

THE MULTI-PARTNER FUND



Progress Report

July-December 2019



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Abbreviations and Acronyms

AfDB	African Development Bank
ASA	Advisory Services and Analytics
BRA	Benadir Regional Administration
CIP	Public Sector Capacity Injection Project
CPF	Country Partnership Framework
CSSP	Somaliland Civil Service Strengthening Project
DLIs	Disbursement-Linked Indicators
DP	Development Partner
DRM/PFM	Domestic Revenue Mobilization and PFM Capacity Strengthening Project
ESF	Environmental and Social Framework
FCV	Fragility, Conflict, and Violence
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
FHW	Female Health Worker
FM	Financial Management
FMIS	Financial Management Information System
FMS	Federal Member States
HIPC	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IDP	Internally Displaced Person
IFI	International Financial Institution
IMF	International Monetary Fund
iPRSP	interim Poverty Reduction Strategy Paper
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MoHADM	Ministry of Humanitarian Affairs and Disaster Management
MoLSA	Ministry of Labor and Social Affairs
MoPIED	Ministry of Planning, Investment, and Economic Development
MPF	Multi-Partner Fund
MSME	Micro, Small, and Medium Enterprises
MTR	Mid-Term Review
NDP	National Development Plan
NGO	Nongovernmental Organization
NPS	New Partnership for Somalia
PAC	Pre-Arrears Clearance
PFM	Public Financial Management

PIU

Project Implementation Unit

PLR Performance and Learning Review

POM Project Operations Manual

RCRF Recurrent Cost and Reform Financing Project

SBCF Somali Business Catalytic Fund

SCALED-UP Somalia Capacity Advancement, Livelihoods and Entrepreneurship,

through Digital Uplift Project

SCORE Somali Core Economic Institutions and Opportunities Program

SDRF Somalia Development and Reconstruction Facility

SEAP Somalia Electricity Access Project

SEU Somalia Economic Update

SFF-LD Special Financing Facility for Local Development

SIF Somali Infrastructure Fund (AfDB administered)

SMEF Small and Medium Enterprise Facility

SMEs Small and Medium-sized Enterprises

SMP Staff-Monitored Program

SUIPP Somali Urban Investment Planning Project

SURP Somali Urban Resilience Project

TA Technical Assistance

ToR Terms of Reference

UNDP United Nations Development Programme

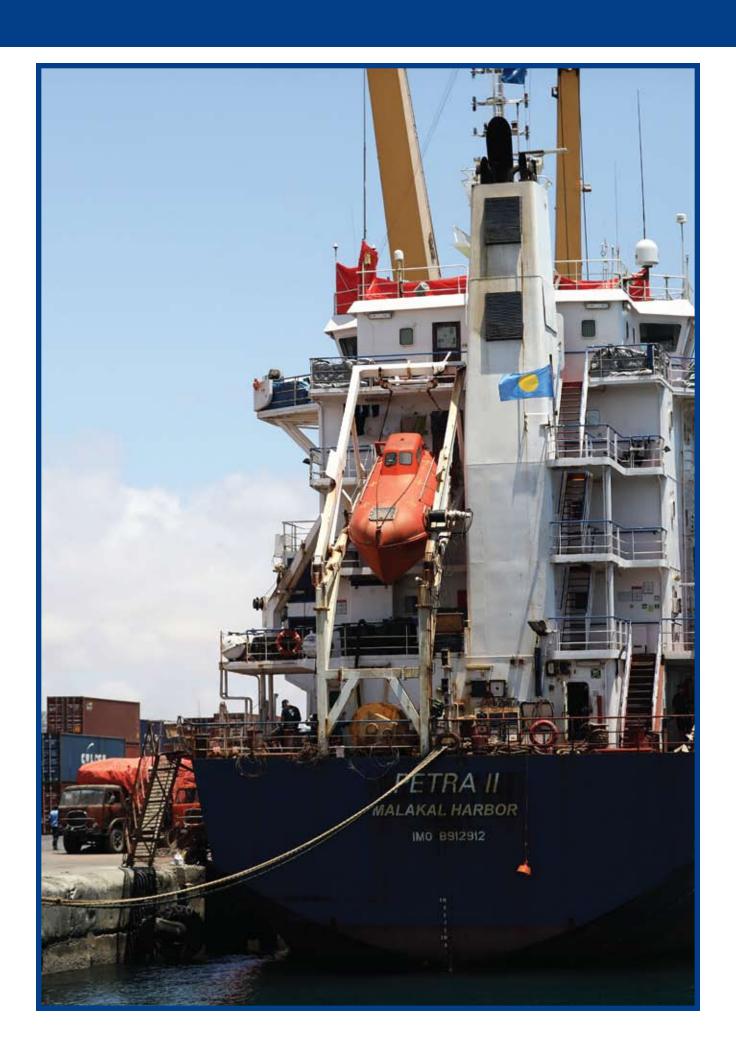
UNICEF United Nations Children's Fund

WB World Bank

WBG World Bank Group

WFP World Food Programme







Introduction

he Multi-Partner Fund (MPF) for Somalia has been the primary source of financing for the World Bank Group's early reengagement in Somalia after more than two decades of disengagement.

Established in 2013, the MPF has supported the process for normalizing Somalia's relations with international financial institutions (IFIs), while building and strengthening core government systems at both federal and state level. In nonaccrual status since 1991, Somalia has not had access to regular development financing from IFIs, including the World Bank's International Development Association (IDA).

This World Bank MPF Progress Report covers the period July to December 2019. It provides thematic and project-level updates and identifies the significant external events of the period that relate to the operating context of the MPF. The report captures achievements and challenges from the reporting period, including the operationalization of the Bank's Country Partnership Framework, increased IDA engagement, and support for Somalia's sustained momentum in meeting milestones for normalizing its relations with IFIs. The report also captures ongoing and upcoming learning and evaluation activities, notably the conclusions of the Mid-Term Review of the Fund.



Operating Environment

his reporting period of July to December 2019, which marks the mid-term for the Multi-Partner Fund (MPF), has been shaped by a number of events that have had an impact on the management of the MPF and the implementation of the projects. These include occurrences that are both internal and external to the World Bank as well as climate-related events.

The government and international community endorsed a new Mutual Accountability Framework (MAF) at the Somalia Partnership Forum, held in Mogadishu on October 1–2, 2019. The MAF defines priority commitments for both government and partners through December 2020 on issues of inclusive politics, security and justice, economic recovery, social development, and partnership principles. The event was chaired by Prime Minister Hassan Ali Khaire and Deputy Prime Minister Mahdi Mohamed Guled, with participation from presidents of the Federal Member States (FMS) of Hirshabelle State (HSS), Galmudug State (GSS), and South West

State (SWSS), the Governor of Benadir, and representatives from 42 countries and international organizations. Participants recognized the significant progress made in implementing reforms, while noting the need for strengthened political cooperation between federal and state leaders. Moving forward, the MPF portfolio will make reference to the MAF and will seek to support achievement of its targets.

World Bank Country Director for Somalia Felipe Jaramillo cochaired the Somalia Partnership Forum session on economic reform with Deputy Prime Minister Guled. The Country Director commended the government on implementing tax policy reforms, increasing transparency and accountability over public institutions and resources, and progressing towards agreements on inter-governmental relations and revenue sharing. He emphasized that economic growth will be undermined by instability if growth is not inclusive.

The Cabinet approved the Ninth National Development Plan (NDP9) on September 26, 2019,

setting out development priorities for 2020–2024. The NDP9 was developed through a consultative process that included civil society, private sector representatives, Federal Government of Somalia (FGS) and FMS sectoral ministries, national and state parliamentarians, members of the judiciary branch, and development partners. The NDP9 has a strong focus on poverty reduction, which will serve as a foundation for the development of the Poverty Reduction Strategy (PRS) required for the Heavily Indebted Poor Countries (HIPC) process.

To align with the pillars of the NDP9, the FGS has initiated a consultative process to refine and streamline the aid architecture in Somalia. The aim is to improve the effectiveness and efficiency of coordination structures, strengthen FMS engagement, and enable more evidence-based decision-making. The process for revising the aid architecture is expected to be concluded in the next reporting period. As the Somalia Development and Reconstruction Facility (SDRF) serves as the governance structure for the Multi-Partner Fund (MPF), the UN Multi-Partner Trust Fund (MPTF) and the African Development Bank (AfDB) Somali Infrastructure Fund (SIF), these are especially important discussions for key stakeholders of the funds.1 MPF resources will use the NDP9 as a guiding document for discussions on financing and decision-making.

Somalia is working closely with the international

community to reach the HIPC Decision Point in early 2020. The government has submitted NDP9 to the International Monetary Fund (IMF) and World Bank to meet the requirement of having at least an interim PRS in place. This requirement aims to ensure that a country channels the benefits of HIPC debt relief towards poverty reduction. The

IMF and the World Bank are currently preparing a Joint Staff Advisory Note (JSAN), which will inform the boards of executive directors of the two institutions on the quality of the poverty diagnosis that informs NDP9, the plan's realism and sustainability, and arrangements for its implementation, monitoring, and evaluation. The two boards will discuss the JSAN in early 2020.

Somalia is on track to meet the Decision Point requirement that a country has established a track record of reform. It has demonstrated good performance to date under the fourth IMF Staff Monitored Program (SMP IV), having met all structural benchmarks and all but one indicative target for July 2019. Somalia has also made good progress against the six structural benchmarks (SBs) due by end of September and October, which will be assessed in early January 2020. For example, the Revenue Management Bill was enacted on October 28 (SB #8). Renewed cooperation between the FGS and FMS at finance minister and technical levels has enabled progress against fiscal federalism targets, such as the submission of fiscal reports by the FMS. The FGS has already received preliminary data for Q1 and Q2 from the five FMS (SB #2) and a preliminary draft of expenditure assignment guidelines was prepared, reflecting input at technical level from FMS (SB#3). As highlighted by the IMF in its November 2019 Somalia Staff Report, "sustained cooperation

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Operating Environment

between the FGS and FMS finance ministers will be needed to reach final agreement."

Finally, Somalia is progressing well towards clearing its arrears to the AfDB, IMF, and World Bank. Normalization of relations with international financial institutions (IFIs) is not only a requirement to reach the HIPC Decision Point, but this also unlocks access to regular concessional financing and other resources from the IFIs.2 The World Bank is preparing a Development Policy Operation (DPO) to facilitate arrears clearance and full reengagement with the World Bank Group.3 The proposed DPO draws upon grant resources that have been set aside for the last remaining HIPC eligible countries (see Box 1) and supports Somalia's policy reforms completed in 2019 that have strengthened fiscal management and promoted inclusive private sector-led growth. The AfDB is preparing a Policy-based Operation to facilitate the clearance of 99 percent of Somalia's arrears, while the remaining 1 percent will be covered by a grant from the European Union. Somalia's arrears to the IMF are expected to be cleared in early 2020 with the support of a bilateral donor. This will restore Somalia's eligibility to access Fund resources and would allow the IMF Board to approve a new financing arrangement. This new arrangement is expected to involve a blend of Extended Credit Facility (ECF) and Extended Fund Facility (EFF) financing, and is expected to be heavily front-loaded to allow Somalia to meet its immediate Balance of Payments needs, given the arrears clearance operation.

Building on this progress, the Bank has unlocked

BOX 1

Heavily Indebted Poor Countries Initiative (HIPC): Process for Somalia

The Heavily Indebted Poor Countries (HIPC) Initiative was launched jointly by the World Bank and International Monetary Fund (IMF) in 1996 with the aim of ensuring no poor country faces a debt burden it cannot manage. It links debt relief to a country's efforts to achieve sustained inclusive growth and reduce poverty.

The HIPC Initiative thus provides a solid foundation for a country to meet the Sustainable Development Goals (SDGs) by enabling countries to plan financing towards policies and programs that stimulate inclusive growth and reduce poverty. To date, 36 countries have received the full amount of debt relief for which they were eligible, amounting to approximately US\$100 billion. This has helped reduce debt service payments for these countries, creating fiscal space for social spending.

Somalia is one of three potentially eligible countries that have yet to reach the HIPC Decision Point (along with Eritrea and Sudan). Totaling US\$5.2 billion as of 2018, Somalia's debt is unsustainable. As almost all debt is in arrears, Somalia cannot access regular financing from international financial institutions (IFIs) and major creditors. Given the urgency and magnitude of Somalia's reconstruction and development needs, accessing sustainable and predictable development resources is an essential element of the government's economic and poverty reduction strategy.

The **Decision Point** is the first step in the HIPC

^{1.} For more information on how the SDRF serves as the governance structure of these three trust funds, see the Operations Manual for SDRF Funding Windows.

^{2.} The IFIs currently provide financial and technical support using resources from multidonor trust funds or through exceptional (and time-bound) Pre-Arrears Clearance Grants.

^{3.} Full reengagement will enable the World Bank Group's private sector arm, the International Finance Corporation, to make debt and equity investments in Somalia.



process. The boards of the IMF and World Bank formally determine that a country is eligible for HIPC debt relief, and the international community commits to reducing debt to a manageable level.

Reaching the Decision Point entails meeting four requirements:

 Unsustainable external debt: The country faces an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms.

- Reform track record: The country has established a reform track record and sound policies through IMF- and World Bank-supported programs.
- Poverty reduction strategy (PRS): The country has prepared—through a broad-based participatory process—and adopted a comprehensive strategy to channel the benefits of debt relief to poverty reduction.
- IFI arrears clearance and normalization: The country is eligible for regular concessional financing from the IMF and World Bank. To achieve this, Somalia must clear its arrears to the AfDB, IMF, and World Bank.

During the **Interim Period**, the country maintains the reform track record by (a) demonstrating good performance under an IMF loan program; (b) implementing the PRS for at least one year; (c) implementing the Completion Point triggers; and (d) meeting its debt service obligations.

The international community may provide HIPC debt relief on a voluntary basis during the Interim Period.

At the **Completion Point**, all creditors provide irrevocable debt relief.

There is no predetermined timetable to reach the Completion Point. The timing will depend on the pace of Somalia's reforms.

Summary of HIPC Initiative Process

Pre-Decision Point	Decision Point	Interim Period	Completion Point
Country builds track record and	Determination of qualification, size,	Country maintains reform track record	Delivery of permanent debt
develops arrears	and triggers for	(including social and	relief
clearance strategy	debt relief	structural reforms);	
		Interim debt relief on	
		voluntary basis	

Operating Environment

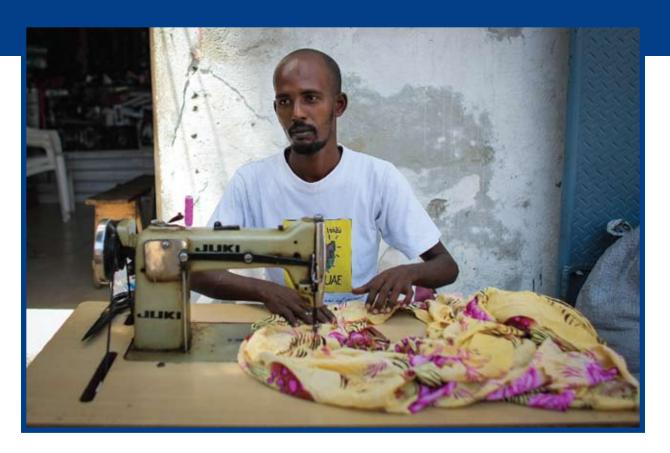


Somalia is progressing well towards clearing its arrears to the AfDB, IMF, and World Bank. Normalization of relations with international financial institutions is not only a requirement to reach the HIPC Decision Point, but this also unlocks access to regular concessional financing and other resources from the IFIs.

over US\$200 million in Pre-Arrears Clearance Grants from the IDA to help accelerate both the institutional reform agenda, as well as put in place financing for basic health, education, and water services, as well as a national cash transfer program. Much of this funding has been used to scale up MPF projects or has been informed by analytical work undertaken with MPF financing.

To ensure the MPF is fit for purpose in this changing context of IFI reengagement and the new NDP9, the MPF underwent a Mid-Term Review (MTR). The review team evaluated the performance of the MPF thus far in achieving its development objective, the effectiveness and efficiency of the Fund, and the relevance of the Fund's design in anticipation of IFI reengagement. The findings of the MTR are being used to inform the Performance and Learning Review which will be used to help guide how additional IDA resources can effectively be used to support the focus areas of the Country Partnership Framework.

The recent drought impacts and the terrible floods are important developments affecting Somalia. These have both once again demonstrated (a) the country's extreme vulnerability to climate-related events; (b) the fact that these events undermine the development gains being made; and (c) the need for flexible instruments that can respond to this unique characteristic of Somalia's operating environment—that is, trying to do development in a context of protracted and repeated humanitarian crisis. The MPF will continue to look at the instruments that it has developed—for instance, the Special Financing Facility (SFF)—to make sure that it is fit for purposes as a funding vehicle to mitigate these impacts.



he Multi-Partner Fund (MPF) for Somalia has been the primary source of financing for the World Bank Group's (WBG) early reengagement in Somalia after more than two decades of disengagement. In nonaccrual status since 1991, Somalia has not had access to regular development support from international financial institutions (IFIs), including the World Bank's (WB) International Development Association (IDA). Established in 2013, the MPF has catalyzed the normalization of relations with IFIs, while building and testing core government systems at both federal and state level. As the country makes steady progress towards Heavily Indebted Poor Countries (HIPC) Decision Point, exceptional Pre-Arrears Clearance (PAC) funds have been granted from the IDA which have been used to scale up or complement the MPF portfolio (see Figure 1 on page 38 for more details).

It remains the primary channel through which international donors are building and using country systems in Somalia. By building and using Somalia's country systems, the MPF has strengthened government ownership of the fund, capacity to manage development funds as well as government accountability for results. This approach has yielded a deeper understanding of how systems in Somalia work, how they can be improved, and how international partners can better target their support. It has also started to yield a better understanding of the evolving role of the state at different levels in Somalia. Most importantly, the MPF, and the donors that have contributed to it, have brought the Somali authorities back to the forefront of the development of the country.

The Somalia Development Reconstruction Facility (SDRF) serves as the governance structure for the MPF. The SDRF was established as the central platform for development partnership between the government and the international community, through which the Federal Government of Somalia (FGS), the Federal Member States (FMS) and Benadir Regional Administration (BRA) can engage

with partners. The use of the SDRF as the Fund's governance structure is designed to strengthen country ownership of decision-making, improve alignment with national priorities, and enhance coordination with other partners, notably the two other funds administered by the United Nations (UN) and African Development Bank (AfDB) under the same arrangement. The ongoing aid coordination discussions will be critical to ensuring that MPF funds are effectively coordinated with other sources of funding, including bilateral programming and the government's own increasing revenue.

The MPF is currently financing 20 active projects with US\$292.3 million. Of these, 12 are investment projects and eight are analytical/advisory projects. The portfolio includes now FY19 and FY20 IDA cofinancing to MPF operations of US\$148 million and another US\$107 million in IDA standalone operations under the Pre-Arrears Clearance Grant regime.⁴ With IDA complementing MPF financing, the portfolio is now demonstrating the advantages of blending multiple sources of financing to leverage a coordinated and pooled financing approach using country systems.

The MPF projects are organized under three portfolios, which target specific pillars of Somalia's National Development Plan (NDP): (a) Effective, Accountable Government; (b) Enabling Economic Growth; and (c) Urban Infrastructure. The rest of this chapter provides an update of progress across these three portfolios.

Effective, Accountable Government

With US\$181.4 million in signed grants from the MPF and US\$80 million in cofinancing through PAC Grants, Effective, Accountable Government represents the largest portfolio within the MPF. It comprises five investment projects and four analytics/advisory projects (Table 1), many of which are closely interlinked. Under the Country Partnership Framework (CPF), the WBG is strengthening ongoing governance programs with a new focus on fiscal space and improving access to—and the quality of—key social services and resilience. This portfolio aligns with CPF Focus Area 1: Strengthening Institutions to Deliver Services.⁵

The MPF has invested in key Public Financial Management (PFM) systems, bringing about increased capacity, transparency, and sustained reforms as well as a strong technical collaboration between the Federal Ministry of Finance and the Ministries of Finance in the Federal Member States. These investments are providing the foundations for WBG engagement in other sectors, which rely on strengthened country systems for recipient execution, while catalyzing Somalia's progress towards IFI normalization and debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative.

Working through country systems is improving federal and subnational governance and intergovernmental relations, as illustrated in the quality and ambition of the policy environment and fiduciary

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control. The shift towards greater transparency and accountability was demonstrated by the Federal Ministry of Finance's website (as reported in the previous reporting period), which includes information on all government revenue and expenditure data reported under the Financial Management Information System (FMIS).

The Effective, Accountable Government portfolio demonstrates that constructive inter-governmental relations are possible in the midst of an evolving political climate when framed around a solid technical agenda. The Recurrent Cost and Reform Financing (RCRF) team met with representatives of the FGS and all FMS in Garowe in May 2019 for the project's fourth project management team meeting, and in November 2019 the FGS and FMS held their first project management team meeting without World Bank facilitation or attendance. Team meetings continue to be solidly institutionalized and follow an agenda set out in the Project Operations Manual. The key purpose of these meetings is to find collective solutions to existing challenges and bottlenecks, as well as to plan for strategic reviews.



RCRF implementation has improved significantly over the past 18 months with the number of bottle-necks issues greatly reduced. The meetings provide an opportunity for more experienced FMS to guide and help the recently onboarded states.

RCRF continued to foster inter-governmental dialogue on health and education, deepening WBG engagement in these sectors. The Annual Review—held in Garowe and Mogadishu (Somalia), and Addis Ababa (Ethiopia) in October—brought together the FGS and FMS representatives again to review progress against Disbursement-Linked Indicators (DLIs) and address RCRF resource allocation for 2020, including the health and education components of the project.

The Participation Eligibility Criteria to be applied from July 2019 onwards were revised for the first six months of 2020 at the Review. In addition to fiscal transparency and reporting requirements, the Criteria have been expanded to prioritize staffing of ministries of education and health.

Inter-governmental fiscal coordination between the FGS and FMS has improved substantially in the second half of 2019. The World Bank, IMF, and European Union (EU) convened a meeting of Finance Ministers in Addis Ababa in September. Following on from this, a technical Inter-Governmental Fiscal Federalism Committee meeting together with a full Finance Ministers' Fiscal Forum (FMFF) meeting was held in Kampala in November. Among other decisions, this meeting approved the Inter-Governmental Fiscal Transfers Policy Paper (an RCRF reform benchmark). The RCRF II project management team meeting was held in November to track overall project implementation progress by the FGS and FMS. The next meeting is planned to be held in the first week of March 2020 in Bosaso.

Engagement in Somalia's health sector aims to catalyze improved health and nutrition outcomes through strengthening government institutions and

mobilizing private sector actors, focusing on analytic work and capacity development. An initial service delivery landscaping is complete as of July 2019. A joint consultancy with cofunding from GAVI, GF, and UNICEF is currently under way; the final report is expected in the first quarter of 2020. In addition, under this Health Advisory Services and Analytics (ASA) project, the team completed "a situational assessment of birth spacing and reproductive health interventions". The findings of the report provided background for the new project under design by the WB and other partners, particularly the Department for International Development (DFID).

The ASA is supporting a joint process with WHO to undertake a landscaping analysis of the pharmaceutical sector in Somalia. The analysis is also expected to highlight gaps in policy, legal, and regulatory frameworks for the pharmaceutical sector and make recommendation for reforms. This task is expected to be completed by mid-2020. A Health Financing Landscape report was concluded and is being used internally for the development of the new health project. Further analysis on the out-of-pocket payment (OOP) is planned since it cannot be completed within the scope of the current ASA.

The Capacity Injection Project (CIP), supporting the FGS and Puntland governments, develops capacity for key cross-cutting government functions; strengthening the policies and procedures for civil service management; strengthening policy management, coordination, and monitoring capabilities at the center of government; and project management and coordination. Capacity injection (of core staffing capacity into key government Ministries, Departments, and Agencies [MDAs] through the government's Capacity Injection Modality) in this program focuses on advisory, managerial, and technical staff to fill urgent capacity gaps identified by the government. The project will also support interventions for strengthening civil service management capacity

and development of related frameworks; and policy development and monitoring.

The Civil Service Strengthening Project (CSSP) complements the CIP and aims to roll-out targeted capacity and organizational reforms in specific MDAs of Somaliland; it also supports opening regional offices of the Civil Service Commission. As a smaller subset but distinct element of the Series of Projects (SOP), this project is designed to address the unique public administration challenges of Somaliland. The Project Implementation Unit (PIU) continues to closely monitor project progress and submit comprehensive quarterly progress reports in a timely manner. A mid-term review of the project was conducted in September 2019. The Bank and Government of Somaliland are discussing potential areas for project restructuring.⁶

^{4.} The SURP II was endorsed by the SDRF Steering Committee on July 10, 2019, and will now proceed for consultation in the Infrastructure Pillar Working Group. It will be included in the next iteration of the progress report.

^{5.} More specifically, it targets the first objectives of Focus Area 1: (1.1) Improve public finance management and institutional effectiveness; (1.2) Enhance domestic revenue mobilization and resource sharing; and (1.3) Establish basic delivery systems for more inclusive social services.

^{6.} Status of Disbursement-Linked Indicators (DLIs): (a) Year 1: DLI 5: 'Talent Management Program manual approved by the Public Sector Reform Steering Committee (PSRSC)' has been achieved, and has triggered the release of US\$150,000 to cover salaries and allowances of TMP staff; (b) Years 2 and 3: DLI 1: 'Share of civil servants with verified and completed personnel records in central human resource (HR) personnel database of satisfactory quality', has been achieved and verification is planned in end-2019-early 2020; DLI 3: 'Number of improved human resource procedures approved by the PSRSC and submitted to the Cabinet'-the human resource procedures have been approved by the PSRSC and endorsed by the Cabinet together with their administrative rules and procedures. Verification of achievement by the Office of the Auditor General is planned for early 2020; DLI 4: 'Newly established or reorganized HR units in targeted Ministries, Departments and Agencies (MDAs) adequately staffed'-HR units have been established in the MDAs and the Bank team will work closely with the Government of Somaliland to ensure that the organizational reviews' recommendations for the human resource units in targeted MDAs are implemented.

The Domestic Revenue Mobilization and Public Financial Management (DRM/PFM) Capacity Strengthening project aims at strengthening systems of domestic revenue mobilization, expenditure control, and accountability in the Federal Government, Puntland State of Somalia, and Somaliland. Overall, activities are consistent with the original project activities even though there was a modification to the Project Development Objective to explicitly include the DRM support. Even though the activities in the additional financing were consistent with the original, the components were realigned and reduced from six to four. There has also been an extension of the closing date of the original project by two years-from June 30, 2020, to June 30, 2022—to allow for the successful implementation of the project's original and new activities. The changes will strengthen the overall development impact of the original project and better align the World Bank assistance with the changing government priorities and country context.

MPF analytical products are designed to benefit all participating Somali stakeholders equally. July 2019 saw the completion of the technical assistance

(TA) on revenue performance analysis and revenue forecasting for FGS, FMS, and Somaliland. The Somali High Frequency Survey (SHFS, Wave 1 and 2) activities highlighted the need to provide further capacity support to the government authorities and fill existing data gaps, particularly National Accounts statistics. A recipient-executed Somali Integrated Statistics and Economic Planning Capacity Building project held its decision review in December 2019.

The fourth edition of the Somalia Economic Update, 'Building Education to Boost Human Capital', was launched in Mogadishu on September 5. The report took a deep-dive into Somalia's education sector, exploring options to advance access, quality, and improve outcomes—allowing for strong focus on innovation, data, and finance to performance linkages. A concept note for the fifth edition of the Somalia Economic Update, to be published in Q1/2 of CY2020, has been approved; it will focus on the security sector. Advisory and financial support to the Ninth National Development Plan preparation process was completed in October 2019.

The linkages of the **Analytical and Technical Assistance on Education** with RCRF and the **MPF**



Knowledge Fund provide complementary support to improve the robustness of systems. This ASA addresses critical knowledge and information gaps in the education sector and provides technical assistance to strengthen the capacity of the public education delivery systems.

The National Social Protection Policy, developed with TA support from UNICEF and the World Food Programme (WFP), and inputs from the WB and other development partners (DPs), was endorsed by the government in July 2019, and launched in September 2019. The design of a scalable social safety net program—the Somalia Shock Responsive Safety Net for Human Capital Project (SNHCP)—was approved by the WB Board on August 8, 2019, and became effective on September 17. The first cash transfer payments, covering the quarter January-March 2020, are planned to be delivered in March 2020. The Project Operations Manual of the SNHCP has been developed and was published on the Ministry of Labor and Social Affairs' (MoLSA) website in November 2019.

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. From July through December 2019, the FGC met three times. During this reporting period, the Federal Minister of Finance and Chair of the FGC, H.E. Dr. Abdirahman Beileh, welcomed Albert Mafusire from the African Development Bank Delegate as a new member of the FGC.

The FGC international delegates held two informal Financial Governance Forums (FGFs) around FGC meetings during this reporting period. The third FGC 'Financial Governance Report' was also published; it provided a comprehensive overview of progress of financial governance over the past year and set financial governance priorities for the coming 12 months (see Box 2).



BOX 2

Financial Governance Report

Forum, the Financial Governance Committee (FGC) released its Third Financial Governance Report on October 2. The report assesses the progress made in strengthening financial governance over the period July 2018 to June 2019. It also sets out the financial governance priorities the FGC believes need to be addressed in the coming year to strengthen state-building efforts as Somalia continues to make progress on establishing a strong reform track record that will support international financial institutions' arrears clearance and Heavily Indebted Poor Countries Decision Point.

The Prime Minister of Somalia, H.E. Hassan Ali Khaire, has reiterated his support for the work of the FGC and committed to the ongoing priorities in the next year. The FGC's current mandate runs to the end of June 2020. Further extension will be subject to agreement between the government and the international community.

Table 1. Overview of Projects: Effective, Accountable Government Portfolio

As of December 31, 2019

	Projects	Objectives	Budget	MPF Grants	MPF Disbursements	PAC Grants	PAC Disbursements
	Recurrent Cost and Reform Financing (RCRF) Project ⁷	Support the FGS and eligible FMS to strengthen resource management systems, the intergovernmental fiscal framework, and service delivery systems in health and education.	206.0	88.0 14.8	86.0 14.8	60.0	20.1
Investment Projects	2. Domestic Revenue Mobilization and PFM Capacity Strengthening Project (DRM/PFM)	Strengthen systems of domestic revenue mobilization, expenditure control, and accountability in the FGS, Puntland State of Somalia, and Somaliland.	51.0	30.1	19.6	20.0	2.2
Investme	3. Public Sector Capacity Injection Project (CIP)	Enable the government to fill critical capacity gaps in the civil service and strengthen the capacity of key ministries and agencies to perform core government functions.	40.0	26.3	21.6		
	4. Somaliland Civil Service Strengthening Project (CSSP)	Strengthen the human resource and policy management functions of selected line ministries and central agencies	10.0	7.0	5.2		
Analytics / Advisory	5. Support to Financial Governance Policy Dialogue (FGC)	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.	3.0	3.0	1.6		

^{7.} The financials for the RCRF have been split into two rows because the first phase of the project (bottom row) is now closed. Phase II of the project was restructured and scaled up with additional financing in 2018. The original grants for Phase II and the additional financing are grouped in the top row.

Table 1 *(contd)*. Overview of Projects: Effective, Accountable Government Portfolio

As of December 31, 2019

	Projects	Objectives	Budget	MPF Grants	MPF Disbursements	PAC Grants	PAC Disbursements
у	6. MPF Knowledge Fund (K4R)	(a) Enhance the development impact of domestic policies and development partner interventions through better knowledge of socioeconomic realities and political economy constraints; (b) promote basic accountability through better information on public resources; and (c) revitalize the strategic planning process, through tailored support to regions and stakeholder engagement.	6.2	5.9	3.1		
Analytics / Advisory	7. Engagement in Somalia's Health Sector	Identify opportunities for the World Bank to catalyze improved health and nutrition outcomes in conflict-impacted Somalia through strengthened government institutions and mobilizing private sector actors.	1.0	1.0	0.4		
	8. Analytical and Technical Assistance for Education	Address critical knowledge and information gaps in the education sector and provide technical assistance to strengthen the capacity of the public education delivery systems.	1.0	1.0	1.0		
	9. Social Protection Engagement	Support the development of key building blocks of a national Social Protection System, as well as the design of a scalable social safety net program.	2.0	0.5			
	Total		336.2	177.6	153.3	80.0	22.3

Enabling Economic Growth

The portfolio for economic growth is the second largest in the MPF with US\$83.8 million in signed grants for four investment projects and one analytics/advisory project (Table 2), and additional US\$18 million in IDA cofinancing for SCALED-UP through PAC Grants. This portfolio aligns with the CPF under Focus Area 2: Restoring Economic Resilience and Opportunities, through which the WBG aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth.8

Under the CPF, the WBG's aim is to support activities that increase access to finance and energy, such as new lending for Small and Medium-sized Enterprises (SMEs), particularly for women and youth; expanded access to electricity from renewable sources in targeted rural and peri-urban communities; and greater licensing and supervision capacity of the Central Bank, resulting in more secure financial services.

Approved by the World Bank Board in March 2019,9 the Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP-MPF: US\$13 million and IDA: US\$18 million) will support progress toward increased access to basic digital financial and government services targeting entrepreneurship and employment, drawing capacity and lessons from the ICT and SCORE projects. Since approval, the project team has focused on supporting FGS efforts on meeting project effectiveness conditions, which include establishing the MSME Financing Facility, 10 developing a project operations manual and developing a policy statement on its digital identity system, including data protection. Having met these and other criteria, the project became effective on August 8.

The SCALED-UP project will support the establishment of a digital ID with Somali authorities and partners. Currently, Somalia's identification ecosystem is among the least developed globally. Although data on ID coverage is scarce, recent surveys indicate that an estimated 8 to 12 million people in the country lack an official proof of identity, with women and internally displaced persons (IDPs) less likely to have proof of identity.

The SCALED-UP project is providing US\$5 million in financing toward the operationalization of a digital ID system in Somalia. The project's support is centered on (a) establishment and adoption of a comprehensive ID-enabling legal and regulatory framework; (b) establishment and operationalization of a competent ID Authority; and (c) support for the enrollment of the first 1 million individuals, of which at least half should be women. The technical infrastructure for the ID system (hardware and software to facilitate registration, identity management, secure data storage, etc.) is to be provided by the National Database and Registration Authority (NA-DRA) of Pakistan.

A Memorandum of Understanding (MoU), dated May 23, 2018, was signed between the Ministry of Interior, Federal Affairs and Reconciliation (acting through the Office of the President) and NADRA for the deployment and operationalization of the technical infrastructure for a digital ID system. The agreement also included the deployment of additional (non-ID) software, such as elections and border management systems. The total value of the contract is US\$10.3 million, financed through a grant from Pakistan. A new delivery schedule (agreed to on September 26, 2019, between NADRA and the FGS) envisions the full deployment of the ID system's technical infrastructure by end-2021. In addition, SCALED-UP has proposed to set up a Tripartite Technical Working Group to bring together the FGS, NADRA, and the World Bank Group to provide ongoing technical advice and review of the ID system's technical components.

The ICT Sector Support project, which initiated



the WBG's engagement in Somalia's ICT sector, closed in September 2019 after four years of engagement and is now effective. Successes include the passage of the Communications Act, creation of an ICT regulatory body (National Communications Agency), higher education sector connectivity, repatriation of the '.so' domain and installation of an internet exchange point (IXP), analytical work on SIM-card registration and digital ID, extending communications rooms in key ministries across all economic zones, and extensive research of mobile money in Somalia. The mobile money research has contributed to other project results: some public servant salaries are now paid through mobile money;11 and patterns of mobile money usage, particularly those of nomads and IDPs, has informed poverty research methodology.

Letters have previously been sent to all operators informing them of license and spectrum fees that will be payable from January 1, 2019. Operators have already begun to make voluntary payments and a

suite of new licenses are expected in Q1 of 2020, based on a new Unified Licensing Framework (ULF) for ICT, launched in October. The consultation period for the ULF ended on December 5. A final order on the adoption of the ULF will be issued after a review of sector stakeholder comments; this is expected to conclude before the end of January. This will allow the project to make progress on licensing targets before closing. The five operators that are already making voluntary payments will be provided with full formal licenses based on the ULF. In addition, the NCA expects to issue another two or three Communications Infrastructure Provider licenses and/or Applications and Service Licenses.

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

As the project ends, a few challenges remain. A strong local telecoms sector that is being regulated ex-post has proved challenging to regulate, although progress is being made. While key elements of the project related to regulatory support, digital

^{8.} More specifically, this portfolio targets the first three objectives of Focus Area 2: (2.1) Improve the business environment and lower barriers to entry; (2.2) Increase access to finance for inclusion and digital development; and (2.3): Increase access to renewable energy. A project on water and resilience is being financed through a PAC Grant under IDA targeting the fourth objective: (2.4) Increase access to water for rural resilience and productivity.

^{9.} SCALED-UP was endorsed by the SDRF Steering Committee in December 2018 and by the PWG on Economic Development in February 2019. Approval by both the SDRF and Board of Directors was necessary as the project receives cofinancing from the MPF (US\$13 million) and a PAC Grant (US\$18 million).

^{10.} The government counterpart was required to establish the MSME Financing Facility, appoint a governing board of members drawn from the private and public sector, and recruit adequate staff.

^{11.} Teacher salaries financed through the RCRF in Jubbaland are paid through mobile money transfers.

ID, and mobile payments will be carried through by SCALED-UP, there are many areas where Somalia could use further support to help achieve priorities set forth by the new ICT Policy. Regarding maintenance payments of the higher education connectivity, through the Somali Research and Education Network (SomaliREN), support will end when the project closes (end of June 2020); the project is considering prepaying SomaliREN's participation in the African Connect 3 program.

Under the **SCORE** project, 'Requirements Validation' workshops for the implementation of two new payment systems in the Central Bank of Somalia—the Payment Switch and Automated Trans-

fer System—were held with the vendors in Nairobi and Djibouti in November 2019. This activity has been delayed mainly due to challenges experienced by vendors in obtaining performance bonds from banks. In FGS, there is need for concerted efforts from both public and private sector stakeholders to support streamlining and consolidation of business registration processes and support the enactment of the Company Law. Even though the Ministry of Commerce and Industry (MoCI) launched the Business Registry System (BRS) in April 2019, the system is not fully functional yet. This is because of delays to enact the Company Law which would provide the legal basis for full functionality of the system. In



Somaliland, The Companies Act was passed by the Upper Chamber of the House (Guurti) in August 2018 and signed into a law by the president in September 2018.

Another achievement is that the Port Master Plan for the ports of Mogadishu, Kismayo, and Bosaso has been completed and the respective outputs presented and discussed during a joint workshop held during December 2018 in Nairobi.

The FGS has, however, once again requested the restructuring of the project in order to extend the closing date and reallocate US\$2.16 million to Components 1 and 3 arising from the scale down of the Somali Business Catalytic Fund (SBCF) and the Small and Medium Enterprise Facility (SMEF) under Component 2.

The **Somalia Electricity Access Project** (SEAP) was launched in May 2019. SEAP is worth US\$5.75 million and is funded by the MPF. The project will support private-sector delivery of clean, affordable, quality-verified off-grid solar devices through commercial markets. The project is expected to reach 21,500 households and provide electricity access to around 113,900 people. It is designed to be able to scale up as interest from the market grows and as more finances become available. In the reporting period, the Bank team carried out an Implementation Support Review Mission from July 16 to 19 in Somaliland, and from July 19 to 25 with the FGS. This is the first time the government is implementing a recipient-executed program in the energy sector. The team recognizes that the low capacity of the Project Implementation Units and the ministries of energy in both the FGS and Somaliland may cause some delays-hence the Bank task team is closely monitoring it and providing technical support for capacity building for the client.

A flagship publication on *Balancing Petroleum*Policy was published in May 2019. It was developed with support from the MPF-funded **Petroleum Sec-**

tor Inclusive Development Project and the WBGfinanced Somalia Petroleum Technical Assistance Project (SOPTAP). SOPTAP provides small-scale support for the establishment of the Regulatory Authority and the Development of a National Communication Strategy.

The Petroleum Sector project ended in June 2019 and SOPTAP will end in June 2020.

The Agreement on Ownership, Management, and Sharing of Revenues from the Natural Resources of the Country (Oil and Minerals) of June 5, 2018 ("RSA"), is a significant achievement—after a process of approximately four years, the Federal Government and Member States have reached an agreement in an inclusive manner on natural resources. Having this RSA in place prior to the discovery of commercial natural resources will manage significant risks to peace and stability in Somalia. However, to meet political deadlines, the technical and legal details of the RSA have not yet been fully worked out and will require further work.

The FGS has requested future programmatic support for the implementation of the Revenue Sharing Agreement, the execution of the exploration licensing round by modernization of the national data repository and international transaction advisory services, as well as expansion of the Ministry organization. This will potentially lead towards a first private sector Production Sharing Agreement (PSA) and achieving FGS-aspired exploration drilling by 2020. Despite progress on the legal framework, FGS and FMS are not capable of dealing with the challenges related to the development of the petroleum sector if the ambitious petroleum activity timeline materializes. The petroleum sector in Somalia has made important progress but is now at a crossroads and significant challenges remain. Emerging petroleum activity will create first fiscal revenue streams for Somalia, but will be a test for sector management, fiscal revenue management, and conflict vulnerability.

Table 2. Overview of Projects: Enabling Economic Growth

As of December 31, 2019

	Projects	Objectives	Budget	MPF Grants	MPF Disbursements	PAC Grants	PAC Disbursements
	Somalia Core Economic Institutions and Opportunities (SCORE)	(a) Improve the enabling environment for private and financial sector development; and (b) catalyze private investment and job creation.	28.5	26.3	21.7		
Projects	2. ICT Sector Support	Support the ICT Sector in Somalia by contributing to establishing an enabling environment and by encouraging efficiency and equity in access to connectivity.	14.0	14.0	12.2		
Investment Projects	3. Somalia Electricity Access Project (SEAP)	Expand access to electricity in targeted rural and peri-urban communities in Somalia, including Somaliland.	5.8	5.8	0.5		
	4. Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP)	Support progress towards increased access to basic digital financial and government services supporting entrepreneurship and employment, particularly for women.	31.0	13.0	0.5	18.0	0.5
Analytics / Advisory	5.Petroleum Sector Inclusive Development	 (a) Facilitate a process to harmonize issues of ownership, control, and revenue sharing; (b) support the development of a petroleum strategy and a policy, legal and fiscal framework; and (c) build government capacity to negotiate and manage petroleum contracts. 	4.5	3.0	3.0		
	Total		83.8	62.1	37.9	18.0	0.5

Urban Infrastructure

The urban infrastructure portfolio has US\$86.1 million in signed grants from the MPF, divided amongst three investment projects and one analytics/advisory project (Table 3). This portfolio aligns with the CPF under Focus Area 1: Strengthening Institutions to Deliver Services, specifically Objective 1.4: Build the capacity of Somali municipalities for urban resilience.

Somalia is facing yet another severe drought due to the impact of poor rains. Water scarcity, widespread crop failure, and accelerated decline in livestock productivity have seen communities slide into acute food insecurity, which often leads to increased displacement into urban centers. Approximately 2.8 million people are internally displaced in Somalia, of which 80 percent live in urban areas.

The urban portfolio seeks to support Somali authorities at multiple levels to get ahead of these urban challenges. In such a context, the World Bank and partners, such as the KfW, EU, DFID, and others, have a significant role to play in strengthening government institutions.

The Special Financing Facility for Local Development (SFF-LD) supported the FGS to build or rehabilitate infrastructure across Somalia through a consultative process with FMS and districts. Currently, a restructured extension is under project preparation. The project team will conduct a project preparation and technical scoping mission to Nairobi and Mogadishu in February 2020, to finalize the technical aspects of a proposed International Development Association Crisis Response Window (IDA CRW)¹² operation—the Somalia Crisis Recovery Project (SCRP)—for multisector recovery and reconstruction program/project to support Somalia's recovery.

A no-cost extension has been applied to the parent project, extending the closing date to March 31, 2020, allowing sufficient time to restructure the project, while also considering how the project may respond to the evolving flood crisis. The team is aiming for approval by April 2020. The project would build upon the successful experience of the SFF-LD on public sector and civil collaboration for disaster response. A hybrid implementation approach is proposed to combine immediate quick-dispersing support to kick-start recovery, with activities that can galvanize a transition toward medium-term recovery. This would entail (a) government-led and civil society-assisted implementation for immediate early recovery activities; and (b) government-led and government-implemented stabilization activities for rehabilitating and strengthening critical social, physical, and productive infrastructure. This could be facilitated using private sector firms and/or specialized UN agencies for project management support.

The Somali Urban Resilience Project (SURP) is the national urban resilience project that aims to pilot the use of country systems at the subnational level and strengthen municipal governments' capacity. A Construction Engineering Supervision Consultant has been contracted to supervise urban works in Mogadishu and Garowe, and supports project teams with detailed work plans for the currently planned road rehabilitations (19 in Mogadishu, four in Garowe). In Mogadishu, physical progress is at 15 percent although 30 percent of contract time has elapsed (the contract end date is April 30, 2020). Works have been completed on the pilot road (Simaad road) and are progressing on three additional roads. In Garowe, physical progress is at 40 percent, with 40 percent of the contract time elapsed. Heavy rains posed a challenge-a section of constructed pavement on the pilot road (Jilib road) was washed away by stormwater. This section was subsequently redesigned and culverts provided.

^{12.} The SCRP is being proposed through an IDA CRW allocation (the allocation is still being determined).

The SURP II was approved by the IDA Board of Directors on December 9; implementation is due to begin when the project is made effective in early February 2020. It has an overall financing envelope of US\$112 million from the Somalia MPF (US\$62 million) and IDA (US\$50 million). The project will be implemented over a period of five years. This demonstrates how the MPF is able to crowd in resources from other streams. The project will be scaling up activities in Mogadishu and Garowe, expanding to additional cities such as Kismayo and Baidoa, as well as laying the groundwork for further expansion to Galmudug and Hirshabelle.

The **Environmental and Social Framework** enables the World Bank and Somali authorities to better manage environmental and social risks of interventions according to the global requirements of the World Bank. Given the complex social dynamics in Mogadishu, Somali authorities have recruited a Community Mobilization Officer to ensure that unskilled labor is provided to women, IDPs, and other vulnerable members of the community. So far, 10,276 labor days have been created in the overall project and 19 women engaged as unskilled labor. In addition, the Benadir Regional Administration has set up two road maintenance committees composed of five people¹³ each and provided training.

Under the original **Somali Urban Investment Planning Project** (SUIPP), feasibility studies, preliminary engineering designs, and safeguards instruments (for the rehabilitation of urban secondary and tertiary roads in Mogadishu and Garowe to improve people's access to basic services) were completed by December 2018. With a renewed timeframe of 2016–2020 and a budget of US\$9 million, the SUIPP is now under implementation in Kismayo and Baidoa.

13. One woman, one man, one youth, the District Commissioner, and an engineer from the Benadir Regional Administration.

The World Bank Group's urban portfolio seeks to fill critical data and evidence gaps through an **Urbanization Review**. The growth of cities is driven largely by the economic prosperity that they help create. But today cities are growing at unprecedented and challenging speeds. The WBG's Urbanization Review offers a framework for city leaders to make tough decisions on development in their cities on how to manage risks and reap the benefits of urbanization by providing diagnostic tools to identify policy distortions and analyze investment priorities. The first stage of the Urbanization Review is a political economy analysis of urbanization which was completed in October 2019.

As another input to the Urbanization Review, the WBG is initiating the Enterprise Survey, a mixed methods survey, which will interview formal, micro, and informal enterprises in Mogadishu and Bosaso to identify their key constraints to growth and job creation. A Land and Governance Study in Mogadishu, Kismayo, and Baidoa is also under way. Both studies will be completed by March 2020 and will feed into the final 'Urbanization Review Report' to be completed by June 2020.

Other thematic studies on urbanization trends, land, services, jobs/local economic development, social cohesion, political economy, and institutions are also under way. The final report is expected to be completed by June 2020.

Collaboration with Other Partners: The World Bank has been collaborating closely with the German government and the EU on urban operations and technical assistance (TA). In particular, the German government has not only been supporting the SURP and SURP II investments, but also a TA on how to ensure sustainable operation and maintenance of roads that are being built in Mogadishu. DFID has also supported the World Bank to undertake a political economy analysis of urban services across seven cities across Somalia which will feed

into the ongoing Urbanization Review. The World Bank is currently undertaking a joint land conflict and governance study with the Regional Durable Solutions Secretariat (ReDSS) and the Norwegian Refugee Council in Mogadishu, Kismayo, and Baidoa as part of the Urbanization Review as well. Agencies such as UN-Habitat, United Nations Office for Proj-

ect Services (UNOPS), the AfDB, International Organization for Migration (IOM), International Labour Organization (ILO), Joint Program—Local Governance Program and Decentralized Service Delivery (JPLG), and United States Agency for International Development (USAID) have been close partners in tackling urban challenges in Somalia.

Table 3. Overview of Projects: Urban Infrastructure

As of December 31, 2019

	Projects	Objectives	Budget	MPF Grants	MPF Disbursements	PAC Grants	PAC Disbursements
	Somali Urban Investment Planning Project (SUIPP)	Provide feasibility assessments and preliminary plans for selected urban investment and institutional strengthening activities.	9.0	8.6	7.5		
Investment Projects	2. Somalia Urban Resilience and Recovery Project, Phases I and II (SURP)	Strengthen municipal planning and implementation capacity to improve access to basic infrastructure in targeted areas.	121.0	71.0	4.5	50.0	
Investn	3. Special Financing Facility for Local Development	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.	6.0	6.0	5.9		
Analytics / Advisory	4. Somalia Urbanization Review	Develop a spatially differentiated strategy to help Somali cities better manage insecurity risks and climate shocks.	0.9	0.5	0.2		
	Total		136.9	86.1	18.1	50.0	0



MPF Operations

he World Bank Group (WBG) corporate portfolio analysis indicates a high level of performance of the Somalia portfolio. Much of this success can be attributed to the work of the client in working with task teams and the fiduciary teams, adapting WBG process to the context, as well as providing ongoing support to the implementing units.

Working through country systems with recipient-executed investments, the preferred modality for WBG operations globally, bears challenges in Somalia, especially as the Bank's portfolio diversifies and decentralizes. This way of working has required the government to rapidly develop systems and processes in line with WBG requirements. It has also required the government to rapidly build its capacities to execute projects along the fiduciary standards required in WBG operations.

Addressing these challenges has also required the WBG to think innovatively and creatively about

doing business in a unique context—balancing stringent oversight with flexibility and agility. The portfolio has increased in size, diversified in scope, and become more complex in the reporting period. New sectors and new geographic areas require the Multi-Partner Fund (MPF) to introduce operational requirements to client counterparts. New government counterparts at municipal level, and subnational disbursement and delivery modalities, require the MPF to adapt its operational approaches. This includes risk management approaches, differentiated fund flows, and an increased focus on environmental and social safeguards.

Scaling up projects gradually helps teams to understand risks, and enables the teams to build matching capacity on an ongoing basis. Operational lessons are being drawn from the Bank's portfolio in Somalia, which are potentially applicable to the wider Bank engagement in contexts affected by Fragility, Conflict, and Violence (FCV).

Portfolio-Level Monitoring

Strategic Reviews

The WBG has commissioned periodic strategic reviews of emerging issues of institutional reform and statebuilding in Somalia. These reviews by Abyrint, the MPF Monitoring Agent, inform government and WBG strategy, portfolio management, and implementation. Abyrint is also commissioned by the WBG 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 WBG, as well as targeted capacity-building support to government.

The scope covers expenditures incurred through use-of-country-systems at the federal level and in 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.

During the reporting period Abyrint also supported the Bank team and participating governments to enable implementation and expansion of MPF-funded initiatives in the social sector, including the launch of the MPF-funded Female Health Worker program, which is to be scaled-up to provide community-based health services.

Gender-Based Violence Risk Review

The WBG's expanding portfolio will increase its presence and programmatic footprint across Somalia, with increased investments in two Focus Areas: (a) building institutions to deliver services; and (b) restoring economic resilience and opportunities in key sectors, including urban infrastructure development, agricultural development, access to water, renewable energy, and wider access to financial institutions and economic opportunities.

BOX 3

RER Audit Finds Zero Error Rate

The Somalia Multi-Partner Fund was one of the trust funds selected for the European Commission's (EC) 2019 Residual Error Rate (RER) Study in May 2019. RER Studies enable the EC to (a) verify the legality and regularity in the use of EC funds in EC-supported trust funds, and (b) estimate the financial impact of residual errors after all the EC's ex-ante and ex-post controls have been implemented. The audits are carried out through the review of a sample of Bank trust funds benefiting from European Union (EU) contributions. Negative findings have serious financial and reputational risks including requirement for the Bank to refund identified ineligible expenditures and discussion of the findings and recommendations in the European Parliament and press.

Following the successful completion of the 2019 EC RER audit for the Somalia Trust Fund TF072283 on November 13, 2019, the Commission expressed the achievement of zero error rate in the audit of the trust fund expenditures. The audit covered both Bank-executed and recipient-executed funds.

The EC auditors were able to confirm in a timely manner that funds were used for the intended purposes and in compliance with the World Bank Group policies and procedures. The audit has also cast confidence in the Bank/Government joint approach in the Use of Country Systems.

In order to support the expansion of the Somalia portfolio and programmatic footprint in country, Somalia has undertaken a number of exercises to understand more acutely the key social risks that may emerge in its investment operations and also to develop a bespoke approach to addressing these risks.

MPF Operations

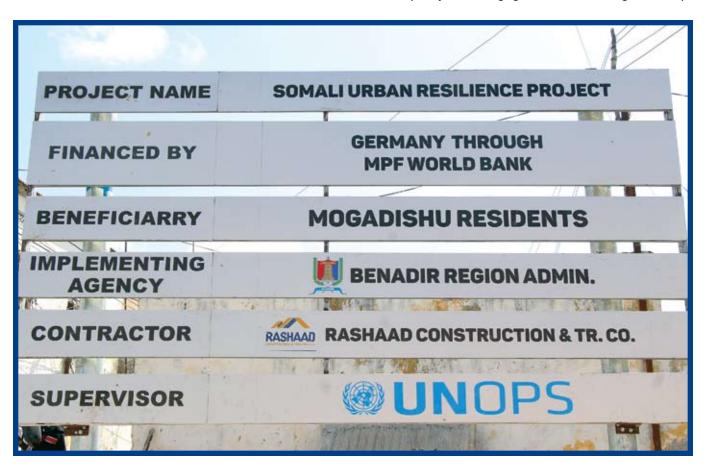
As part of this effort, and in alignment with commitments articulated under the Country Partnership Framework, the Bank commissioned a team of experts to conduct a gender-based violence (GBV) Risk Portfolio Review to identify potential risks of sexual exploitation and abuse and sexual harassment (SEAH), as well as other forms of GBV that may be compounded by, or emerge as a result of, Bank-supported operations.

The exercise specifically included review of both active and pipeline projects in the Somalia Country Portfolio, including an assessment of key risk factors that may contribute to SEAH/GBV in World Bank operations in country, identification of key measures to be integrated into project design to protect against risk of SEAH and GBV and, should incident occur, critical response measures to enable timely, ethical, confidential, and survivor-centered response. The exercise also is meant to provide a baseline of information for task teams for future interventions, and also recommendations for future investments, build-

ing on existing evidence on what works to prevent or respond to GBV. Recommendations further include consideration for opportunities to address protection concerns, including increasing incidence of GBV, as related to the onset of emerging crises including conflict, drought, and other climate-related events, and other relevant emergencies.

Key activities conducted during the review included consolidation of available mapping of GBV service providers, as well as key informant interviews and focus group discussions with relevant stakeholders, including with the Somalia CT and Bank staff, with key government stakeholders—in particular relevant project implementation teams with select projects—with United Nations (UN) partners, bilateral agencies, and targeted nongovernmental organizations (NGOs). The mission involved interviews both in Nairobi and with relevant actors in Mogadishu.

The review outlines concrete recommendations for policy-level engagement, resourcing, and sup-



porting capacity strengthening, both in-house support for Bank staff as well as external technical support for government partners, ensuring robust risk analysis and action planning across operations, identification of mechanisms for SEAH/GBV-sensitive grievance redress, and key actions to strengthen monitoring and accountability during the life of a project.

The review further outlines opportunities for proactive engagement on GBV prevention and response programming as a broader development challenge, including scaling up support for the ongoing Inclusive Community Resilience and GBV Pilot with International Rescue Committee, increasing attention to the GBV prevention and response needs of women and girls in a rapidly urbanizing and precarious housing/land tenure environment, and integrating a GBV and broader protection lens into Bank efforts on Anticipatory Action in the event of an acute crisis. The review is anticipated for completion in January 2020.

Improving Financial Integrity

To support the government to improve its public financial management and projects' fiduciary systems, the Bank engaged with government on several trainings and workshops for both active and pipeline operations. A fiduciary workshop was held on September 10-12, 2019, in Hargeisa, Somaliland. The overall objective was to provide training to relevant government staff involved in project management to enhance project financial management performance, develop an action plan for resolving fiduciary gaps identified in the financial management supervisions on each project, quarterly Interim Project Financial Reports and the end-of-the-year project external audit reports and recommendations therefrom. The participants shared their common understanding on the level of risks for each project and the associated negative impact if the identified fiduciary risks are not addressed on a timely basis, and the eventual negative effects on the entire portfolio.

In the same month, the Financial Management team, together with government officials from the Federal Government of Somalia (FGS), conducted two separate workshops for two pipeline operations: 'Shock Responsive Safety Net for Human Capital Project' (SNHCP-P171246) in Somalia and 'Somalia Capacity Enhancement, Livelihoods and Entrepreneurship, Through Digital Uplift Program' (P168115). The SNHCP is the first project implemented through UN agencies¹⁴ contracted by government. These workshops were held on September 13 and 23, respectively. The overall objective of these financial management workshops was to induct government staff who are involved in the dayto-day management of the project on the expected fiduciary standards as stipulated in the respective government decrees and World Bank project financial management guidelines.

The first project is funded by the International Development Association (IDA); the Project Development Objectives (PDO) are to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shockresponsive safety net system. The second one is a blend of IDA and trust funds with the PDOs to expand access to financial and digital services and support entrepreneurship and livelihoods, particularly for women. These are unique projects which require detailed and specially designed financial management arrangement and hence the need to equip government and implementing partners with the necessary skills in managing these projects. For more information on Financial Management (FM) arrangements adopted by the Bank and Somali authorities for the MPF, see Appendix 1.

^{14.} The World Food Programme (WFP) and United Nations Children's Fund (UNICEF).

Public Expenditure Review Update

A Public Financial Management (PFM) assessment is being carried out as module of an umbrella Public Expenditure Review (PER). The assessment is conducted with the objectives of (a) obtaining a baseline understanding of the performance, strengths, and weaknesses of the PFM systems and processes; (b) identifying the trajectory of progress over time and remaining weaknesses; and (c) making a prioritized set of recommendations categorized as short, medium and long term, on areas of focus for further PFM reforms, commensurate with the country context.

It focuses on the PFM operations of the FGS in the areas of core budget processes, control framework, and external audit. Ministries, departments and agencies (MDAs) that are included in the annual budget document are covered. In addition, the assessment covers commitment control and reporting practices of the whole of government which includes the FGS and the Federal Member States (FMS). The assessment combines qualitative and

quantitative approaches and is guided by, but not limited to, the dimensions used in the PFM Performance Measurement Framework.

A consultative approach is followed when conducting the assessment. The World Bank undertakes this assessment under the ownership and cooperation of the FGS and FMS. The Bank convenes regular workshops as part of the assessment to bring together key stakeholders for discussion on issues and solutions. The FGS has set up a Task Force comprising senior staff members of the Ministry of Finance to liaise closely with the Bank on the assessment. MPF donors are also consulted and information shared throughout the assessment. The assessment has commenced and is expected to conclude in March 2020. Upon completion of the assessment, a dissemination workshop will take place to present the findings and recommendations to a wide constituency of stakeholders. The report will also be made public.

Project-Level Monitoring

Geo-Enabling Method for Monitoring and Supervision

To mainstream the use of simple and low-cost open source technology for monitoring and evaluation (M&E), real-time supervision and risk monitoring, a series of Geo-Enabling Method for Monitoring and Supervision (GEMS) workshops were provided by the Fragility, Conflict, and Violence (FCV) Group for clients, WBG staff, and partners in Somalia between September and November 2019. Two capacity-building missions were organized to implement the GEMS methodology with the WBG Somalia portfolio. From September 23 to October 4, two three-day implementation workshops in Garowe (Puntland) and Hargeisa (Somaliland), had 58 participants (22 percent of whom were women). From November 4 to November 7, a three-day im-

plementation workshop in Mogadishu was joined by 28 participants (18 percent of whom were women), representing 15 WBG-funded projects in total. The participants comprised Project Implementation Unit (PIU) staff, ministry directors, M&E officers, project coordinators, ICT officers, financial officers, and WBG staff. Although many of the participants were familiar with digital survey tools, none of them had been able to take ownership of the respective technology or approach before the GEMS training, while often still relying on paper-based systems for M&E.

Special focus was given to the collection of gender-disaggregated data as well as best practices in terms of data protection and privacy. Participants agreed on the usefulness of the GEMS tools and skills, listing a broad range of uses of the method for their operations. By the end of each training, the GEMS team identified at least one focal point within each project and set a timeline for follow-up communication and remote support.

All participants were additionally informed of their responsibility to submit data to the WBG's Somalia Portfolio Mapping Platform. The interactive platform aims to provide the Country Management Unit (CMU) and Task Team Leaders with near real-time insights on field activities, while mapping the portfolio at the level of subproject implementation sites. A formal questionnaire to collect this data was circulated for consultation within the CMU, tested in the workshops for participant feedback, and officially launched in December 2019.

Further, the GEMS team met twice with officials from the Ministry of Planning, led by the Director General (DG) for M&E, and two of his colleagues participated in the workshop in Mogadishu. As the DG is set to coordinate the use of GEMS across 26 line ministries in tracking the implementation of the federal government's NDP 2020–2025, the GEMS team will advise on the practical set up and assist whenever possible.



Capacity Building and Analysis

Environmental and Social Risk Management

The World Bank started implementation of its new Environmental and Social Framework (ESF) for managing project risks, applicable to all projects starting after October 1, 2018. On the environment side, the ESF provides for expanded guidance on occupational health and safety (OHS), resource (energy, water, and raw materials) efficiency, pollution prevention and management, grievance redress mechanisms, and stakeholder engagement which continues from initial project design through the length of project implementation. Government ministries and PIUs with World Bank–funded projects have received both initial ESF training as well as one-on-one support on ESF from Bank technical staff as needed.

This past year has seen the Board approval of the first three projects in the Somalia portfolio under the new ESF: 'Shock Responsive Safety Net for Human Capital' and 'Somalia Urban Resilience Project II'. Through the Biyoole (Water for Agro-Pastoralist Resilience and Productivity) project and SURP II, the Bank will be supporting the design and construction of physical infrastructure in four new States: Gal-

mudug, Hirshabelle, Jubbaland, and South West. This requires substantial state-level ESF capacity building. An environmental and institutional capacity assessment of Baidoa and Kismayo municipalities, completed in July 2019, includes a capacitybuilding plan for these two municipalities and their states. In addition, a strategic assessment of the challenges in applying the Bank's social risk management systems in Somalia is underway and due to be completed by February 2020. The study particularly focuses on systems for ensuring inclusive consultations in the preparation and implementation of projects, effective management of grievances on projects, and developing an approach to land acquisition for projects-which is appropriate to Somalia's complex land tenure arrangements, particularly in rural areas.

Due to access restrictions, most ESF-related construction supervision will be carried out remotely and/or by third-party monitoring consultants. An initial ESF questionnaire has been prepared for both GEMS portfolio risk management as well as third-party site inspection contractors. Health and education projects under preparation will require increased attention to labor and working conditions, including OHS, as well as community health and safety (ESS4) for workers geographically dispersed across the FGS.

Of additional concern is the contractual responsibilities that UN agencies assume vis-à-vis the safety and security of their staff, and how these contractual responsibilities are passed on to international and local NGOs which may operate as subcontractors to UN agencies. Lastly, significant resources are needed to scale up ESF-related capacity for project preparation and supervision commensurate with the start of IDA programming.

Additional attention is being paid to assuring that the IDA portfolio will demonstrate climate cobenefits.

A Somalia Climate Risk Assessment is in prelimi-

nary design. This will estimate the relative climate sensitivities associated with potential development trajectories, as well the potential additional costs to be incurred to 'climate-proof' large infrastructural projects under consideration.

Financial Update

As of December 31, 2019, donors had committed a total of US\$483.6 million to the MPF, of which US\$411.5 million had been paid in. US\$378.8 million have been committed for (a) signed project grants (US\$335.1 million); (b) preparation, supervision, and monitoring of endorsed MPF pipeline and active projects (US\$28.5 million); and (c) trust fund management and administration (US\$15.1 million). This financial overview does not include funds from Pre-Arrears Clearance (PAC) Grants.

The MPF has disbursed a total of US\$248.8 million, representing 62 percent of paid-in contributions. The disbursement ratio has remained the same since last reported in December 2018, and slightly lower than the ratio reported in June 2018. This is attributed to the increased paid-in contributions from donors and to the disbursement from IDA funds for cofinanced operations such as Recurrent Cost and Reform Financing project (RCRF II), Domestic Revenue Mobilization/Public Financial Management (DRM/PFM) Capacity Strengthening project, and Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift (SCALED-UP) project.

A majority of the disbursements have been for project grants (US\$218.5 million, 86 percent). Of these grants, most have been recipient-executed (US\$180.9 million, 83 percent) and implemented by Somali authorities. In addition to grants, funds have been disbursed for management and administration (US\$14.9 million, 5.8 percent) and preparation, supervision, and monitoring by WBG teams (US\$19 million, 8.6 percent).

Table 4. MPF Financial Overview

As of December 31, 2019

Contributions		.\$491.8
Paid-in		
Unpaid		
Investment Income	\$8.2	
Commitments		. \$378.8
Management and Administration	\$15.1	
MPF Administration\$8.5		
HQ Central Fee\$6.6		
Preparation, Supervision, Monitoring	\$28.5	
Project Preparation and Supervision \$14.0	,	
Monitoring Agent\$14.5		
Project Grants	\$335.1	
BE Grants\$21.1		
BE on Behalf Grants\$23.3		
RE Grant\$290.7		
Appraised but Not Signed		\$72.6
Disbursements		. \$255.3
Management and Administration	\$14.9	
MPF Administration\$8.3		
HQ Central Fee\$6.6		
Preparation, Supervision, Monitoring	\$21.9	
Project Preparation and Supervision \$11.7		
Monitoring Agent\$10.2		
Project Grants	\$218.5	
BE Grants\$15.3		
BE on Behalf Grants\$22.4		
RE Grant\$180.9		
Unallocated Cash Balance (Paid-in—Commitments)		\$32.7
Cash Balance (Paid-in-Disbursements)		.\$156.2



Figure 1. Total and Average Monthly Disbursements (MPF and IDA)

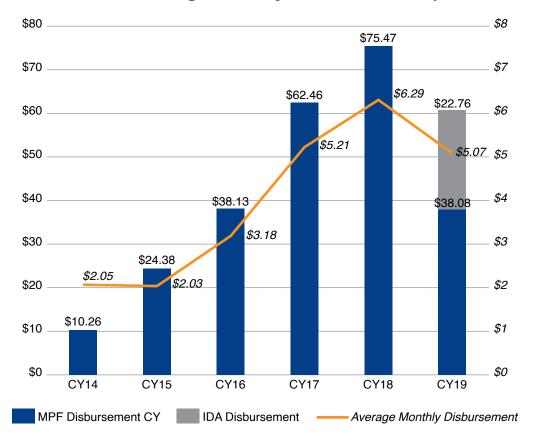
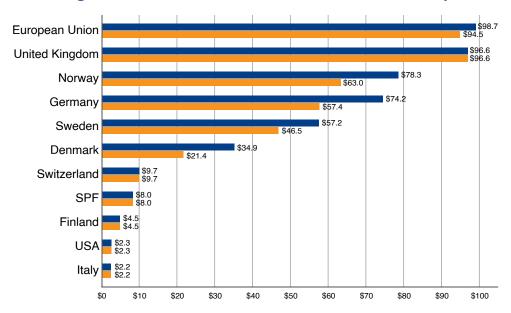
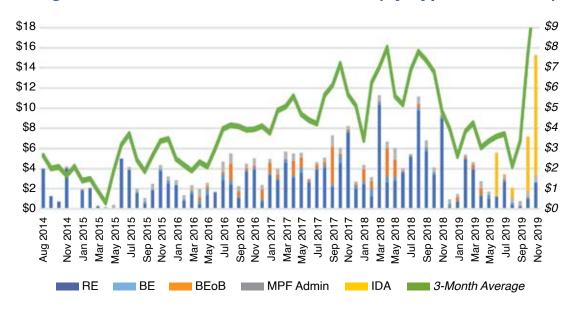


Figure 2. Pledged vs. Paid-In Contributions to the MPF (US\$ million)

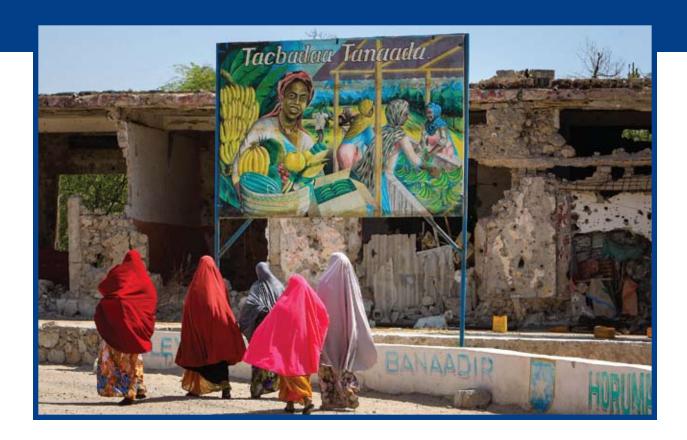


Contributions	ITA	USA	FIN	SPF	SWI	DEN	SWE	GER	NOR	UK	EU
Pledged (US\$, m)	\$2.2	\$2.3	\$4.5	\$8.0	\$9.7	\$34.9	\$57.2	\$74.2	\$78.3	\$96.6	\$98.7
Paid-in (US\$, m)	\$2.2	\$2.3	\$4.5	\$8.0	\$9.7	\$21.4	\$46.5	\$57.4	\$63.0	\$96.6	\$94.5

Figure 3. MPF and IDA Disbursements (by Type and Month)







Looking Ahead

omali authorities continue to reach major milestones with the support of the Multi-Partner Fund (MPF) and its donors. The Roundtable on Debt, approval of International Development Association (IDA) grants totaling US\$22 million (bringing the total this fiscal year to US\$98 million), and Staff Monitoring Program (SMP) progress in the reporting period illustrate growing confidence in Somalia's ability to absorb increasing levels of development financing, on budget, and using country systems.

The MPF underwent a Mid-Term Review (MTR); the aim was to evaluate whether the MPF is fit for purpose in the context of international financial institution (IFI) reengagement and the new Ninth National Development Plan (NDP9), and what the areas of improvement are. The review team assessed the performance of the MPF thus far in (a) achieving its development objective; (b) its effectiveness and efficiency; and (c) the relevance of the Fund's design in anticipation of IFI reengagement. The findings of the

MTR are being used to inform the Performance and Learning Review (PLR) which will be used to help guide how additional IDA resources can effectively be used to support the focus areas of the Country Partnership Framework.

The MPF has helped bring government systems back into play, increase government ownership, and enabled harmonization of policy dialogue. However, areas for improvement remain, as indicated by the MTR. Some among these are: responding with more flexibility to the dynamic and difficult operating context; having a more collaborative approach, for instance, in expectation management and donor involvement; linking more explicitly to the political processes—supporting broader macro dialogues with financing; better portfolio risk management and Knowledge Management; and aggregating monitoring and evaluation of project level outputs to outcome level results across portfolios.

The strength of the MPF, as the MTR states, is as an instrument for building and/or strengthening

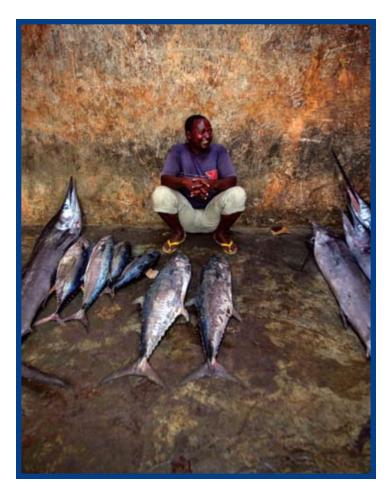
country systems by using and improving them. By building the government's understanding of its role and its functions, the MPF can forge strong government ownership—both inter-governmental and public-private. Good portfolio and project management (fund disbursing), harmonization of policy dialogue, and linking policy reform with incentives and practice are strong facets of the Fund.

In the IDA context, the MPF will strengthen institutions for service delivery and build resilience and opportunities in the economic space. The PLR should help guide the delivery of more resources in MPF focus areas; the MPF can help set the stage or enable larger investments through the IDA by building capacity of government; testing concepts; and managing risks—fiduciary, environmental, and social—and government capacity to manage risks. The MPF could create space for:

- Pooling funds for greater impact within established programs: This could include: comingled donor and IDA resources for greater aid coordination, influencing the IDA portfolio—in governance; human capital (for instance: health, education, and social protection); urban and rural resilience; and increase in productivity. The MPF will continue to be a tool through which donor engagement can rationalize and consolidate resources towards common aims when using country systems.
- Financing Facility for Local Development (SFF-LD), for instance, is an adaptive instrument for government response to local level risk and opportunity, with potential to absorb crisis response funding. Building upon the successful experience of the SFF-LD on public sector and civil collaboration for disaster response, the Somalia Crisis Recovery Project (SCRP) is a proposed International Development Association Crisis Response Window (IDA CRW) operation for multisector

recovery and reconstruction program/project to support Somalia's recovery. The Somali Urban Investment Project, as another example, has led to the Somali Urban Resilience Project II (a US\$112 million project) being approved by the Board in December. Other examples include urban resilience projects, and the Recurrent Cost and Reform Financing (RCRF) project.

- Facilitating policy/reform dialogue in key areas: governance; social protection; health; bringing women's empowerment to the forefront of all portfolio activities; climate risk and adaptation—supporting greater cobenefits and adaptation measures within projects, and where analytics would inform macro-economic adaptation; and private sector development (with IFC).
- Enabling adaptive portfolio management—including fiduciary, security, environmental and social risk management—linked to capacity building of public and private institutions.



Looking Ahead

In this reporting period (July-December 2019), the MPF will continue to catalyze government-led implementation of governance, economic growth, and urban development in Somalia. The RCRF Annual Review convened Federal Government of Somalia (FGS) and Federal Member States (FMS) to allocate resources for health and education service delivery. Building on the successful experience of coordination between ministries on federal- and federal member state-level, and given the importance of clear inter-governmental policy dialogue for service delivery in federations, counterpart sector coordination forums are key for inter-governmental relations and government-led service delivery. Moreover, the processes of laying the foundations for health service delivery mechanisms, including implementation readiness, budget preparations, and the drafting of detailed work plans, will take place for FMS' less ac-

quainted with the RCRF.

Knowledge generation will continue to be a core element of the MPF to support and strengthen Somali authorities and development partners' ability to plan and target resources strategically, despite depleting resources in the Knowledge Fund.

The fourth edition of the Somalia Economic Update, 'Building Education to Boost Human Capital', was launched on September 5 in Mogadishu. The report took a deep-dive into Somalia's education sector, exploring options to advance access, quality, and improve outcomes—allowing for strong focus on innovation, data, and finance to performance linkages. A concept note for the fifth edition—to be published in Q1/2 of CY2020 and focusing on the security sector—was approved in December 2019.

The next reporting period will be characterized by the kick-off of several new projects financed by IDA



or cofinanced by IDA and MPF. The Somali Urban Resilience Project II (US\$112 million) will be scaling up infrastructure support in Mogadishu and Garowe, supporting prioritized infrastructure investments in Kismayo and Baidoa that were selected under the Somali Urban Investment Planning Project, and laying the groundwork for further expansion to strategic cities in Galmudug and Hirshabelle. The Shock Responsive Safety Net for Human Capital Project has been approved. The next reporting period is also expected to see new projects approved by the World Bank Board, including the Statistical Capacity and Economic Management Project.

The Somalia Crisis Recovery Project is being proposed through an IDA Crisis Response Window (IDA CRW) allocation¹⁵ for multisector recovery and reconstruction program/project16 to support Somalia's recovery from the unprecedented crisis it currently faces owing to the devastating floods that impacted parts of the country during October and November 2019. The proposed project will focus on immediate service delivery restoration, infrastructure rehabilitation, and community support interventions to help restore livelihoods and enhance resilience. The project would retain a major focus on supporting immediate floods recovery and may, to a limited extent, potentially offer limited solutions for mediumterm recovery and resilience building solutions for the 'Complex Triangular Crisis' that Somalia currently faces-drought, floods, and conflict all within the same time and space. A hybrid implementation approach is proposed to combine immediate quickdispersing support to kick-start recovery, with activities that can galvanize a transition toward mediumterm recovery.

At the mid-point, the MPF continues to provide a platform for expanding the government's ability to engage in the development and stability of the country. As the portfolio moves beyond institutions and further into service delivery, the MPF continues to lay the foundations for sustainable poverty reduction and economic development.

These projects highlight a diversifying and expanding World Bank Group portfolio in Somalia, which will require parallel support for government implementation and supervision capacities.

At the mid-point, the MPF continues to provide a platform for expanding the government's ability to engage in the development and stability of the country. As the portfolio moves beyond institutions and further into service delivery, the MPF continues to lay the foundations for sustainable poverty reduction and economic development.

Finally, the World Bank will be working closely with the International Monetary Fund and the African Development Bank to support arrears clearance and achievement of Heavily Indebted Poor Countries' Decision Point in the first quarter of 2020. Given the resources that Somalia will be able to access at this point, the World Bank will begin consultations to discuss programming IDA resources with government and partners. This will be done through the PLR which will revise the results framework of the Country Partnership Framework 2019-2022 based on increased funding for Somalia. The PLR will outline the results expected from the investments made through the IDA and MPF combine and will describe the approach to implementing an expanded WBG program in Somalia.

^{15.} Allocation still being determined.

^{16.} The project would build upon the successful experience of the Special Financing Facility for Local Development (SFF-LD), on public sector and civil collaboration for disaster response.

APPENDIX 1

MPF Financial Management

A. Introduction

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: (a) PFM systems and supporting legal framework at Federal Government of Somalia (FGS) and Federal Member States (FMS); (b) implementing entities; and (c) project-specific FM arrangements. In Somalia, lack of unified PFM architecture is compounded by constraints recognizable in Fragility, Conflict, and Violence (FCV) countries, including limited access to the client (particularly Federal level-Mogadishu and some of the FMS), which continues to present challenges in the provision of effective implementation support. The Somalia Bank PFM/Fiduciary function has dual twin roles: (a) providing assurance that projects' resources are used for the intended purposes with due consideration to the principles of economy, efficiency, effectiveness, transparency, and accountability; and (b) developing institutional and PFM systems and capacities with specific focus to the Office of the Accountant General and Auditor General in the FGS and FMS.

B. 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 PFM/Fiduciary 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, inform the development of PFM systems development, and mitigation strategies to address key weaknesses and risks. In conducting the

assessments, 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 appropriate contextual framework and design, scalable response, speed, and effective monitoring of operations and risks. The PFM/Fiduciary risks are assessed at the beginning of each project, and are monitored and updated continuously throughout the project cycle management. 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 PFM implementation support reports, Aide Memoires, and Implementation Status Reports (ISRs); all of which are shared with the client and donors.

C. PFM/Fiduciary Engagement Model

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, Auditor General, and Budget Directorate are central counterparts in the PFM/Fiduciary workstreams. All the project PFM/Fiduciary arrangements are fully aligned to the country PFM systems including alignment to the outlined priorities in the National Development Plans (NDPs). Project-specific Interim Unaudited Financial Reports (IFRs) and governmentwide fiscal progress reports are generated through a single integrated window using the Government Public Financial Management Systems (Integrated Financial Management Information Systems-IFMs) at Federal, Puntland, and Somaliland. The projects' PFM/Fiduciary arrangements in the FGS and across the FMS17 are managed directly by the Office of the Accountant General-centralized External Assistance Section (EAFS) units through collaboration with PREMIS¹⁸ team. The projects' external audit for FY2018 for Federal Government of Somalia, Puntland State of Somalia, and Government of Somaliland have been submitted to the Bank. The Bank has provided feedback to the Puntland State of Somalia and Government of Somaliland. The audit reports from the FGS were slightly delayed and were eventually received by the Bank on the week of November 24, 2019. The Bank will review the audit reports together with the Management Letters and provide the government with the necessary feedback. A pragmatic approach combining Short-Term Financial Management Consultant (STC) providing support to the PFM/Fiduciary Team in the Bank has been deployed. The team is further supported through a team of STCs deployed through a third-party platform to facilitate effective "on the ground" PFM/Fiduciary support to the client teams beyond areas of Bank corporate security limitations. The team interfaces with the third-party monitoring agent majorly focusing on verification of outputs to which reviews from the financial performance are comprehensively reconciled with the findings of the monitoring agent. Joint Bank/government/ MA forums will be strengthened to ensure provision of timely implementation support/monitoring feedback to the government teams.

D. Joint PFM/Fiduciary Forums

The PFM/Fiduciary team has initiated joint PFM/Fiduciary forums at least once every year bringing together the Accountant General, EAFS Units, Project Implementation Units (PIUs), Budget Directorates, and Auditor General in the FGS and FMS. Due to logistical challenges, this year's forum for the FGS and Puntland State of Somalia (PSS) did not take place; it is hoped that these challenges will gradually be overcome in the coming years. The forums provide a platform for the teams to share PFM experiences and lessons in managing Bank-supported projects in the FGS and FMS. The outputs from such workshops are usually firm dated priority-based PFM action plans. The forums usually focus on PFM/Fiduciary implementation lessons, regular FM implementation support reports, the quarterly Interim unaudited Financial Reports (IFRs), and the Auditor General's recommendations from the project audits for prior years; identify key cross-cutting (portfolio related) FM issues, project specific issues; and develop an action plan for each of the identified FM issues on priority basis for resolution in the immediate term but within a financial year.

E. Next Steps

Follow up implementation support missions to Mogadishu, Garowe, and Hargeisa were carried out in November 2019 to assess the progress made by governments in implementing the agreed action plans. During the missions, the team had instructions to carry out specific reviews on high-risk thematic FM risk areas across all the active projects within the portfolio. The reports are expected to be ready for Bank review in the first guarter of 2020 for readiness to dispatch to government. The Bank FM teams will also review the project audit reports and Management Letters for the just concluded external audits of projects for the financial year ended December 31, 2018, for the FGS and will assess the extent to which the projects are complying with the internal controls and respective financing agreements with the Bank. A follow-up dissemination workshop on these audit findings and the latest FM supervision reports of November 2019 is planned for the second quarter of 2020. The team also undertook sector PFM assessment in support of the pipeline¹⁹ operations, including additional financing under Pre-Arrears Clearance Grants.

^{17.} Puntland, Somaliland, Jubbaland, South West, Galmudug.

^{18.} Third party PFM vehicle established and funded by a group of donors to lead PFM reforms across the newly formed states.

^{19.} Water and Livestock, Urban, Energy and Petroleum, SCALED -UP, STATCAP, Safety Net project, Health, Education.

APPENDIX 2

MPF Monitoring Framework: 2019–2021

MPF OPERATIONAL PERFORMANCE

As of December 31, 2019

QUALITY OF OPERA	TIONS	Target	Status
	Total MPF disbursements to date (US\$ million)	-	255.3
Disbursements	Total disbursements by calendar year (US\$ million)	- (3	2014: 10.3 2015: 24.4 2016: 38.1 2017: 62.5 2018: 75.5 2019: 49.6 3.0 MPF/11.6 IDA)
	Commitment ratio of paid-in donor contributions	-	85.1%
	Disbursement ratio of signed project grants a: Including RCRF b: Excluding RCRF	-	a. 65% b. 51%
Timeliness	Average # of months from SDRF endorsement to first disbursement	<4 months	5.9
Portfolio quality	% of active operations rated moderately satisfactory or higher	90%	100%
WORLD BANK MANA	AGEMENT	Target	Status
Consultation	% of MPF projects that have been consulted with relevant Working Groups during design	100%	100%
	# of total MPF Consultative Group meetings	6	11
DONOR ENGAGEME	NT	Target	Status
Limited preferencing	% of MPF contributions preferenced by donors	<30%	45%
Pledge predictability	Donor payments on schedule (% of total funds paid according to administration agreement schedule)	100%	100%
CROSS-CUTTING ISS	SUES	Target	Status
Gender mainstreaming	Gender considerations integrated into MPF Portfolio (% of MPF projects with World Bank gender flag ²⁰)	NA	75%
Capacity building	% of active projects with a capacity development component	100%	100%
Conflict sensitivity	% of MPF projects that utilize conflict analysis to inform project management, going beyond basic World Bank requirements for project preparations	50%	100%

^{20.} MPF projects and analytic activities are reviewed and assessed by the World Bank to systematically consider and address gender inequalities in: (a) the underlying analysis; (b) in the actions proposed; and/or (c) in monitoring and evaluation arrangements. If a positive response is recorded in at least one of these three dimensions, the operation is flagged as gender-informed.

MPF RESULTS

As of December 31, 2019

CPF Objectives	Focus Area 1: Strengthening Institutions to Deliver Services	Base- line		2019	2020	2021	Data Source		
Cross-cutting	Government demonstrates progress on key reforms and benchmarks, as demonstrated by achievement of RCRF disbursement-linked indicators (DLIs) (cumulative)	Government demonstrates	Government demonstrates	_	Target	7	8	12	RCRF reporting
		_	Actual	On track to exceed target— 3 out of 4 achieved by end of March ²¹ 2 out of 3			after March and August reviews of DLIs. In addition to #s, narrative to be provided about specific DLIs		
				achieved by end of August ²²					
Objective 1.1: Improve public finance	bublic improved PFM control and accountability, as evidenced by: i) Increased % of appropriated expenditures processed	i) 052/	Target	i) 30% ii) 30%	i) 40% ii) 40%	i) 50% ii) 50%	DRM/PFM reporting		
management and institutional effectiveness		i) 25% ii) 25%	Actual	73.83% 48.83% ²³					
Objective 1.2:	3. Revenue 'instruments' ²⁴	0	Target	1	2	4	DRM/PFM reporting using FGS MOF Tax codes and Tax administration system in place		
Enhance domestic revenue mobilization and resource	combinition (both tax and nontax) with basic 'processes'25 automated at the FGS. (Number) and resource		Actual	On track					
Chainig	4. Improved fiscal relations between the FGS and FMS, as evidenced by: i) Inter-governmental meetings ²⁶ and knowledge products lead to concrete decisions being made on fiscal federalism issues (Yes/No) ii) Annual increase of inter-governmental transfers from FGS to FMS and BRA (%, cumulative increase)	een the FGS and FMS, ridenced by: 29.9 er-governmental million ings ²⁶ and knowledge acts lead to concrete ions being made on fiscal alism issues (Yes/No) nual increase of governmental transfers FGS to FMS and BRA	Target	i) Yes ii) 15% cumulative increase above baseline	i) Yes ii) 30% cumulative increase above baseline	i) Yes ii) 45% cumulative increase above baseline	i) Qualitative reporting from RCRF, K4R, FGC, oil and gas, EDU, Health		
			Actual	ii) 49% cumulative increase compared to baseline (US\$43.4 million)			reporting using MoF records		
Objective 1.3: Improve delivery of	5. Expanded access to health care in Benadir, Galmudug, and Puntland, as evidenced by:	i) 0 ii) 0	Target	i) 400 ii) 100,000	i) 400 ii) 150,000	-	Health ASA Target aggregated, but narrative reporting will provide breakdown by FMS		
delivery of systems for inclusive social services	and Puntland, as evidenced by: i) # of female health care workers in place with MPF support ii) # of women and children visited by female health care workers annually with MPF support		Actual	Delayed — will commence in January 2020 ²⁷					

Appendix 2: MPF Monitoring Framework: 2019–2021

MPF RESULTS (continued) As of December 31, 2019

CPF Objectives	Focus Area 1: Strengthening Institutions to Deliver Services	Base- line		2019	2020	2021	Data Source
(Contd.) Objective 1.3: Improve delivery of systems for inclusive social services	Objective 1.3: Improve delivery of systems for inclusive education sector, as demonstrated by: i) # of teachers who have undergone proficiency testing on numeracy and classroom	i) 0 ii) 0	Target	i) 300 teachers in BRA tested ii) 100 (PSS and BRA)	i) 1,200 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS	i) 1,500 teachers in at least 2 eligible FMS tested ii) 300 in 2 eligible FMS	EDU ASA Target aggregated, but narrative reporting will provide breakdown by FMS
			Actual	i) 897 ²⁸ ii) 300 ²⁹			
Objective 1.4: Build the		i) 0 ii) 0	Target	i) 0 ii) 0	i) 8 km ii) 20,000	i) 25 km ii) 25,000	SURP Narrative will also include qualitative reporting gathered towards the end of the project on improved access to services
Somali municipalities for urban			Actual	To be assessed in 2020 ³¹			
CPF Objectives	Focus Area 2: Restoring Economic Resilience and Opportunities						
Objective 2.1: Improve the business	8. Access to inclusive finance improved and used to generate job growth as demonstrated by: i) Value of loans from the MSME Financing Facility (US\$ million) ³² /% women-owned ii) Jobs created by firms that access the MSME Financing Facility (% women)	i) 0 ii) 0	Target	i) 0 ii) 0	i) 2 / 30% ii) 200 / 30%	i) 8 / 30% ii) 650 / 30%	SCALED-UP Narrative reporting for 2019 will include results of the catalytic fund (SCORE), which applies similar targets for grants and jobs
environment and lower barriers to entry			Actual	To be assessed in 2020 ³³			

- 21. The next review of DLIs will be in March 2020. The three DLIs that have been met in March 2019 include: DLR 2.1. TIN and TCC mandatory when bidding for government contracts and valid TIN required in order to have invoice paid [Joint with the EU]; DLR 3.1. SFMIS incorporates: (i) End-of-day balances of all TSA accounts and (ii) monthly balances of all MDA accounts held at the CBS [Joint with the EU]; and DLR 4.1. Reduce cash advances to MDAs for nonsalary recurrent costs from 56.4 percent baseline at end-March 2018 to 26.4 percent [value-based].
- 22. The two DLIs that have been met in August 2019 include: DLR 1.1. Customs modernization roadmap and action plan tabled, discussed, and adopted at inter-governmental technical committee meeting including agreement on common goods classification [Joint with EU]; DLR 7.1. Teacher proficiency test piloted in at least one eligible FMS/BRA, establishing minimum competency level of teachers (Year 1) [Joint with E].
- 23. Increased % of appropriated expenditures processed through the commitment system (73.83 percent) less baseline of 25 percent.
- 24. For the purposes of this indicator the instruments include: corporate income tax; personal income tax; excise tax; simple broad-based consumption tax; simple GST or VAT based consumption tax; registration tax; property tax; stamp duty; tax on remittances; telecommunications taxes; road tax (including vehicle licenses and drivers permits); business licenses; telecom licenses; and off-shore fishing licenses.
- 25. For purposes of this indicator, the processes to be included in computing the indicator include: (a) registration; (b) declaration/filing and assessment; (c) taxpayer payment and accounting; and (d) debt collection.

MPF RESULTS (continued) As of December 31, 2019

CPF Objectives	Focus Area 2: Restoring Economic Resilience and Opportunities	Base- line		2019	2020	2021	Data Source
Objective 2.2:	Supervisory capacity of the Central Bank of Somalia	No	Target	No	Yes	Yes	SCALED-UP
finance to increase inclusion and digital development opportunities	strengthened as demonstrated by publication of reports on financial institution examinations and cases of supervisory actions on CBS website		Actual	To be assessed in 2020 ³⁴			
	10. Digital ID Authority established and operational	No	Target	No	Yes	Yes	SCALED-UP Targets on digital ID enrollment will be included later
			Actual	To be assessed in 2020 ³⁵			
Objective 2.3: Increase access to renewable energy	11. Access to renewable energy enabled, as demonstrated by: i) Number of people provided with new or improved energy service (at least 30% female) ii) Number of energy sector studies sector completed iii) Renewable energy generation capacity deployed (MW)	i) 0 ii) 0 iii) 0	Target	i) 11,390 (30%) ii) 0 iii) 0	i) 30,753 (30%) ii) 1 iii) 0.10	i) 71,757 (30%) ii) 3 iii) 0.15	SEAP

- 26. Only inter-governmental meetings supported through MPF projects will be tracked.
- 27. During the Mid-Year RCRF Review mission, government counterparts noted that the planned roll-out for female health workers has been significantly delayed. Revising the planned implementation modality based on government feedback led to extensive technical discussions with different federal member states and partners. This has since been resolved and the planned roll-out is now scheduled to take effect from January 1, 2020. Support from the Global Fund will continue to support the payment of salaries for existing female health workers until the end of 2019. For more information, see RCRF project brief.
- 28. For more details, see project brief for the Education ASA.
- 29. Approximately 1,500 schools in Benadir, Hirshabelle, South West, Galmudug and Jubbaland will be visited in Phase I, which is currently under way.
- 30. Only referring to rehabilitated roads financed by a WBG-assisted project.
- 31. The urban resilience indicators will not be assessed until 2020. For detailed updates, see project briefs on the SUIPP and SURP I.
- 32. Unlike the Catalytic fund financed under SCORE, which provided grants directly to SMEs, the MSME Financing Facility is designed to provide financing to private financial institutions to issue subloans to micro, small, and medium enterprises in underserved economic segments, with an emphasis on female-owned businesses. Once a track record is established, the MSME Financing Facility should be able to crowd-in investment capital from private sector sources.
- 33. The inclusive finance indicators will not be assessed until 2020. For a detailed update on the recently approved SCALED-UP project, please see the associated project brief.
- 34. Ibid.
- 35. Ibid.

APPENDIX 3

Status of Reform Benchmarks/ Disbursement-Linked Indicators (DLIs)

DLIs	DLRs to be achieved by end March 2019	DLRs to be achieved by end August 2019	Follow-up actions
DLI 1: Strengthen customs administration: Poor systems capacity: organizational, technology, and workflows to support effective and efficient customs management and collection.	n/a	DLR 1.1. Customs modernization roadmap and action plan tabled, discussed, and adopted at inter-governmental technical committee, including agreement on common goods classification.	IGFFC Technical Meeting has discussed and adopted the customs modernization roadmap on June 22, 2019, in a meeting held at Best Western Hotel in Addis Ababa.
DLI 2: Strengthen tax administration systems and staffing: Poor systems capacity: organizational, technology, and workflows to support effective and efficient tax collection of both large and smaller tax payers.	DLR 2.1. TIN and Transmitter Control Code (TCC) mandatory when bidding for government contracts and valid TIN required to have invoice paid.		This DLR was successfully completed on time and it is officially mandatory now for any supplier seeking government contracts to have a mandatory TIN Code and TCC letter. Similarly, no payment is made now without a supplier having a valid TIN number. TIN and TCC requirement was operationalized through a decree issued by the Minister of Finance to all government institutions.
DLI 3: Strengthen cash management and Treasury Single Account (TSA): Limited ability for Treasury to effectively manage cash; limited view of all liquid assets, limited view of commitments, and of revenue accrued but not booked.	DLR 3.1. SFMIS incorporates: (a) End-of-day balances of all TSA accounts; and (b) monthly balances of all MDA accounts held at the CBS.	n/a	As required by the target of this indicator, adequate daily and monthly reporting data are available now in SFMIS that can be produced electronically and are available on real-time basis. The MoF has a direct and real-time access to the Core Banking System for the CBS as well.
DLI 4: Payment process for operational expenditures: Extensive use of cash advances to finance MDA operational costs, with lack of associated financial controls and unrequited expenditures.	DLR 4.1. Reduce cash advances to MDAs for nonsalary recurrent costs from 56.4 percent baseline at end-March 2018 to 26.4 percent [value based].	n/a	This indicator required government action to gradually reduce advances made to MDAs to strengthen controls around payment operational expenditures. The required target as of March 2019 was 26.4 percent, reducing from a baseline of 56.4 percent in 2018. As of the reporting period, cash advances to MDAs stood at 22.2 percent, which is much greater than the agreed target.

DLIs	DLRs to be achieved by end March 2019	DLRs to be achieved by end August 2019	Follow-up actions
DLI 5: Strengthen inter-governmental fiscal policy framework: Lack of a rule-based approach to the distribution of funds between FGS and FMS/BRA, with limited assurance that Article 50 (e) of the Constitution ('fair distribution of resources') is being adhered to.	DLR 5.1. Policy paper outlining policy framework for Intergovernmental Fiscal Transfers agreed at Finance Ministers Fiscal Forum covering: budget timetable, reporting, accountability, and disbursement conditions.	n/a	The paper was developed, discussed, and agreed to at the inter-governmental technical level meeting well before the agreed deadline. As part of a procedural requirement, it was forwarded to the Finance Ministers for endorsement in March 2019. However, the planned meeting for the discussion on this paper was not successful as the parties did not show up for the meeting. The indicator was, thus, not met on time. Fortunately, the Finance Ministerial level meeting that took place in Kampala on November 23, 2019, approved the policy paper and it was therefore finally adopted.
DLI 6: Strengthen FGS transfers to FMS: Select FMS have minimal sources of revenue in their local economy, and therefore difficulty in sustaining their operations, while FGS collects tax and customs, partly from goods and services that are destined for delivery in FMS. Historically, FGS transfers to FMS have been made on an ad hoc and unpredictable basis.	n/a	DLR 6.1. Execution rate for transfers to FMS equal to or greater than the outturn rate for domestic revenues (Year 1).	This indicator was not met due to the fact that the total amount transfer to the FMS was not either equal to or greater than to the outturn rate of the domestic revenue. The transfer execution rate was 67 percent in the monitored period while the domestic revenue outrun rate was 113 percent in the same period.

Key:

- DLR either cannot be achieved, or the delay in achievement is impacting negatively on achievement of future results under the DLI.
- DLR is likely to be achieved, but with delay.
- DLR on track for being achieved on time.
- DLR has been substantively achieved (subject to verification).

Appendix 3: Status of Reform Benchmarks/DLIs

DLIs	DLRs to be achieved by end March 2019	DLRs to be achieved by end August 2019	Follow-up actions
bli 7: Strengthen teacher proficiency testing: Lack of an established system for teacher proficiency testing hampers merit-based recruitment and promotion, and undermines the effective development and targeting of preand in-service teacher training.	n/a	DLR 7.1. Teacher proficiency test piloted in at least one eligible FMS/BRA, establishing minimum competency level of teachers (Year 1).	The targets for this indicator have been met. Test instruments have been developed, validated, moderated, typeset, approved by the National Teacher Development Working Group (NTDWG) at a convened workshop, printed, and administered (given to the teachers). There were no teachers with special needs, therefore, there was no need to adapt test instruments. If the need arises, then sign language and Braille specialists will be required to adapt the papers. Large print can also be done for partially sighted teachers. Instruments cover both Primary and Secondary, including: 1.1 Basic Literacy (English, Somali); 1.2 Numeracy (Mathematics); 1.3 Pedagogy; 1.4 Islamic Studies; 1.5 Questionnaire to control for extraneous variables. The Islamic Studies and Questionnaire were included to improve the quality of the findings. The Terms of Reference (ToR), Work plan, Minutes of the NTDWG meetings (held in Addis Ababa from June 25, 2019, to July 4, 2019), and the signed validation protocol approving all the 2019 pilot TPT processes are available. They are filed in soft copy as: • ToR of the NTDWG. • Work Plan which was also budget itemized for the 2019 TPT examination. • Five sets of minutes of the workshop proceedings, setting of Islamic studies and moderation. • Validation protocols which detail all the approved processes and signed by the Directors for federal as well as member states. The 2019 TPT process which started with sensitization of the teachers to take the test, administration of the examination, marking of the examination papers, validation, and data analysis have been completed and the evidence provided to the concerned stakeholders.

Key:

- DLR either cannot be achieved, or the delay in achievement is impacting negatively on achievement of future results under the DLI.
- DLR is likely to be achieved, but with delay.
- DLR on track for being achieved on time.
- DLR has been substantively achieved (subject to verification).



