political priorities, are not underestimated. Continuation of the World Bank support as a neutral convening power is considered a key enabler, but this support will have to be adapted to the new political circumstances.

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SOMALI CORE ECONOMIC INSTITUTIONS AND OPPORTUNITIES PROGRAM (SCORE SOP-1)

Timeframe: 2016-19; **Budget:** US\$ 28.5m; **Status:** Effective (Effectiveness date May 2016)

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 the matching grant and connected business support services.

Government Counterparts: Ministry of Finance in Mogadishu, Presidency in Garowe, Ministry of Planning and Development in Hargeisa, Central Bank of Somalia, Central Bank of Somaliland, State Bank of Puntland, Ministries of Commerce and Industry (Mogadishu, Hargeisa), Mogadishu Ministry of Transport and Ports Port Authorities.

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 covered the entire Somali peninsula – FGS (including Puntland) and Somaliland.

Active Timeframe: 2016-2019.

Component 1: Strengthening CORE Economic Institutions (US\$ 8m).

UPDATE**Activity 1a: Ongoing**

Strengthen central bank supervision and regulation through an overarching and longer-term financial sector development agenda and continuous capacity building at the central bank level in the short to medium term.

In Mogadishu, this sub-component aims to assist the FGS to improve governance capacity for financial sector development and CBS to strengthen capacity for financial sector regulation and supervision through a combination of reporting, diagnostic and capacity building activities.

The October 2017 security incidents in Mogadishu had a knock-on effect on execution of program activities and information gathering related to the core-banking system project, market study and legal and regulatory diagnostics. The market study and legal diagnostic work are now expected to be completed during February 2018 and not December 2017 as earlier anticipated.

In December 2017, CBS began to operate the core-banking and accounting system on a parallel basis to the legacy semi-manual system. It is anticipated that CBS will wind down and decommission operations of the semi-manual system in January 2018. Even though additional equipment to ensure a high availability architecture and disaster recovery for the core-banking system was procured it is yet to be commissioned.

As of December 2017, CBS has issued annual licenses to six banks and 14 money transfer businesses (MTBs) albeit two MTBs were not operational. Mobile money service providers continue to operate without a regulatory and supervisory framework.

<p>Activity 1a: Ongoing</p> <p>Strengthen central bank supervision and regulation through an overarching and longer-term financial sector development agenda and continuous capacity building at the central bank level in the short to medium term</p>	<p>The market study by Ernst and Young aims to provide the missing data needed by policy makers, regulators and other market players to understand the nature of market demand and supply of financial services in Somalia with a view to identifying urgent priority policy reforms and possible green-field investment opportunities for the FGS to bolster both the demand and supply sides. The study covered around 886 households and businesses, and included semi structured discussions with senior level executives at financial institutions operating in Somalia.</p> <p>The legal and regulatory framework diagnostic by Mahmoud & Gitau Advocates aims to review and assess the Financial Institutions Law (Law No. 130 of 2012) and identify other laws and regulations needed to strengthen the institutional framework for provision of financial services and their regulation and supervision.</p> <p>In Somaliland, the objective of the subcomponent is to assist the authorities to improve governance capacity for financial sector development by strengthening the framework for regulation and supervision of both bank and non-bank financial services through a combination of reporting, diagnostic and capacity building activities.</p> <p>Ernst and Young commenced activities in June 2017 related to the provision of consultancy services aimed at strengthening financial institutions regulation and supervision. In November 2017, the consulting firm completed the legal diagnostics related to the Central Bank Act and Islamic Banking Act. Further, the firm completed the review of draft bills relating to AML/CFT, Remittances and Mobile Money. In December 2017, Central Bank of Somaliland working together with Ernst and Young held a stakeholder consultative conference to consider findings and recommendations from the legal diagnostics. This covered the following issues: i) regulatory objectives and powers and functions of central bank; ii) Shariah requirements; iii) prudential requirements; iv) ownership, control and transfer of business; v) consumer protection; vi), submission of documents or information to the central bank; vii) examination of financial institutions by the central bank; viii) compliance to directions issued by the central bank, and; (ix) central bank interventions and remedial action.</p> <p>In the coming review period, the firm is expected to incorporate feedback obtained from the stakeholder consultation in December 2018 into legal drafts of the proposed bills. The firm will also advance efforts aimed at building capacity of Central Bank of Somaliland financial institutions supervision. This will involve added technical assistance on strengthening supervisory processes and practice, and finalizing all legal drafts.</p>
<p>Activity 1b: Ongoing</p> <p>Improve the business environment by reducing the time and cost of starting and operating a formal business. It will also seek to improve government-to-business services to local small and medium enterprises (SMEs) and introduce a basic business environment and investment climate framework</p>	<p>The objective of this sub-component is to reduce the time and cost of doing business, enhance formalization and contribute to economic growth.</p> <p>While commendable progress has been made under this activity, specifically regarding the passage of the Companies Bill by the House in Somaliland and the finalization of the draft Bill in FGS, there is need to speed-up implementation of the remaining steps and conclude preparations to enable the One Stop Shop (OSS) to be operationalized in both Hargeisa and Mogadishu (deployment and training of key staff, institutional capacity assessment and preparation of OSS RFP).</p> <p>In FGS, there is need for concerted efforts from both public and private sector stakeholders to support streamlining and consolidation of business registration process and support the enactment of the Companies Bill. Streamlining and consolidating the business registration process in FGS will require an enabling regulatory and IT environment, plus the recruitment of qualified personnel to run the systems. So far, with SCORE support, FGS has hired senior level IT and legal experts to join the team at the Business registry in readiness for process re-engineering and automation. However, the authorities are yet to designate key personnel for the positions of Registrar and Head of IT, in both Somaliland and FGS.</p>

<p>Activity 1b: Ongoing</p> <p>Improve the business environment by reducing the time and cost of starting and operating a formal business. It will also seek to improve government-to-business services to local small and medium enterprises (SMEs) and introduce a basic business environment and investment climate framework.</p>	<p>In Somaliland, the House of Representative passed the Somaliland Companies Act on December 9, 2017. This development helps to pave the way for OSS operationalization. However, there are additional concerns around the OSS in Hargeisa relating to the data storage, licensing, ICT personnel, uninterrupted power supply, and internet services along with the enabling regulatory environment. While agreement on the responsibility for these tasks has been reached with the authorities, implementation progress by GoSL has been slow. GoSL needs to deploy IT and legal staff to oversee the OSS now that the Companies Law has finally been passed by the House.</p> <p>The contract for finalizing and commissioning the OSS in Somaliland has been issued, while for FGS this will be done as soon as an institutional capacity assessment, currently ongoing, is concluded, which will inform the final RFP. It is expected that the remaining works will be completed for the two OSS to be operational by June 2018. Following MTR, the results framework for this component will be revised to reflect efforts relating to formalization of business registration in both Mogadishu and Hargeisa.</p>
<p>Activity 1c (Developing the Port Sector): Ongoing</p> <p>The overall objective of this activity consists in strengthening the governance capacity of public authorities for strategic planning and improve the institutional structure of port sector management. Considering the limited project management capacity of the implementing agency, it has been agreed to split the Activity 1c into various sub-components being implemented at a reasonable and manageable pace but also in consideration of urgencies and priorities formulated by the FGS, particularly in respect of the future development and management of Mogadishu Port. Accordingly, the ongoing work, carried out by an international consortium of specialized consulting firms, encompasses following sub-activities:</p> <ul style="list-style-type: none"> • Master Plan of Somali Port Sector (main commercial ports) • Definition of Objectives of the Port Sector (Role the sector and every component shall assume) and elaboration of the required Sector Strategy • Evaluation of Private Sector Participation in the Sector including the Review of Institutional arrangements, regulation of port services, adherence and implementation of international conventions for safety, security and environmental protection 	<p>During the period under review, delivery of the work inherent to this activity comprised several workshops organized and led by the consultants. This approach has shown good results in similar projects in the region as it warrants intense interactions with all relevant stakeholders, effective transfer of technical knowledge and instant correction of misconceptions or misapprehensions.</p> <p>The consultants prepared and delivered the required outputs into final form as summarized below:</p> <ul style="list-style-type: none"> • Port Master Plan for the ports of Mogadishu, Kismayo and Bosaso has been completed and the respective outputs presented and discussed in the frame of a joint workshop held during December 2018 in Nairobi. The Master Plan reviews private sector participation in the management and operation of Mogadishu Port and elaborates with priority analytical elements 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: <ul style="list-style-type: none"> 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 facilitates users to run different scenarios. The revenues generated by the present port activity needs to be identified with more clarity and the same applies for the volumes of cargo and containers handled by the Port. • Port Sector Review comprising the review of the sector strategy, objectives and roles of the port sector and its sub sectors in Somalia including Puntland. Further, the review includes the regulatory framework and port services. This activity included a gap assessment and diagnostic. • Private Sector Participation in the Port Sector: The consultants assessed the Mogadishu Port concession agreement signed by FGS and a private firm. Based on this assessment and the Port Master Plan developed for Mogadishu, it is envisaged that FGS will extend the mandate of the consultants to provide technical inputs to support the potential re-negotiation 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. <p>In the coming review period, the main activities will involve completion of the mandate extension for consultant to support the review and potential renegotiation of the concession contract with Albayrak as well as the contract on the off-dock terminal with Simatech.</p>

Component 2: Expanding Economic Opportunities (US\$ 18.5m):**Activity 2a: Ongoing**

Support the recovery of the private sector by providing matching grants to support small and medium-sized enterprises (SME) via the Somalia Business Catalytic Fund (SBCF). The fund will support projects that generate both commercial profit and public developmental benefits. SBCF is designed to complement (crowd-in) rather than replace or crowd-out market finance.

After a large inflow of 1,750 initial eligible applications, based on up to date estimates from SBCF a total of 101 enterprises were provisionally or finally approved for grants in Round 1 amounting to a total of \$7.7 million in grant value. The first disbursement of funds for grant awards under Round 1 was made by the Bank to the SBCF in October 2017, following some delay resulting from organization of the SAPs and World Bank SBCF fund management contractual adjustment. Currently, the SBCF is in the process of making initial disbursements to grantee firms that have started implementing projects. It is expected that a total of \$2.1 million will be disbursed to projects by the end of December or early January. The three main subsectors to be funded are manufacturing, agriculture and fisheries.

In South Somalia (FGS), out of 522 initial applicants 91 were shortlisted and provided full business proposals on time. Due diligence has been completed on a final list of 41 enterprises (about 8 percent of initial applications) and grant contracts are in the process of being negotiated. At the present time about 15 of these contracts have been completed. Expected total grant value will be about \$3.1 million and expected job creation is estimated to be up to 2,300.

In Puntland, a total of 476 initial grant applications were received out of which a maximum of 39 were approved or provisionally approved for grants (about 8 percent). Grant agreements have been signed with 29 enterprises and implementation has commenced. Disbursements to these enterprises will be based on instalments agreed in their contracts. Expected total grant value will be about \$1.7 million and estimated job creation is expected to be up to 750.

In Somaliland, 752 initial grant applications were received in round one, out of which 78 (10.3 percent) were initially shortlisted. Forty-one were shortlisted in the final stage and 35 final or provisional grant agreements have been signed allowing implementation to start. Disbursements to these enterprises will be based on instalments agreed in their contracts. Total expected grant value will be about \$2.8 million. Potential job creation will be up to 2,000.

The issues arising overall have been a high rejection rate, caused by the very large flow of application that has occurred despite changes designed to prevent this (e.g. exclusion of startup companies). While this reflects the vibrancy of the business sector it also potentially raises the issue of challenges to decisions. There has also been a gender disparity issue especially at the large grant level and overall only about 12 percent of projects shortlisted for awards were female owned, an issue which is being addressed under the revised arrangements following the Mid-Term Review (MTR). Regarding the grievance process, surprisingly few cases have been reported up to now compared to previous experience and the Inspection Unit has also been implemented to assist with the resolution process.

Under the MTR, the SBCF program is being revised to approach directly the need to galvanize financial institution financing of enterprises as well as refining targets towards female owned enterprises and projects that can assist drought resilience and access to sustainable energy sources.

Activity 2b: Ongoing

Promote the development of SMEs through direct and indirect capacity building support via an SME Service Facility (SMEF) providing technical assistance, training and coaching services to: (i) entrepreneurs and investors, especially prospective applicants to the SBCF; and (ii) business development service (BDS) providers and technical vocational education and training (TVET) providers.

Other activity is a STEP gender pilot in Somaliland.

The SME Facility (SMEF) is providing technical assistance (TA) and business development services (BDS) to assist Somali entrepreneurs to launch, manage, and grow successful businesses. This component is being managed by an implementer (BDO LLP) in partnership with IPE Global/SPARK. The progress achieved by SMEF (by beneficiary group) is summarized below.

SBCF Grant support:

- *Support to Proposal Preparation.* The initial program was aimed at supporting SBCF (catalytic fund) business proposals as a one-off activity targeted to applicants for the SBCF grant and has been concluded for the first round. In the second round where the number of projects will be significantly lower than for Round One limited support may continue to be required to projects provided by other development partners as well as SBCF.
- *Support to implementation of Grantee projects.* During the period under review, SMEF started to support enterprises who were approved for SBCF grantees following the due-diligence in Somaliland and Puntland. Key business function gaps identified by the SBCF were assessed and aggregated by SMEF with eventual development of support interventions. The SMEF then selected and contracted qualifying BDS providers to deliver the support in key areas. To date, 29 SMEs were supported to strengthen financial management, including development of financial policies and procedures, inventory management and procurement procedures. Similar support has commenced for 22 SME grantees in Puntland and is still ongoing with an addition of budget management support. An emerging need for TA is in selecting appropriate equipment from suppliers, quality control, productivity improvement and technical services for equipment installations, employee use of new equipment, negotiating/guidance on instalments and commissioning terms.
- *Support timing.* Support for the Grantees in both Puntland and Somaliland will continue until January 2018 while grantee support in FGS is yet to start because of delays concluding grant agreement in South Somalia by the SBCF program. In December 2017, SMEF will scope out the support needs, recruit technical and business service providers (BDSPs) and start provision of support. This program is expected to go on to April 2018, from the experience in the other regions. It is estimated that more than 30 SMEs might require a mixture of the support services mentioned above.

Skills Training Support: For the general skills Training and upgrading program (outside the requirements of the SBCF) the SMEF initially conducted technical skills needs assessments in targeted sectors (Agribusiness, Renewable Energy, Manufacturing, Construction, Hospitality and services). The findings of skills gaps were shared with existing providers who were also requested to design and propose short skills training programs throughout the peninsula.

To date, 366 individuals drawn from SMEs, individual technicians and entrepreneurs have received various skills training support from SMEF through third party providers selected by the SMEF. We are now assessing new proposals for the remaining 584 individuals which will be delivered through 24 training workshops. The evaluation of proposals, design of curriculum, and contracting and monitoring of the training is a continuous activity, we see the target reached in March of 2018, with the two remaining months dedicated to monitoring and developing case studies especially for the earlier supported individuals.

Other SME support: From the onset, SMEF developed a portal which allows SME business owners to express their business support needs and apply online for services. This portal was initially promoted during our start up town hall meetings. Information on the needs of SMEs for services was analyzed with most the requests falling under the following areas: i) Business Growth, Strategy Development, Marketing Plans; ii) Financial Management; iii) Implementation and adoption of financial software; iv) Business strategy development.

<p>Activity 2b: Ongoing</p> <p>Promote the development of SMEs through direct and indirect capacity building support via an SME Service Facility (SMEF) providing technical assistance, training and coaching services to: (i) entrepreneurs and investors, especially prospective applicants to the SBCF; and (ii) business development service (BDS) providers and technical vocational education and training (TVET) providers.</p> <p>Other activity is a STEP gender pilot in Somaliland.</p>	<p>So far, 113 SMEs have been supported under this activity, which has consisted of one-on-one consultations and workshop training, and the SMEF has a target of supporting an additional 200 SMEs. The program target for Somaliland has been reached. However, support is yet to reach 28 and 45 SMEs in Puntland and FGS respectively.</p> <p>The Skills Training and Entrepreneurship Pilot Project (STEP): Under STEP, SMEF has managed to develop and contract out five skill sets for training in four regions of Somaliland. 75 women are undergoing training ranging from procurement, logistics, office management, and hospitality. 49 have already completed training with close to 40 percent having accessed employment.</p> <p>Placement for the already graduated young women ongoing while monitoring, apprenticeships programs and eventual employment preparation work is ongoing with three of the providers currently conducting the training. Two of the providers will complete training in February 2018 and the third in April 2018.</p> <p>On the entrepreneurship track, 128 young women received initial training to develop simple business and marketing plans. Mentorship and coaching of the young women has been ongoing.</p> <p>In December 2017, SMEF plans to organize a business plan competition which will assess the business plans and award the best entries. The BPC's purpose is to encourage young entrepreneurs to complete their business plans. This will not only clarify what they need to do to grow, and provide them with a road map, but it could be a beginning of the journey for them to competitively apply for grants or commercial loan facilities. At the end of the competition, SMEF will hopefully have a pipeline of between 15-20 MSMEs (out of the supported 128) that could graduate and compete for the SBCF new women grant opportunity. SMEF will from January design a special support program to enable the MSMEs develop growth strategies alongside preparing them for other grants and submissions to MFIs.</p> <p>Development of the capacity of Business Service Providers: The target for developing BDSPs has been reached, with 90 Providers having received various training to help them support SMEs. The situation however is that only a handful of them are fully able to provide requisite support and a deepening of the capacity to upgrade more of the BDSPs to be able to fully support the SMEs needs to be considered. There is need to have a critical mass of providers who can provide coaching and mentoring services that can enhance growth of SMEs. Currently, BDSPs are specialized, for example in financial management, but that are not able to provide technical support to analyze all business functions or provide adequate growth-oriented mentoring.</p> <p>TA to Grantees under modified Round Two of SBCF: Under the re-design of the SCORE program the SMEF will be modified to provide BDS support and technical assistance to facilitate partnerships between BDS providers and women-focused financial intermediaries, particularly lending to women entrepreneurs. This will include focusing the SMEF not only on direct support to enterprises but on providing a program of specialized to the financial intermediaries (including MFIs) supporting women owned businesses if this proves to be required. Women-targeted grants are likely be relatively small and more numerous and the possibility of expanding the pilot training program to the whole peninsula is under consideration.</p> <p>Following MTR, SMEF is expected to support pipeline of projects under round two of the SBCF, including some from the SBCF's own approved pipeline projects and other promising projects from parallel donor programs such as GEEL, PIMS, and SHURAAKO who have sufficient competence in diagnosing systemic issues within select value chains/ sectors but may rely on support services from SMEF-supported or new providers for diagnostics of the business functions.</p>
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Component 3: Project Management (US\$ 2.0m for Recipient):**Activity 3a: Ongoing**

Technical teams – Project Implementation Units (PIU) – need to be anchored in Federal Ministry of Finance, Ministry of National Planning and Development in Hargeisa, and Puntland President Office.

PIUs are in place in Mogadishu, Hargeisa and Garowe providing coordination, procurement and financial services.

Challenges:

A mid-term review (MTR) of the SCORE program was undertaken during July-October 2017 that included MPF donor consultations during November 2017. Even though the MTR identified implementation challenges and structural deficiencies, it concluded that the Project Development Objective (DPO) remains broadly relevant and achievement of project outcomes possible. The MTR focused on the relevance of SCORE amid a changing country context, its effectiveness and how to strengthen the sustainability of its impact.

The MTR proposes a restructuring. The proposed restructuring package has broadly been discussed and agreed with the authorities and a follow-up mission planned for December 2017 to finalize and formalize this agreement. The following are some of the key issues in the restructuring package of the SCORE program:

- Consideration of a targeted approach for the Somali Business Catalytic Fund (SBCF) with links to the financial sector: The MTR recommends a targeted approach for SBCF round two to ensure continuing relevance and sustainability of financial intermediation.
- Consideration of TA support to women-focused financial intermediaries for the Small-Medium Sized Enterprise Service Facility (SMEF): The steady progress made by SMEF at MTR presents an opportunity to explore possibilities for refocusing efforts to ensure sustainability of women-focused interventions by intermediaries. This would potentially include focusing SMEF support on financial intermediaries targeting women owned businesses.
- Laying the foundations for broader and longer term financial sector development: SCORE is currently supporting a series of market diagnostics and analytical work on legal, regulatory and institutional setting for financial institution regulation and supervision, as well as providing technical support on digital payment platforms. These activities act as diagnostic inputs for the financial sector road map, which is a December 2017 benchmark for the IMF's SMP. The expectation is that the SCORE program will provide implementation support to the high priority items in the road map.
- Phasing-out of the port sector work: MTR recommends phasing-out of the port sector work by March 2018 and handoff outputs to the Financial Governance Committee (FGC) where these outputs and effort can be effectively used as technical inputs to strengthen FGS concession negotiation on the Mogadishu port.
- Phasing-out the business climate work: MTR recommends phasing-out of the investment climate work by June 2018 to ensure that the delivered work dovetails well with a series of pipeline IFC trust fund projects that are still under development on trade facilitation and investments climate arising from the May 2017 London Conference.
- Phasing-in of the Project Supporting Remittance Flows to Somalia ("Trusted Agent"): The MTR recommends linking SCORE and the Trusted Agent Project by March 2018 in order to effectively join efforts aimed at kick-starting CBS formal supervision of Somali MTBs to SCORE's capacity injection aimed at strengthening CBS supervisory and regulatory frameworks and practice related to a broad range of non-bank financial services such as mobile money and micro-finance which are becoming areas of concern as significant sources of financial sector vulnerability and risk.

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SOMALIA INVESTMENT CLIMATE REFORM PROGRAM (SICRP)	
Timeframe: 2016-18 ; Budget: US\$ 3.5 m (of which US\$ 1.85 from MPF); Status: Effective	
Objectives:	Unlock and enhance private sector led economic growth and competitiveness through targeted investment climate reforms for the Somali people.
<p>Beneficiaries: Direct beneficiaries: (i) Federal and Somaliland Government ministries in charge of commerce/trade and investment, The Somaliland Ministry of energy and (ii) Private Sector – Chambers of Commerce and entrepreneurs including Small and Medium Enterprises (SMEs), throughout Somaliland and Somalia.</p> <p>Indirect beneficiaries: Somali workers employed through expanding private sector development opportunities and consumers benefitting from improved choice and lower prices for goods and services. The Somali people in general due to shared prosperity that promotes peace.</p>	
<p>Government Counterparts: The Office of the Prime Minister and the Ministry of Commerce and Industry, Ministry of Planning Investment and Economic Development in the Federal Government of Somalia; Ministry of Trade and Investment in Somaliland; Ministry of Energy and Minerals in Somaliland, Puntland Investment Development Authority.</p>	
<p>Implementation Arrangements: This project will be implemented by the IFC, in partnership with the Government through local and international staff and consultants engaged directly by the IFC.</p>	
UPDATE	
<p>Geographic coverage: currently working in Hargeisa, Mogadishu and Garowe and will support activities in Berbera.</p>	
Component 1: Public-Private Dialogue (US\$ 0.665m)	
<p>On-going</p> <p>This component will support the facilitation of a robust Public Private Dialogue (PPD) to build capacities, agree on priorities, and catalyze reform implementation in support of private sector development. Support will include strengthening of secretariats, infusing analytical and evidence based policy advocacy capacities, as well as enhancing capacities of key drivers of reform.</p>	<p>The PPD component has been instrumental in enhancing trust and drawing in the private sector to inform policy and regulation. Working at an economy wide level in Somalia and Somaliland, the PPD structures have created opportunities for engagement across various sectors leading to prioritization of reforms and commencement of implementation. Not only has the PPD supported public to private engagement but also prompted private-to-private consultation, bringing together industry players who in some instances hitherto were reluctant to engage. Additionally, SICRP has offered support mobilizing the relevant technical advisory services at the sectoral working group level to promote balanced engagement thus addressing potential distortion of the regulatory role of public sector given the private sector strength.</p> <p>FGS economy wide meetings:</p> <ul style="list-style-type: none"> • 3 Senior Somali Business Advisory council meetings held – inaugural in Nairobi and follow-up in Djibouti and the last one in Dubai in November 2017. The meeting in Dubai also included some of the major donors of the SICRP program. The advisory council whose membership consists of Somali private sector industry leaders was formed to provide guidance and support to the Somali Public Private Dialogue. The council is geared towards leveraging the sector which has been the engine for growth and resilience to now look at inclusive private sector participation in and support to the economic development of the country. • Economy wide meeting as a side event to the Somalia London conference during which PPD was launched formally by the incoming President of Somalia. Follow-up meetings with FGS representatives in Uganda (November 2017) to take stock of the developments that happened since London. • This workshop had the following objectives: 1. Review the progress realized by FGS implementing agencies in the prioritized reform areas; 2. Agree on next steps including planning for the biannual forum; 3. Steering the appetite for investment climate reforms including through peer to peer learning and engagement with the diaspora investors.

<p>On-going</p> <p>This component will support the facilitation of a robust Public Private Dialogue (PPD) to build capacities, agree on priorities, and catalyze reform implementation in support of private sector development. Support will include strengthening of secretariats, infusing analytical and evidence based policy advocacy capacities, as well as enhancing capacities of key drivers of reform.</p>	<p>FGS PPD Working Group Meetings:</p> <ul style="list-style-type: none"> • ICT sector has held three meetings including the inaugural one in Nairobi and has been focused on the enactment of smart practice ICT law working with the private sector who had initially resisted its enactment. The work with the ICT working group is being done in collaboration with the WBG ICT project which offers the technical support while SICRP leads on the PPD. As a result, it led to the passage of the ICT Law in October 2017. • Doing Business: the work of this group is being focused on working at the Federal level to streamline the business registration process in Somalia as well as undertake related reforms including One Stop Shop. • PPD Secretariat: Private sector has mobilized a secretariat comprising of members including at the State level, Public sector members of PPD secretariat are currently being mobilized. <p>Somaliland sector PPD events were:</p> <ul style="list-style-type: none"> • 3 Economic sector level meetings held under the auspices of ESCOM (the ESCOM meetings, jointly co-chaired by Ministry of Trade and Investment and DANIDA, were held on 22nd January, 19th April and 7th November 2018 and brought together key economic stakeholders. Over 20 reform recommendations were arrived at during the ESCOM meetings. • 1 energy sector P2P learning mission to Kenya and Uganda for the Independent Power Producers - The SICRP team facilitated energy sector PPD and enhanced the capacity of key stakeholders, including the Somaliland Electricity Association (SEA), to responsibly engage in energy sector reforms. SEA and others actively engaged Government on efforts to establish a regulatory framework for the energy sector. Using the SICRP facilitated PPD process, Government and the private sector in energy discussed and agreed upon the electric energy bill. The agreed version of the bill was submitted to parliament during its April – May session. Unfortunately, the public hearing on the electric energy bill was put on hold pending presidential elections in November. Parliament has now prioritized passage of the Electric – Energy bill following the recent successful change of Government. The work with the group is being done in collaboration with the WBG C3P team which is offering the technical support while SICRP leads on the PPD. <p>As part of the ongoing PPD activities, SICRP organized 2 workshops in October and November 2017 (in Nairobi and Uganda respectively) attended by representatives of the Chamber of Commerce and private sector, facilitated by the Confederation of Danish Industries. As a result of the workshop, the Chambers of Commerce were able to draft action plans (for action in short term, 6 months, and longer terms, 2 years) in order to strengthen their institutional set-up and enhance member services.</p>
<p>Component 2: Ease of Doing Business (US\$ 1.5m):</p>	
<p>On-going</p> <p>This component will support 3-4 areas measured by the Doing Business Survey, such as business licensing, trading across borders, paying taxes, registering property and starting a business. It is planned to carry out 1-2 Sub-National Doing Business surveys over the course of the project to establish a priority list of DB issues.</p>	<p>Following the successful completion of data collection and inclusion of Somalia to the Doing Business report for the first time ever, SICRP partnered with the Ministry of Commerce and Industry as well as the Somali Chamber of Commerce and Industry to commence the indicator based reform work beginning with the starting a business indicator where the reform appetite had already been established. Support to the improvement of the starting a business indicator through providing advisory inputs to the SCORE led legal review report. SICRP keeps providing input to the laws to modernize the dated and piece meal company related legislative provisions at the Federal Government level and in Somaliland providing for among other things smart practice in corporate governance, new forms of operation and explicit elimination of obsolete requirements for the registration and operation processes. Specifically, during this period, the following can be highlighted:</p>

<p>On-going</p> <p>This component will support 3-4 areas measured by the Doing Business Survey, such as business licensing, trading across borders, paying taxes, registering property and starting a business. It is planned to carry out 1-2 Sub-National Doing Business surveys over the course of the project to establish a priority list of DB issues.</p>	<ul style="list-style-type: none"> • Enactment of Somaliland Companies Law. Review work and final enactment in December 2017. Thanks to the work done during the last two reporting periods and to the continued support to the process by providing advisory input at the parliamentary committee stage of reviewing the Somaliland Company law. Despite the political impasse due to the elections, the Somaliland Company Act was finally enacted in December 2017. • FGS Draft Company law – the project has continued ongoing advisory work to review the drafted text. Under this capacity, SICRP organized a workshop in September 2017 gathering relevant stakeholders in Nairobi in order to review the full text of the law. The reviewed draft text is currently in consultations at the federal level, supported by SICRP. The revision included benchmarking against international best practices and included aligning to best fit modern provisions on company registration, company formation, capital and shareholding structure and corporate governance. <p>The support to the legal review work and streamlining of government to business services is being done in collaboration with the WBG SCORE project.</p> <p>SICRP has also supported for the second time the data collection exercise for the Doing Business report, stepping in to address the low response rates. The new DB Report was published in October 2017.</p>
<p>Component 3: Trade Facilitation Support (US\$ 0.65m)</p>	
<p>Preparation started</p> <p>Trade facilitation support and training will be provided to reduce barriers to trade, enable Somali trade negotiators and officials to engage in regional trade arrangements, and enhance international trade. Integration will be linked to the wider Horn of Africa trade corridor. This component is targeted to commence later in the program.</p>	<p>In preparation for the roll out of the trade facilitation support component in the next financial year, during this reporting period the program developed a trade facilitation project. The Trade Facilitation Umbrella project was submitted to review in October 2017 by Bank's senior management and has also been approved, starting the implementation phase of the project.</p> <p>This project will strengthen the policy, regulatory and institutional framework to support trade and investment in Somalia and thereby catalyze accelerated private sector growth, critical for peace and stability in this Horn of Africa FCS Country.</p> <p>The project interventions will further drill down to at least 2 sectors (livestock, fisheries, energy, ICT) and support end-to-end trade and investment capacities and opportunities, which will serve as a model for scaling up/replication across the economy.</p> <p>The above work will lead to the following outcomes at the end of the project: At the end of the project, the following will have been achieved:</p> <ul style="list-style-type: none"> • New investments encouraged in at least two sectors (eg ICT, renewable energy, financial sector, fisheries, construction, livestock). • The Investment Law operationalized, Investment Policy drafted, consulted and adopted; an Investment Promotion Agency established and operational; • 1-2 Trade departments strengthened and enabled to provide effective G2B Services. Given the FCS nature of Somalia, this process will remain flexible, taking into account developments on key milestones, as well as security and absorptive capacity considerations.

Component 4: Government to Business (G2B) Services (US\$ 0,685m)

Ongoing

Improving G2B services such as regulatory delivery, mentorship and support to businesses – in a country where regulations are not fully enforced, this component would support the key government agencies to establish / improve “extension services”, advisory and enforcement mechanisms that enhance mutual trust and collaboration, while creating a level playing field, and enhance business confidence.

- To address the existing policy gap in the regulatory delivery, SICRP support the development of the following:
 - Somaliland SME policy formulated and consulted through the PPD process. SME policy was validated by stakeholders on 7th December 2017. The revised draft policy will be submitted to Cabinet for its consideration and endorsement.
 - Somaliland National Investment Policy Statement (SNIPS) was drafted with SICRP support and consulted on by stakeholders. Prioritization of effort to update the regulatory framework for investment has been partly prompted by the ground-breaking investment in Berbera port by DP World and the realization that Somaliland's regulatory framework for investment needs to be upgraded to facilitate major investment in-flows. SNIPS is to be submitted to Cabinet for endorsement after Ramadan. SNIPS was presented to stakeholders by the Hon. Minister of Trade and Investment at the 2017 Somaliland Investment Conference which took place in September 2017.
- FGS Investment Review: SICRP is also conducting an institutional capacity assessment of the Investment Function at the MoPIED and develop recommendations for support. This review work will also include an Investment Policy and Promotion stakeholder mapping and revised Ministry structure. Validation of priorities and consultations with stakeholders has already been conducted in parallel to the workshops organized by SICRP in November 2017.
- In addition to this assessment, SICRP will also provide technical assistance to MoPIED in order to draft the Somalia Investment Policy Statement. This statement will capture the country's investment objectives, principles and high level reform action plan. The work with this working group is being done in consultation with the global WBG IPP team.
- SICRP has also continued the work on feedback loops platform geared towards improving government's responsiveness and quality of G2B services. It will also support SICRP in its role of helping to embed the OSS established in Hargeisa. The platform will also be leveraged to contribute towards the formulation of the National Development Plan.

Challenges:

- Insecurity hampers ability to travel as by raising the cost of engagement and also reducing the frequency as well. This is further compounded by the severe capacity gaps particularly at the FGS Ministry of Commerce and the agencies holding the investment portfolio which receive very limited capacity support and lack critical personnel e.g. to proffer streamlined company registration services or to operationalize the Foreign Investment law.
- While Somaliland enjoys relative peace, disputed borders, insecurity and lawlessness in the horn of Africa has had spillover effects especially in two of Somaliland's six regions. Therefore, the business community has been negatively impacted by the resulting high cost of doing business.
- Incomplete legal and regulatory frameworks, with overly burdensome administrative procedures, and high costs of compliance with regulations impacting the doing business environment. The Doing Business in Somalia 2018 report ranks Somalia 190 out of 190 economies while the Doing Business in Hargeisa 2012 report, ranked Hargeisa 174 out of 183 economies on the ease of doing business. The lack of enabling frameworks has for example slowed the projects roll out of the One Stop Shop solution to streamline G2B.
- Elite control in some instances slowing or skewing the pace of reforms - Powerful business owners who stepped in to bridge the public service delivery gap during the prolonged war formed monopolies which today control key industries and exercise significant influence on key public-sector actors and in some instances, this has been used to promote protectionist measures. This has been seen the energy and ICT sectors where existing players have been against new entrants and sought to influence the regulatory environment accordingly. It has also been a challenge to be inclusive - women and youth particularly face significant challenges.

- The prolonged drought across the Somali peninsula and the ban on exports of livestock has negatively impacted livestock and agriculture sectors and has also diverted government efforts to focus on the urgent humanitarian need at the expense of developmental work.

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SUPPORTING REMITTANCE FLOWS TO SOMALIA (SRFS)

Timeframe: 2015-17, with option to extend to 2020 (currently discussing moving within another MPF program as a separate component); **Budget:** US\$ 2.2m (US\$ 3.655m with extension) **Status:** Effective

Objectives:

Work alongside the Central Bank of Somalia (CBS) to implement a number of activities aimed at tackling key deficiencies affecting the remittance market in Somalia until a sounder financial system is in place, and to accelerate and support financial system development.

Beneficiaries: Central Bank of Somalia and remittances recipients throughout Somalia.

Government Counterparts: Central Bank of Somalia, Ministry of Finance in Mogadishu.

Implementation Arrangements: These activities are executed by the World Bank on behalf of the Government. The 'Trusted Agent' works on behalf of the Government.

Geographic Coverage:

The project benefits remittance recipients throughout Somalia. The initial phase of the project focuses on the CBS in Mogadishu. The implementation of the Money Transfer Business (MTB) regulations and the scope and implementation of the Trusted Agent's (TA) supervisory activities will ultimately extend throughout Somalia.

Reform Context:

The remittances crisis highlighted the need for the Central Bank of Somalia to start formal supervision of Somali Money Transfer Operators (MTOs). In response to the crisis, a larger reform program of policy change, institutional reforms and technical assistance was also developed and is now being implemented. The work is coordinate through the Somali Remittances Stakeholder Advisory Council, co-chaired by the Central Bank Governor and the World Bank Country Director and with representatives from Somalia, the World Bank, IMF, AfDB, USG, UK and IGAD. The Council has generally met semi-annually since June 2015; the ninth meeting was held in October 2017.

KEY ACTIVITIES, July-December 2017

Component 1: Drafting of Money Transfer Operator Regulations (US\$ 0.18m)

Completed

In order to strengthen the regulatory framework for the MTO sector, the World Bank worked with the CBS to draft and enact MTO Operating Regulations based on the 2016 enacted AML/CFT Law, to which the World Bank also provided technical assistance. The regulations include provisions for customer due diligence, recordkeeping, ongoing monitoring, reporting, internal controls, consumer protection, and risk management. The Regulations apply to all registered and licensed MTOs operating in Somalia. The WB also worked with the CBS to draft and enact MTO Customer Registration Regulations, which apply to customers of all MTBs to ensure a level playing field.

The MTO Customer Registration Regulations were passed by the CBS Board in October 2015 with 6 months to come in to force. Originally drafted as guidelines, the MTB AML/CFT Regulations and MTB Operational regulations were converted to regulations with the legal basis of the new AML/CFT law. The CBS Board adopted these regulations in March 2016 and the regulations came into force in September 2016 after a six-month grace period.

Component 2: Placement of Trusted Agent (US\$ 3.5m)	
<i>Ongoing</i>	<p>The project is to improve systems and trust in the Somali sector and thereby build the confidence of the international remittance/financial operators.</p> <p>To assist in this process the Trusted Agent (Abyrint) procured by the World Bank, supervises with the CBS all Money Transfer Operators licensed by the CBS, following the existing regulatory framework and focusing on existing regulations on registration & licensing, and operation. The Trusted Agent supported the Licensing and Supervision Department (LSD) to strengthen the registration and licensing process for the money transfer business in 2016. They also helped the implementation supervisory activities under the regulation for the MTOs on Customer Registration and operation Regulation.</p>
<i>Ongoing</i>	<p>Reports for each MTO have been produced which include summary of the findings of the examination, a tentative assessment status with respect to the consistency of the MTO's policies and practices with the CBS regulations and recommendations for improving compliance.</p> <p>Cooperative work continues with the TA and LSD the new plan for strengthening the supervision activities for money transfer business, emphasizing five areas:</p> <ul style="list-style-type: none"> • Strategy for MTB deepened Engagement • Capacity building of Supervision Planning, MTB reporting and analysis • Capacity Building Examinations Procedures • On-site Examination of the largest MTBs • The way forward to comply with AML/CFT <p>The Trusted Agent reports to both the CBS and the Trusted Agent Oversight Committee (comprising representatives of the Somalia CBS and MOF, World Bank, IMF and DFID).</p> <p>All capacity building is directly tied in to supervision activities and the support is provided on-the-job. Time and resources are planned in advance of supervision activities to prepare participating CBS LSD staff. CBS/LSD focus is to receive adequate tools, such as processes, guidelines or systems, and support for their implementation in the long-term.</p> <p>As of December 2017, the CBS LSD staff with the support of the Trusted Agent had completed two rounds of off-site examination of all MTBs, and on-site examinations of the three largest MTBs with the remaining on-site examinations expected to be completed in the coming months.</p> <p>MTO supervision is expected to be handed over completely to CBS after two years whereby the Trusted Agent will have a supporting role. During this time, Trusted Agent will provide support to strengthen the on-the-ground capability of the supervision department focusing on its MTO supervision function.</p>
<p>Challenges:</p> <ul style="list-style-type: none"> • At the outset of this project the capacity of the CBS and the MTB were at a low base, having operated without regulation for more than 20 years. Significant work has been recognized to establish an understanding of the principles and processes that are needed, on both sides. It is anticipated that with capacity development, regional operations, perhaps with financial institutions in the Middle East, could precede a wider international operation. 	
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URBAN INFRASTRUCTURE

SOMALI URBAN INVESTMENT PLANNING PROJECT (SUIPP)	
Timeframe: 2016-17; Budget: US\$ 6m; Grant value: US\$6m; Status: Effective	
Objectives:	<ul style="list-style-type: none"> • Provide an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities. • Provide enhanced project preparation and implementation capacity of the municipalities of Mogadishu, Garowe and Hargeisa, the Ministry of Public Works of the FGS and the Hargeisa Water Authority.
Beneficiaries: Residents of Mogadishu, Hargeisa and Garowe.	
Government Counterparts: Ministries of Planning or Public Works in Somalia; the municipalities of Mogadishu, Garowe and Hargeisa; and the Hargeisa Water Agency.	
Implementation Arrangements: These activities are Government-executed or executed by the World Bank on behalf of the Government. UNOPS was contracted to carry out the feasibility and design studies, while Crown Agents was contracted to undertake the institutional assessments.	
Preparation for Somali Urban Resilience and Recovery Project (SURR)	
The purpose of this project is to prepare the ground for a larger scale infrastructure project. This larger project was previously called the Somali Urban Development Project (SUDP) and has now been renamed as the Somali Urban Resilience and Recovery (SURR) Project in order to signal the importance of supporting urban resilience. The scale of the proposed SURR will depend on the availability of funding. In order to scale up gradually, the government counterparts in each municipality have prepared a prioritization of investments, informed by the feasibility studies and preliminary engineering designs that provides cost estimates.	
Component 1: Mogadishu (US\$ 1.73m)	
Sub-component 1: Completed Road Rehabilitation	Feasibility studies, preliminary engineering designs, and safeguards instruments have been completed for the rehabilitation of primary roads as well as secondary/tertiary roads at the district level to improve transport and transit efficiencies. There has been some cost savings from this work with, which UNOPS has prepared detailed designs and bidding documents for the secondary road investments.
Sub-component 2: Completed Institutional strengthening and capacity building of the BRA	This sub-component consists of an assessment of the BRA and the Ministry of Public Works (MoPW) of the FGS to inform preparation of institutional strengthening activities that can be undertaken under the proposed SURR. Crown Agents has completed an institutional assessment of the BRA as well as the other two municipalities. MoPW and the Hargeisa Water Agency (described below) as of September 2016.
Component 2: Garowe (US\$ 0.98m)	
Sub-component 1: Ongoing Roads and bridges	Feasibility studies, preliminary engineering designs and safeguard instruments for the identified roads and potential bridges have been completed. These studies provide estimated costs and identify the trade-offs to inform the selection of potential roads construction.
Sub-component 2: Ongoing Institutional strengthening and capacity building	An assessment of the Garowe Municipality (GM) has been carried out by Crown Agents (May-Sep 2016) to inform preparation of institutional strengthening activities that can be undertaken under the proposed SURR.

Component 3: Hargeisa (US\$ 1.03m)	
Sub-component 1: Completed Waste Management	Feasibility studies, preliminary engineering designs and safeguard instruments have been completed for the solid waste management, waste water management investments in Hargeisa. The proposed SURR also aims to support water supply investments in Hargeisa but feasibility studies for these have already been prepared by UNHABITAT.
Sub-component 2: Completed Institutional strengthening and capacity building	Crown Agents carried out an assessment of the Hargeisa Municipality and the Hargeisa Water Agency (May-Sep 2016) to inform preparation of institutional strengthening activities that can be undertaken under the proposed SURR.
Component 4: Cross-cutting Activities (US\$ 1.83m)	
Sub-component 1: Completed Assessment of the Local Development Fund (LDF)	Crown Agents has assessed the LDF and SFF so that the World Bank's urban work will build off the progress that has already been achieved and learn from the experiences of other development partners.
Sub-Component 2: Closed Cross-Cutting Studies	This sub-component consists of a conflict sensitivity study and an evaluation of the socio-economic impact of select urban infrastructure components. This study was not undertaken. The cost savings however were used to carrying out an urban assessment for Kismayo and Baidoa, which is elaborated on below.
Additional components included in the budget:	
<p>Financial Audit (US\$0.4m): An external financial audit of the project will be undertaken across all the four implementing agencies by an external audit firm, which will be procured and funded by the project. Further detail on the project financial audit is provided in Section VI C of the Project Appraisal Document.</p> <p>Implementation enhancements to mitigate security and operational risks (US\$ 0.86m): Enhanced implementation modalities were provided by UNOPS for a number of the project components in order to mitigate the security and operational risks associated with working in the current Somalia environment.</p>	
Additional update information:	
<p>For the government-executed components, each municipality received a grant to set up the project implementation units (PIUs) and hire necessary staff; purchase office equipment; provide training to PIU staff on financial management; procurement and safeguards; and cover for operating costs. All three municipalities now have fully staffed PIUs: a Designated Account at the Ministry of Finance level and a Project Account at the municipal level.</p> <p>The SUIPP has prepared the ground for the Somali Urban Resilience and Recovery Project. It was the first Bank project being implemented at the subnational level and the follow on SURR would be a national test case for municipal infrastructure delivery. Pending availability of adequate funding in the MPF, SURR would be fully implemented by the municipalities as a fully recipient executed project. The proposed SURR has modular components; hence, it could be scaled up gradually based on the availability of funds.</p> <p>The cost savings from the Bank executed part of SUIPP was used to carry out an urban assessment for Kismayo and Baidoa. The objective of this assessment was to identify key urban infrastructure needs in both cities and recommend 'quick wins' or infrastructure/ services and shelter provisions that can be prioritized for implementation; and recommend key government institutions involved in urban service delivery that the Bank/donors can collaborate and coordinate with in its response. A team of infrastructure specialists; land, social and shelter/housing specialists were contracted to carry out a primarily desk based study. The team also met with key officials and stakeholders in Kismayo and Baidoa.</p> <p>The SUIPP closing date of December 31, 2017 is now being extended to accommodate the geographic expansion of the project to Kismayo and Baidoa.</p>	
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SPECIAL FINANCING FACILITY FOR LOCAL DEVELOPMENT (SFF-LD)	
Timeframe: 2016-17 (Phase I); Budget: US\$ 8.8m; Grant value: US\$ 8.8m; Status: Effective	
Objectives:	Support the construction and reconstruction of new and damaged infrastructure for local service delivery in targeted areas of Somalia and support the development of basic public investment management functions.
Beneficiaries: (a) communities served by local administrations in the target areas.; (b) the government, civil servants and employees of the implementing Ministries, Departments and Agencies in emerging states.	
Government Counterparts: Ministry of Finance, Ministry of Public Works, regional governments.	
Implementation Arrangements: These activities are Government-executed through a center and regional partnership.	
Geographic Coverage: The geographic coverage will include all of Somalia. Phase II regions are Lower Shebelle, Nugal and Bakool subject to confirmation from the Steering Committee.	
Component 1: Small-scale Infrastructure (US\$ 3.9m)	
Ongoing Equal share grants per region for small-scale local development activities	<p>The first set of regions (pre-1991 classifications) under the SFF-LD pilot phase include Bay and Middle Shabelle, all of which will have US\$ 700k for projects. The projects identified in these regions are road rehabilitation. The subproject in Middle Shabelle has been completed and the one in Bay is near completion. The second proposed set of regions (Gedo, Nugal and Bakool) were confirmed with government counterparts and the project Steering Committee. A community consultation process to select subprojects was completed and designs for the subprojects prepared. The procurement process for contractors to carry out implementation is underway. Construction is expected to begin in late December 2017.</p> <p>Individual projects in SFF are identified through a consultation process with local communities and local authorities. Over the course of the project, the consultation processes will continue to be strengthened to ensure active participation, particularly from marginalized groups, and allow for robust accountability mechanisms.</p> <p>The PIU is being scaled up from managing four sub-projects (under Phase I) to potentially 7 sub-projects (under Phase II) as well as the drought response component and two prisons (financed bilaterally by Italy and Sweden through the UN). The SFF-LD will therefore grow from managing US\$3m to US\$12.8m. A midterm review for the project was undertaken in September 2017 and provided an opportunity to critically examine what is working within the project and what systems can be strengthened to manage the envisaged scale up.</p>
Component 2: Program Operations and Capacity Building (US\$ 2.1m)	
Sub-component 1: Ongoing PIU Operating Costs	<p>This sub-component covers day-to-day operations, including the salaries and allowances of the PIU members, consultancies required for technical assistance, project officers at the subnational level and associated costs with the running of the PIU.</p> <p>The PIU in the MoF consists of a coordinator, deputy coordinator, 2 engineers, and specialists for M&E, communications, procurement, financial management, and operational/administrative support. Once the capacity in the emerging states is strengthened, certain functions can be devolved; for now, the PIU handles all functions including procurement. This enables the project to make full use of country systems while ensuring fiduciary safeguards.</p>

<p>Sub-component 2: Ongoing Capacity Building</p>	<p>Technical assistance and capacity building includes 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.</p> <p>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. The mission briefly discussed the additional capacity building needs of the PIU staff and the potential for organizing external trainings. It was agreed that the PIU staff would submit proposals for any training they would like to undertake to the PIU Project Coordinator who would then send the consolidated list to the World Bank for no objection. The Bank team agreed that they would also help the PIU identify some 'contract/ project management' expertise that could provide some hands-on training as they scale-up. The Bank and PIU team would revisit the capacity building objectives of the project when the restructuring/ extension package and financing of the extension is discussed. This would allow the project to assess whether there are any resources and any merit in more expansive capacity building e.g. including other Ministries and the FMS.</p>
<p>Component 3: Contingency Emergency Response (US\$ 2.8m)</p>	
<p>Ongoing</p>	<p>This emergency component has now been triggered to allow a response to the drought and US\$ 2.8m has been secured through the World Bank's State and Peacebuilding Trust Fund. This component will essentially expand the menu of activities in the project and allow for water trucking, procurement of water storage tanks and bladders and rehabilitation of boreholes. The PIU is in the process of contracting NGOs to carry out these activities, this contract is expected to be in place by December 2017. An operational manual for this component has also been developed. Using SPF funds, the SFF is therefore being tested as an emergency response instrument, which the Government has within its direct control. The NGO-contractor modality is also testing a new operating model for government implementation and sets out a new direction for Govt.-NGO relations. The MPF will explicitly draw lessons from this arrangement with potential relevant for wider project implementation. This is an important area given the current levels to implement and potential complementary role of NGOs in support of government.</p>
<p>Other</p>	<p>The project closing date of December 31, 2017 has been extended to August 31, 2018 to enable the phase 2 projects and the activities under the emergency component to be completed.</p>
<p>Challenges:</p> <p>When SFF-LD was originally designed, it was envisaged that it would be a 'pilot phase' that could potentially be scaled up as a program of small-scale investments in social infrastructure across Somalia. However, for various reasons, it appears that potential donor financing under the MPF may not be sufficient to include the SFF-LD in financing priorities going forward. The project will have to explore the availability of additional resources during the extension period by involving the Minister of Finance to solicit interest from both traditional and non-traditional donors and look at the possibility of using national resources (however limited). However, discussions on resources will need to be embedded in the broader context of the strategic priorities for the MPF and as defined by the government.</p>	
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SOMALIA POWER SECTOR DEVELOPMENT SUPPORT	
Timeframe: 2015-18; Budget: US\$ 5m; Grant value: US\$ 1m	
Objectives	Contribute towards developing the fundamental building blocks for the establishment of modern energy sector in Somalia.
Beneficiaries: Primary beneficiaries will be decision makers at government level. Secondary beneficiaries will be private sector actors in the energy sector.	
Government Counterparts: Ministries responsible for energy. Selected municipal authorities.	
Implementation Arrangements: Bank-executed on behalf of Recipient.	
Geographic Coverage: All parts of the country will potentially be covered. The Lighting Africa Somalia project will target vulnerable populations such as nomadic groups, IDPs and urban poor. Resource mapping has a national focus. The power Master Plan study will have also have a national focus, but detailed city plans will due to funding constraints be done for four cities only (selection of the 3 cities will be subject to consultation).	
Component 1: Power Master Plan Development (US\$853, 510)	
Activity 1: Ongoing Power Master Plan setting priorities and sequencing investment in generation, transmission and distribution over a period of 20 years.	<p>The tendering process faced a few challenges, including non-responsiveness from potential bidders. The Bank team reinitiated the process, leading to the publishing of an EOI on October 5th 2016. The study has been awarded to a consultant in consortium with three local consultants. The consultant started activities in Mid-March 2017, and expected to complete by June 2018.</p> <p>The master plan will be divided into short, medium and long-term plans for generation, transmission and distribution of electricity. It will include electrification of cities, expansion of coverage outside of major cities and interconnection of separate urban grids into a future national grid. Expansion of generation capacity will take into consideration both thermal and renewable options. The plan will also analyse strategies for expanding rural and urban access to electricity to ordinary people in Somalia. The study has two working streams, one on power master plan and a second on city development plan. Data collection and validation is underway.</p>
Component 2: Preparing Off Grid Solar Access project (US\$ 3,725m)	
Phase 1: Completed Identify key constraints in launching a Lighting Africa project in Somalia.	<p>The market study for the off grid solar under the Lighting Africa has been completed. The study that was carried out by the Africa Solar Design (ASD) was shared with the energy teams in Somalia and Somaliland. The study is an analysis of the current supply chains and consumer demand for off-grid lighting products in Somalia; and explores supply and demand trends, value chain actors, lighting products and services available, the current institutional framework and the regulatory framework governing the sector. This study is the basis for an off-grid program that can be designed and implemented in the country.</p> <p>Two reports were prepared, one focusing on the entire Somalia and a second report only on Somaliland. A second phase of this activity would be to design and implement an off grid and mini-grid project.</p>
Phase 2: Ongoing Develop and design off grid solar access project for Somalia	<p>The key output of this component will be that the Lighting Africa Somalia project will be ready for funding and implementation, either as stand-alone project or component in a larger investment program. The Bank energy team is designing a US\$5.5 M project to act as a pilot to increase access to electricity (service) in Somalia aiming at reaching 30% access by 2025. The project design consists of three components one; one for the off grid solar access focusing on power ranges from 5-300 W; the second which addresses mini grids focusing on range of power from 10 kW to 2 MW and a range of customers under 2,000 connections. The third component would be provision of technical assistance and capacity building to the counterpart ministries; and project management.</p> <p>The project will transcend the boundaries of normal World Bank projects. The Lighting Africa model is unique mixture of energy and private sector development. To scale up Lighting Africa, the WB team is encouraging donors with private sector development programs to also team up in support of the program.</p>

Component 3: Renewable Energy Resource Mapping (wind) (US\$ 1m)	
<p>Phase 1: Completed</p> <p>Develop and produce a wind model with databases and wind potential maps (posters) for Somalia.</p>	<p>Model and databases have been conducted by the Technical University of Denmark (DTU) producing wind maps with +/-20% certainty on the suitability of specific areas for renewable wind power projects. The poster map was developed and shared with the Somaliland Energy coordination forum in November 2016; with FGS on April 9, and with Somaliland government and stakeholders on April 11. The maps reveal that Somalia has outstanding conditions for wind energy, and areas along the Somali coast could potentially be some of the best spots for wind power in the world. However, using wind power in Somalia is challenging, as Somalia lacks grid systems.</p>
<p>Phase 2: Pending</p> <p>Site identification and field measurements.</p>	<p>The wind model for Somalia is very encouraging, but “bankable” wind projects i.e. private investment in this sector will require a higher level of certainty. However, this activity is pending, and the Bank team proposed to the government to commission a site identification study as a starting point. Such a study will establish the economics of implementing wind generation in specific locations and propose the suitable areas for advanced field measurements. The installation of masts for taking ground measurements will then provide data to produce wind maps for Somalia with high quality. The Bank has a contract with Vortex and Everoze who will undertake this study as an effective way to start the engagement on wind.</p>
<p>Phase 3: Pending</p> <p>Validated map and model developed.</p>	<p>The key output of this component will be verified national and regional wind atlases with online database, which can guide public and private investments in wind generation for years to come.</p> <p>Using data collected from 80-meter meteorological masts, the maps and model will be adjusted and validated. Somalia will have a world class wind map and database, which will be an important input to future electricity generation plans.</p>
Component 4: Cross-border Electrification & Interconnector Study (being designed for approval)	
<p>Activity 1: Put on hold</p> <p>Cross-border electrification</p>	<p>The team is coordinating with USAID to come up with a plan to support the extension of the Ethiopian distribution network into Somaliland.</p> <p>Cross-border electrification is a well-tested modality of electrification all over the world. Opportunities still need to be mapped. One project has been identified in Somaliland. However, the discussions are still at an early and exploratory stage. In addition, due to the absence of a medium or high voltage grid, interconnection will require further developments unless it is limited to border locations.</p>
<p>Possibilities for expansion / scale-up (pipeline development):</p> <p>Somali Electricity Access Project (SEAP) under development, with three components; one on off grid standalone SHS using Lighting Africa framework and support use of up to 300W PV applications; and second on mini-grid. The third component is provision of technical assistance and capacity building to government counterparts and project management.</p>	

Notable Developments in the Sector:	Sector Challenges:
<ul style="list-style-type: none"> • Development of policy, legal and regulatory framework in Somaliland. • Active private sector players, often self-financed (electricity generation and distribution). • Formation of mergers and Joint Ventures: groups of small generators are reportedly trying to form cooperatives or similar joint ventures in order to make the heavy investment required to ensure proper electric power supply (presumably including a proper medium tension distribution grid). • The private energy utilities that have or are integrating renewable energy generating systems (In Somaliland 4MW plant in Hargeisa; Telesom is also planning solar and wind systems totaling 2.8 MW at 7 locations in Somaliland; wind electric generation systems such as the 900 kW wind farm in Borama, 450 kW wind turbines at Burao and Erigavo, 100 kW wind solar hybrid system at Sheikh, 60 kW of wind turbines each at Oog, Aynabo and Bernera and a 20 kW wind turbine at Hargeisa; In Puntland, NEC installed 1MW solar PV; In South Central, Benadir Electric Company (BECO) implemented a 2.5 MWp solar farm with Chinese collaboration. 	<ul style="list-style-type: none"> • Low electrification rates, especially in rural areas. • High cost of power, currently between US\$ 0.2 -1.0 per unit kWh. • Limited energy resources, with high dependency on biomass energy resources for cooking; and imported petroleum products for electricity generation. • Limited capacity in the energy sector (both in the government and private sector) • Technical and commercial losses remain high in the electricity sector. • Lack of data to make effective decisions (Weak knowledge of energy resources (hydropower; solar/ wind; geothermal; coal, etc); Weak knowledge of the status of power generation, transmission and distribution; and the energy access data misleading (access, quality, tariffs, etc). Weak legal and regulatory framework. • Limited financing and investment in the energy sector. • Limited infrastructure and regulations for procuring and transporting goods.
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ANNEX

IFC Private Sector Development in Somalia (PSDS) Trust Fund	
Timeframe: 2017-2022; Budget: US\$ 17.5M, funds mobilized US\$ 3.25M, expenditure so far US\$ 521,000	
Objectives	<p>The overall objective of the Trust Fund is to help catalyze private investment and contribute to job creation and revenue mobilization by:</p> <ul style="list-style-type: none"> • Strengthening the voice and capacity of the private sector in engaging with the government to improve the business environment. • Enhancing technical expertise and capacity of business-facing public institutions in formulation and enforcement of economic laws, rules and regulations. • Building capacity of businesses in selected sectors in design and delivery of financial and non-financial services in support of enterprise development.
Beneficiaries: Primary Audience: Federal Government of Somalia, Chambers of Commerce, private firms.	
Government Counterparts: Ministries of Commerce, Office of the Prime Minister, President's Office, Ministry of Planning and Investment.	
<p>Implementation Arrangements: IFC Executed through a dedicated pool of staff and consultants, supervised by senior IFC management.</p> <p>In addition to the day to day oversight and management of project delivery, IFC team regularly meets with the contributing donors to update them on progress, and seek advice and support.</p>	
Geographic Coverage: all Somali peninsula.	
KEY ACTIVITIES, OPPORTUNITIES & CHALLENGES	
<p>Milestone achievements:</p> <ul style="list-style-type: none"> • Passage of the Communications Act in Somalia • Passage of the Company's Act in Somaliland • Establishment of the Investment Board in Somaliland • Somalia Trade and Investment Project (SICRP 2.0) approved by Management <p>Pillar Activities:</p> <p>The program is designed to be a 5-year program, and expected to be extended if the program achieves its objectives. The Private Sector Development in Somalia (PSDS) comprise 5 components:</p> <ul style="list-style-type: none"> • Somalia Investment Climate Reform Program (SICRP) <ul style="list-style-type: none"> Program 1: Scaling up of the existing SICRP work, including Public Private Dialogue, capacity development of Somalia Chambers of Commerce and Industries, G2B services, Doing Business, and strengthening key government facing institutions; Program 2: Deepening IC work by progressively strengthening economic government and business-facing government institutions in key sectors focusing on catalyzing investment (developing sectoral regulatory frameworks sectors including ICT, Energy, financial services, agribusiness) and working alongside the private sector to facilitate trade. • Financial Institutions Development program (FIDEP) • Value Chain Development • Public Private Partnership • Gender and Entrepreneurship Development 	

Component 1: Somalia Investment Climate Reform Program

<p>Program 1: Scaling up of the existing SICRP work, including Public Private Dialogue, capacity development of Somalia Chambers of Commerce and Industries, G2B services, Doing Business, and strengthening key government facing institutions;</p>	<p>The sustained engagement including provision of advisory services to the responsible parliamentary sub-committee culminated in the enactment of law to address the proposed business entry reforms. In collaboration with SCORE, the team engaged the Ministry of Trade and Industry to begin to address the legacy issues (expiry of license, connectivity to power and stable internet) that lead to the failure to commission the One Stop Shop. The progress realized in implementing recommendations of the gap-analysis report commissioned by SICRP point to the likely commissioning of the OSS during the next performance period.</p> <p>PPD in Somaliland: During the reporting period the planned ESCOM meeting was held in November 2017 and engagement with the Energy working group sustained. PPD strengthening continued with the capacity building of the core team (including peer to peer learning in Nairobi, Kenya as well as Kampala Uganda) and Chamber diagnostic work undertaken with the support of the Confederation of Danish Industries.</p> <p>PPD in Somalia: On the PPD front, SICRP undertook the targeted capacity building of the secretariat including a peer to peer learning sessions in Kampala Uganda and Nairobi Kenya. Additionally, the Somali Senior Business Advisory Council (SBAC) meeting was held in Dubai in November 2017, mobilizing critical support for the ongoing work and culminating in the December 2017 High level Forum which continued to bring to the forefront the economic recovery agenda. In addition, support was provided towards a strategic planning process of the Chamber in partnership with Danish Industries, and engaged with Global experts to support a diaspora meeting in Minnesota in October.</p>
<p>Program 2: Deepening IC work by progressively strengthening economic government and business-facing government institutions in key sectors focusing on catalyzing investment (developing sectoral regulatory frameworks sectors including ICT, Energy, financial services, agribusiness) and working alongside the private sector to facilitate trade.</p>	<p>SICRP further supported capacity building support to MoPIED by undertaking a light capacity scan on the Investment docket that identifies quick wins for SICRP and the Capacity Injection Mechanism to address. Additionally work commenced on the development of a draft investment policy statement (IPS) including support towards inter-agency engagement on the same. On the Doing Business front, working in collaboration with SCORE, the team supported a capacity and process scan of the business registration component of MoCI and the development of a business information portal to facilitate information transparency.</p> <p>Somaliland: Additionally IPP advisory support was provided during this period with the Somaliland Investment Forum (SIF) in September 2017 used as a key event to socialize and mobilize implementation support for the Doing Business work (business entry); National Investment Policy Statement and the SME policy statement. On the IPP front the foundational work done through the program culminated in the creation of an Investment Promotion Agency through a Presidential decree. On the trade front, scoping work was conducted on the Berbera port as the client seeks support to unlock bottlenecks in trade facilitation and cross border trade.</p> <p>On the DB side in Somaliland: SICRP continued support to the Ministry of Trade and Investment and related stakeholders to progress doing business reforms. The team convened a training which resulted in the development of a revised DB action plan</p> <p>The Project effectively deployed Technical Advisors to support the Ministry of Commerce in Mogadishu, and the Ministry of Trade and Chamber of Commerce in Hargeisa. These resident advisors worked well with our Project team, to provide ongoing advice and support for economic recovery activities, and helped to strengthen client implementation capacities.</p>

Opportunities/Comments:

The IFC TF has just been approved, the majority of activities reported here are part of the SICRP project, which is also included in the general MPF Report. Other IFC activities are expected to gain speed in 2018.

The Project teams are working with IFC and WB teams to lay the foundation for future IFC investments in the country. They are supporting WB Energy, ICT, Financial Sector teams to crowd in private sector, and support a WBG collaborative effort to unlock key sectors. The PPD mechanism is now being used widely by WBG teams to progress policy reforms, and to build trust. It is also supporting the Economic Recovery Process, and is training and supporting key reform cadres. We see more progress in the coming months as more program activities come on stream

In early Calendar Year 2019, the IFC will review progress on fundraising and adjust their program to fit their expected funding levels. The detailed results matrix will be finalized in agreement with the donors within 3-4 months of approval after specific interventions are developed and finalized, and baselines are completed during the pre-implementation phase.

Challenges:

- There was conflict between the Chamber of Commerce leadership and the parent Ministry of Commerce, with the Minister attempting to dismiss the Chamber leadership, resulting in stalemate that affected PPD progress, for several months.
- The election process in Somaliland affected progress for November and December, while a major bomb blast in October in Mogadishu killed our number one program champion, and killed over 500 Somalis.
- Security considerations limit the ability of the team to be on the ground on a regular basis and the team has to balance this by airlifting clients to Nairobi, Addis and Kampala, which increases project costs.
- The continued inability of IFC to invest in Somalia limits the possible outcome of our advisory work, as we seek to stimulate private sector led economic growth.
- Frequent transfers among key government counterparts affects project continuity. Lack of capacity of all types (from Government side to business skills) is still a significant impediment and embedding capacity building in the design has been proven to improve the success of WBG Investment Climate programs in Fragile environments.
- A complex and changing political economy makes substantive projects very difficult to implement and building trust between all the stakeholders continue to pose significant challenges on the PSD front.

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