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Report No: PAD3408

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR36.7 MILLION
(US\$50 MILLION EQUIVALENT)

AND A PROPOSED GRANT

IN THE AMOUNT OF US\$62 MILLION

FROM THE SOMALIA MULTI-PARTNER FUND

TO THE

FEDERAL REPUBLIC OF SOMALIA

FOR A

SOMALIA URBAN RESILIENCE PROJECT II

November 14, 2019

Urban, Resilience and Land Global Practice
Africa Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective September 30, 2019

Currency Unit = SDR

0.7335 = US\$1

US\$ 1.3633 = SDR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Hafez M. H. Ghanem

Country Director: C. Felipe Jamarillo

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: Meskerem Brhane

Task Team Leader(s): Zishan Faiza Karim, Makiko Watanabe

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statements
BRA	Benadir Regional Administration
CoC	Code of Conduct
CPF	Country Partnership Framework
DA	Designated Account
EAFS	External Assistance Fiduciary Section
EHSG	Environment Health and Safety Guidelines
ESCP	Environment and Social Commitment Plan
ESF	Environment and Social Framework
ESIA	Environment and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environment and Social Management Plan
ESS	Environment and Social Standard
FCV	Fragility, Conflict, Violence
FGS	Federal Government of Somalia
FM	Financial Management
FMIS	Financial Management Information System
FMS	Federal Member States
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDPs	Internally Displaced Persons
IFR	Interim Unaudited Financial Report
INT	Integrity Vice Presidency
IRR	Internal Rate of Return
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISP	Implementation Support Plan
IT	Information Technology
JPLG	UN Joint Program for Local Governance
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MoPW	Ministry of Public Works
MPF	Multi-Partner Fund
NPV	Net Present Value
OHS	Occupational Health and Safety
O&M	Operations and Maintenance
OP	Operations Policy

PA	Project Account
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PAP	Project Affected Persons
PDO	Project Development Objective
PFM	Public Financial Management
PIU	Project Implementation Unit
PIM	Project Implementation Manual
PP	Procurement Plan
PPA	Public Procurement Concessions and Disposals Act
PPP	Public Private Partnership
PPSD	Project Procurement Strategy for Development
RAP	Resettlement Action Plan
RFB	Request for Bids
RPF	Resettlement Policy Framework
SCF	Standard Conversion Factor
SCoA	Standard Chart of Accounts
SEF	Stakeholder Engagement Framework
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SFF-LD	Special Financing for Local Development
SH	Sexual Harassment
SoE	Statement of Expenditures
SORT	Systematic Operations Risk Rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
SUIPP	Somali Urban Investment Planning Project
SURP	Somali Urban Resilience Project
TA	Technical Assistance
TIS +	Transition Initiatives for Stabilization
UCS	Use of Country Systems
UN	United Nations
WBG	World Bank Group

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Somalia	Somalia Urban Resilience Project II	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P170922	Investment Project Financing	High

Financing & Implementation Modalities

☐ Multiphase Programmatic Approach (MPA)	☒ Contingent Emergency Response Component (CERC)
☐ Series of Projects (SOP)	☒ Fragile State(s)
☐ Disbursement-linked Indicators (DLIs)	☐ Small State(s)
☐ Financial Intermediaries (FI)	☐ Fragile within a non-fragile Country
☐ Project-Based Guarantee	☒ Conflict
☐ Deferred Drawdown	☐ Responding to Natural or Man-made Disaster
☐ Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
09-Dec-2019	31-Dec-2024
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

To strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

**Components**

Component Name	Cost (US\$, millions)
Urban Infrastructure and Services	89.00
Institutional Strengthening and Analytics	5.00
Project Management and Capacity Building	18.00
Contingent Emergency Response	0.00

Organizations

Borrower:	Federal Republic of Somalia
Implementing Agency:	Benadir Regional Administration Kismayo Municipality/Jubbaland Baidoa Municipality/South West State Garowe Municipality/ Puntland Ministry of Public Works

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	112.00
Total Financing	112.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Grant	50.00

Non-World Bank Group Financing

Trust Funds	62.00
Somalia Multi-Partner Fund	62.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Somalia	50.00	0.00	0.00	50.00
National PBA	50.00	0.00	0.00	50.00
Total	50.00	0.00	0.00	50.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025
Annual	1.10	5.30	7.95	11.28	13.61	10.77
Cumulative	1.10	6.40	14.35	25.62	39.23	50.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Urban, Resilience and Land

Contributing Practice Areas**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes



SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● High
7. Environment and Social	● High
8. Stakeholders	● High
9. Other	● High
10. Overall	● High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Sections I.A.2 of the Schedules 2 to the Legal Agreements:

FGS to establish within 30 days of effectiveness, and maintain throughout the implementation of the Project, a federal inter-ministerial Steering Committee responsible for providing strategic guidance for Project implementation.

Sections and Description

Sections I.A.3 (a) and (b) of the Schedules 2 to the Legal Agreements:

FGS to establish by no later than 180 days from effectiveness, and maintain throughout the implementation of the Project, a Project Coordination Unit within the Federal Ministry of Public Works with the composition, mandate and resources satisfactory to the Association; the PCU is to be responsible for implementing Parts A.1.A.2, B and C of the Project.



Sections and Description

Sections I.A.3 (c) of the Schedules 2 to the Legal Agreements:

FGS to recruit to the PCU, within 180 days of effectiveness, the following staff: a program coordinator, an environmental and social safeguard specialist, a gender specialist, a procurement specialist, a finance specialist and a monitoring and evaluation specialist.

Sections and Description

Sections I.A.4 (a) i and ii; I.A.4 (b) i and ii; I.A.4 (c) i and ii; I.A.4 (d) i and ii of the Schedules 2 to the Legal Agreements:

The FGS to cause the participating FMS/BRA to maintain throughout implementation of the Project, Project Implementation Units (PIUs) with staffing and resources acceptable to the Bank, including a project coordinator, and financial management, procurement, environmental and social and monitoring and evaluation specialists, and an engineering under TORs acceptable to the Bank.

Sections and Description

Section I.A.4 (a) iii; IA4 (b) iii, IA4 (c) iii, IA4 (d) iii of Schedules 2 of the Legal Agreement:

The Project Implementation Units will by no later than 180 days from effectiveness, recruit an engineering supervision consultant in accordance with the provisions of the Procurement Regulations.

Sections and Description

Sections I.B of the Schedules 2 to the Legal Agreements:

The FGS and FMS to develop and adopt within 90 days of effectiveness, a Project Implementation Manual (PIM) in form and substance satisfactory to the Bank, and thereafter implement the Project in accordance with the PIM and the EAFS Manual.

Sections and Description

Sections I.C of the Schedules 2 to the Legal Agreements:

The FGS to prepare by November 30 of each year and furnish to the Bank a consolidated annual program of activities for the following fiscal year together with the proposed budget and, after exchange of views with the Bank, carry out, and cause the FMS to carry out the Project activities in accordance with such program as agreed with the Bank.

Sections and Description

Section I.D of the Schedules 2 to the Legal Agreements:

For purposes of carrying out Parts A(3) and C of the Project, the FGS shall make the proceeds of the grant/financing available to the participating FMS/BRA pursuant to subsidiary agreements entered under term and conditions approved by the Bank.



Sections and Description

Paras. 1 and 2 of Sections I.E of the Schedules 2 to the Legal Agreements:

FGS to ensure, and cause the participating FMS/BRA to ensure, that the Project is carried out in accordance with the Bank's ESS, and the ESCP agreed with the Bank, providing sufficient funds to cover their implementation costs.

Sections and Description

Paras 3 of Sections I.E of the Schedules 2 to the Legal Agreements:

FGS to: (a) prepare and compile, and cause the participating FMS/BRA to prepare, information reports on the status of compliance with the ESCP; and (b) inform the bank of any incident or accident related to or having an impact on the Project (including incidents of GBV or cases of project-related child labor).

Sections and Description

Paras. 4 of Sections I.E of the Schedules 2 to the Legal Agreements:

FGS to maintain and publicize and cause the participating FMS/BRA to maintain and publicize the grievance mechanism for the Project in form and substance satisfactory to the Bank.

Sections and Description

Sections I.F of the Schedules 2 to the Legal Agreements:

To ensure proper implementation of the contingency emergency response component (CERC), FGS to: (a) prepare and adopt a CERC Manual satisfactory to the Bank; (b) set up and maintain the institutional structures and arrangements set forth in the CERC Manual for implementation; (c) have declared an eligible crisis or emergency, and agreed with the Bank the activities to be implemented, prior to their implementation; and (d) prepare and disclosed all safeguard documents in accordance with the CERC Manual.

Sections and Description

Sections III.C of the Schedules 2 to the Legal Agreement:

The FGS to ensure that no funds shall be transferred/advanced out of the grants/financing to any participating FMS, or paid on behalf of such participating FMS out of the grants/financing, prior to such FMS having entered into a Subsidiary Agreement. Any such amounts to be deemed ineligible for financing.

Conditions

Type

Effectiveness

Description

The respective Subsidiary Agreements with at least two Participating Federal Member States



	(FMS) have been executed and delivered and are legally binding up on the Recipient and such Participating FMS in accordance with the respective terms of each such Subsidiary Agreement.
Type Effectiveness	Description The Somalia Multi Partner Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.
Type Disbursement	Description Prior to disbursing any funds for the CERC, the FGS to: (i) determine that an eligible crisis has occurred and prepared an emergency response action plan outlining the activities to be included under this component; (ii) prepared and disclosed the respective instruments; (iii) appointed an entity responsible for implementation with adequate staff and resources; and (iv) adopted the respective CERC Manual.



I. STRATEGIC CONTEXT

A. Country Context

1. **Somalia is emerging from a legacy of two and half decades of cycles of violent conflict and fragility. Since 1991, the country has been fragmented by armed conflict, *ad hoc* regime change and state capture.** The August 2012 peaceful transfer of power from a transitional to a full federal government in Mogadishu and the peaceful handover of power in 2017 to President Mohamed Abdullahi Mohamed Farmaajo generated domestic political momentum and triggered international recognition and support for the new federal government. Over the last four years, Somalia has taken encouraging steps towards a political settlement and the rehabilitation of government institutions. The creation of four new Federal Member States in southern Somalia and the reduced control by Al Shabaab in major tax bases such as Mogadishu and Kismayo, form the basis for a devolved/federal political settlement.¹
2. **While the formation of the new Federal Member States (FMS) is a positive step towards reshaping the political economy, the federation process has been complex and challenging.** The four new FMS in southern Somalia include Jubbaland, South West, Galmudug and Hirshabelle with Puntland in the north having been formed earlier in 1998. Uncertainties however remain over the assignment of functions to different levels of government, pending a final constitutional settlement. There has been a deepening rift between the federal government and the FMS with the States declaring a suspension of formal ties with the center in September 2018 over concerns with resource and power allocations within Somalia's federal structure. These tensions were exacerbated in the lead up to the elections in South West State in December 2018 with allegations of the federal government's interference and with the elections in Jubbaland in August 2019. Relations between the federal government and the States will likely remain fluid for years to come, even as inter-government cooperation arrangements emerge.²
3. **Decades of conflict, compounded by recurring natural disasters have displaced a significant part of society and damaged much of the country's infrastructure, resulting in high rates of poverty and food insecurity.** Of the 12.3 million Somali population,³ an estimated 4.5 million are living on the margins of food insecurity.⁴ It is estimated that some one million Somalis currently reside in neighboring countries as refugees,⁵ and another 2.6 million are internally displaced.⁶ Poverty is estimated at approximately 49 percent at the national level while the overall urban poverty rate stands at 45 percent; the poverty rate in Mogadishu is higher than the national average at 57 percent. Poverty is heavily concentrated in settlements of Internally Displaced Persons (IDPs) at 70 percent.⁷ The poor are also likely to experience non-monetary poverty with even worse access to basic services such as education, health, water and sanitation than the overall population.⁸

¹Al Shabaab does however retain control and continues to destabilize parts of southern Somalia, including in some urban areas.

² World Bank Group Country Partnership Framework for Somalia. August 2018. Report No. 12473-SO

³ UNFPA (2014) <http://somalia.unfpa.org/sites/default/files/pub-pdf/Population-Estimation-Survey-of-Somalia-PESS-2013-2014.pdf>

⁴ FEWSNET – Somalia Food Assistance Fact Sheet. June 2019. UNOCHA Humanitarian Bulletin May 2019.

⁵ UNHCR (2019). Situation of the Horn of Africa Somalia. May 31, 2019.

⁶ UNOCHA (2019). "Humanitarian Bulletin May 2019." May 2019.

⁷ World Bank Group (2017). Systematic Country Diagnostic (SCD). Report No. 123807-SO

⁸ World Bank (2017). SCD.



4. **Somalia's economy has proven remarkably resilient.** Despite the perpetual civil conflict, the economy has grown at a moderate pace, averaging 2.2 percent real GDP growth from 2013-17. The economy rebounded in 2018 from the 2016/17 drought and sporadic terror attacks. Real GDP growth is estimated at 2.8 percent in 2018, up from 1.3 percent in 2017, mainly supported by recovering agricultural production, sustained consolidation of peace and security, gradual increase in private investment, and donor inflows. Sectors such as telecommunications, money transfer businesses, livestock exports, and localized electricity services remain key drivers of growth. With an estimated GDP per capita of US\$342 in 2018, Somalia remains one of the poorest countries in the world.

5. **The country's fiscal situation has improved significantly, but resources for infrastructure and service delivery are limited.** Domestic revenue collection increased, with total revenue growing by 19 percent to US\$293.8 million in 2018 compared to US\$246.5 million in 2017. Domestic revenue recorded the highest growth of 29 percent while donor grants grew by six percent. This was driven by continued government efforts to broaden the tax base, enhance compliance, and improve collection capacity. Yet, the current FGS revenue levels, at about 3.8 percent of GDP, are inadequate to deliver meaningful services to citizens. Despite the remarkable improvement in domestic revenue mobilization, expenditure priorities remain unchanged. Almost all expenditure is recurrent and sector spending is skewed towards security and administrative services both accounting for 80 percent of the total spending hence crowding out social and economic sectors. The government still relies heavily on external assistance for socio-economic infrastructure and services.

6. **Somalia is highly vulnerable to current and future impacts of climate change given the high dependence of its population on livestock and agriculture.** Approximately 70 percent of the population is engaged in agro-pastoralism, pastoralism and subsistence agriculture as livelihood options.⁹ Climate change vulnerability is compounded by the fact that the country is coastal, low lying, and impacted by conflict. Somalia generally experiences regular periods of droughts followed by flash floods and the intensity and frequency of these events have increased since 2007. The drought in 2016-2017 left approximately 6.7 million Somalis – more than half the population – in need of humanitarian assistance and displaced more than 926,000 people. The drought in 2019 has resulted in 3.4 million people with acute food insecurity and an additional 53,000 people have been displaced. Climate change impacts have resulted in increased numbers of the rural population migrating to urban centers, thereby greatly impacting the urban sector. It is therefore critical to support climate change adaptation measures in Somalia through more climate resilient infrastructure in cities.

B. Sectoral and Institutional Context

7. **Somalia's urban population is growing rapidly as a result of changes in the pastoral and agro-pastoral economy as well as significant forced migration into urban areas.** Rapid urbanization is driven by traditional economic rural-urban migration as well as decades of internal conflicts, insecurity, political turmoil and governance failures. This is compounded by cyclical environmental adversities such as drought and famine. In 2018, 858,000 people were internally displaced due to conflicts, floods and drought bringing the total number of displaced to an estimated 2.6 million people. Eighty percent of the total internally displaced live in urban areas (approximately 2.2 million) placing intensified pressure on

⁹ UNDP, 2018.



already limited urban infrastructure and services.¹⁰ The country has also witnessed a steady flow of returnees and refugees from neighboring countries with over 88,000 people voluntarily returning from twelve countries since 2014.¹¹ The urban population is estimated at around 5.2 million (42 percent) with a growth rate of around 4 percent per annum.¹² By 2040, the majority of Somali people will be living in urban areas.

8. **Urbanization is one of the most significant drivers of development and if managed well, can provide a pathway out of poverty and act as an engine of growth.** High urban densities can reduce transaction costs, make public spending on infrastructure and services more economically viable, and act as an economic hub that attracts investments and talent. Investment in cities are also more visible to citizens and can help strengthen government legitimacy. If not managed well, however, urbanization can have perverse impacts such as congestion, reduced accessibility, inefficient or hazardous land use, increased social conflict and reduced economic efficiency among others.

9. **The stresses of urbanization on the already inadequate basic infrastructure and services are particularly severe in Mogadishu, Kismayo and Baidoa.** Decades of conflict and fragility has prevented any significant investment in infrastructure and services. Somali cities¹³ are characterized by poor access to clean water, proper sanitation and solid waste management leading to negative impacts on health and welfare of citizens as well as the economy. Of the 21,830 km of roads in the country, it is estimated that only 2,860 km are paved (13 percent). There is minimal engineered storm water drainage infrastructure in urban areas in the absence of which natural streams and rivers act as the main drainage “sinks” with neighborhoods draining into these.¹⁴ Mogadishu is particularly impacted with a fast-growing population with over 500,000 informally settled or displaced people. The population of Baidoa in South West State is estimated to have tripled as those living in rural areas fled the 2017 drought - from 2016 to 2018, Baidoa received an estimated 349,000 displaced people. Kismayo, in Jubbaland State, is under pressure from returning Somali refugees from the Dadaab camp in Kenya. An estimated 82,840 people returned from Kenya between 2015-2018, 64 percent of whom returning to Lower Juba region or Jubbaland. The growing population in these particular cities places considerable stress on municipal service delivery capacity and increases social tensions between host communities and the displaced.¹⁵

10. **The Government has limited capacity and resources to address basic service delivery and infrastructure challenges.** District or municipal governments have the primary responsibility for providing basic services in Somalia, but capacity and fiscal constraints limit their ability to undertake basic municipal functions. Outside of a few larger cities, these constraints deepen rapidly. Sub-national governments are only receiving a small recurrent budget through an inter-governmental fiscal transfer, and staffing is generally skeletal with limited capacity. Municipal/district governments’ own source revenue collection is also minimal and unstructured. There is a high dependence on external assistance or the private sector for capital investments and delivery of services therefore tends to be *ad hoc*.

¹⁰ UNOCHA (2019). “Humanitarian Bulletin May 2019.” May 2019.

¹¹ UNHCR, 2019. Refugee returnees to Somalia at 31 March 2019.

¹² UNFA (2014), <https://somalia.unfpa.org/sites/default/files/pub-pdf/Population-Estimation-Survey-of-Somalia-PESS-2013-2014.pdf>

¹³ This includes Mogadishu, Garowe and Hargeisa where a Rapid Urban Assessment was carried out.

¹⁴ World Bank (2014). Rapid Assessment of Three Somali Cities.

¹⁵ World Bank (2017). Systematic Country Diagnostic (SCD).



11. **As urban areas fail to keep pace with the rapid urbanization, Somalia's cities are becoming more fragile, threatening the country's stability.** The rapid pace of urbanization has created multiple challenges for Somali cities. Cities have not been able to cope with the increased demands for land, housing, basic services, and jobs. As a result, cities are sprawling in an uncontrolled manner, slums are on the increase, and environmental degradation is accelerating. It is feared that large influxes of people may shift clan dynamics which can potentially destabilize the already fragile social structures. Incidence of gender-based violence (GBV), among other protection concerns, is a prevalent issue in Somalia and a significant challenge confronting displaced populations in particular.¹⁶ IDPs face increased risks of GBV and sexual exploitation due to limited security in the IDP settlements, poor living conditions and limited clan protection. These are all contributing to increased fragility of Somali cities. Mogadishu, Merca and Kismayo have indeed been named the world's three most fragile cities in the world.¹⁷ Urban fragility, particularly in the capital of Mogadishu, can have a profound impact on Somalia's nascent stability.

12. **Addressing urban fragility requires a comprehensive resilience-based approach.** Given cities play a central role in Somalia's development and security, there is an acute need to strengthen their resilience. Urban resilience, under this project, is defined as *"the municipal governments' ability to prepare for, respond to, and adapt to shocks and stresses while continuing to provide critical services following an adverse event."* External shocks and stresses in the Somali context will include both natural disasters (including climate change impacts such as land degradation) and fragility.

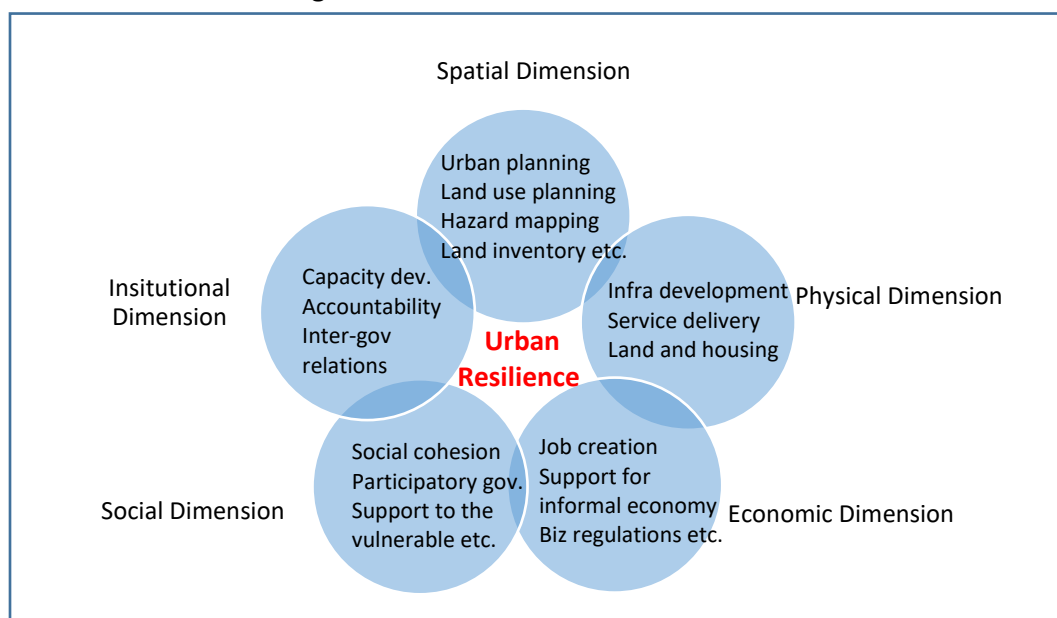
13. **Urban resilience is understood as a holistic concept that comprises five composite dimensions - spatial, physical, economic, social, and institutional.** Spatial resilience ensures flexibility in spatial plans, policies and land use management systems. Integration of IDP settlements into the urban fabric is an important aspect of spatial resilience in the Somali context. Physical resilience relates to ensuring urban infrastructure and service delivery meets the increased demands resulting from large influxes of people and that the infrastructure itself is climate resilient. Economic resilience is the city's ability to manage and adapt to disruptions to the economic system, such as negative impacts on assets, production factors, and employment. Social resilience relates to strengthening social networks to cope and adapt to external stresses. Finally, institutional resilience relates to local government's improved capacity to plan and manage the other dimensions of urban resilience.

¹⁶ Several studies estimate that roughly three-quarters of survivors are IDPs.

¹⁷ "These are the World's Most Fragile Cities". Urban Gateway. <http://new.unhabitat.org/news/these-are-worlds-most-fragile-cities>.



Figure 1. Urban Resilience Framework



14. **Building on the ongoing Somalia Urban Resilience Project (SURP), phase II aims to enhance the resilience of select cities** with a particular focus on supporting physical resilience by financing investments in priority urban infrastructure. The project will also strengthen social resilience by fostering social cohesion and supporting infrastructure that benefits both host communities and the displaced, ensuring investments are prioritized through a participatory decision-making process. Short-term income generation opportunities will be generated through the project for the vulnerable such as women, urban poor, IDPs and returnees. Institutional resilience will be supported through the strengthening of municipal governance, particularly by delivering infrastructure and services through sub-national government systems and helping to better define the respective roles and responsibilities over urban infrastructure and service delivery among the different levels of government. Economic resilience will be supported by creating short-term income generation opportunities particularly for the urban poor and IDPs through labor-intensive works and exploring longer-term job opportunities for these groups by collaborating with the ongoing relevant livelihood, entrepreneurship and employment projects.¹⁸

15. **Citizen engagement will be at the core of the project with communities engaged at all stages of project implementation.** Firstly, the project will aim to address inequality and exclusion by focusing on infrastructure investments that help integrate the displaced population as well as the urban poor. Communities will be engaged and their feedback incorporated during the selection process for prioritized infrastructure, during implementation through their involvement in the selection of beneficiaries for short term labor opportunities and the Grievance Redress Mechanism; and finally for project maintenance. Further details are provided in the Project Description below.

16. **SURP II will seek to explore options for engaging women more proactively in project planning and implementation and particularly in the construction of infrastructure.** Gender disparities in Somalia

¹⁸ Possible projects to collaborate with include the World Bank-financed Somali Core Economic Institutions and Opportunities (SCORE) (P152241) and SCALED-UP (P168115).



are pronounced across most socio-economic and human development indicators. Although women are dynamic economic actors in Somali society, they are generally poorer than men and economic opportunities—for both women and men—remain limited. Key project related gaps between males and females related to the project that have been identified include (i) the meaningful participation of women in community meetings related to subproject prioritization or implementation and (ii) involvement of women in the construction sector as both skilled and unskilled labor. According to the 2019 World Bank Somali Poverty and Vulnerability Assessment, only 37 percent of women participate in the labor market, compared to 58 percent of men. The 2019 National Employment Policy attributes the low levels of female participation in the labor market to “the patriarchal nature of society and customs which restrict the participation of women in a number of areas.” SURP II will therefore take explicit actions to ensure the engagement of women in project activities and measure progress on these actions through the project’s results framework. More details are provided in *Annex 2 – Gender Mainstreaming*.

17. **The ongoing Somali Urban Investment Planning Project (SUIPP), SURP and the proposed SURP II build on other ongoing projects supported by development partners.** UN-Habitat’s work on urban planning and strategic spatial planning in Mogadishu and Baidoa, along with the Denmark-financed Kismayo urban development master plan provide useful city level information on existing land use, housing, IDPs, infrastructure and service delivery; urban plan that points to the future direction of city growth; and infrastructure/service requirements. SURP II will ensure that urban infrastructure investments are aligned with these urban plans. UN agencies’ Joint Program on Local Governance (JPLG) is helping to develop Local Government Laws at the FMS level, establishing democratically elected District Councils,¹⁹ improving municipalities’ own source revenue generation, property registration, Public Financial Management (PFM) and other administrative capacity support to municipal governments. SURP II will build on JPLG’s capacity building support and use their training modules where appropriate. USAID financed Transition Initiatives for Stabilization (TIS+) supports quick impact stabilization activities at the district and community levels. In Mogadishu, the project utilized community institutions set up under TIS+ for consultations on priority roads. Finally, in Kismayo and Baidoa, the project will utilize the Community Action Groups established under the Joint UN agencies’ *Midnimo* project for participatory decision-making.

C. Relevance to Higher Level Objectives

18. The project contributes to the World Bank’s twin goals of eliminating extreme poverty and boosting shared prosperity through provision of much-needed economic infrastructure and basic services for some of the world’s poorest and most vulnerable people in one of the most fragile countries. The project also contributes to the World Bank Group’s Country Partnership Framework (CPF) (FY2019-22)²⁰ Focus Area 1 which aims to strengthen institutions to deliver services while addressing the cross-cutting consideration of building resilience to fragility and shocks. This project specifically aims to deliver on Strategic Objective 1.4 which aims to build the capacity of Somali municipalities for urban resilience.

19. The project will also contribute to the Somalia National Development Plan (2017-2019) particularly for the Infrastructure Pillar that aims to “lay out the foundations of resilient infrastructure

¹⁹ District Councils in turn elect the District Commissioner, who will serve as the *de facto* Mayor.

²⁰ Discussed by the Board of Executive Directors on August 29, 2018. Report No. 12473-SO



systems that will contribute to the country's stability and will provide necessary services for all", as well as the Resilience Pillar that aims to "create opportunities for IDPs and refugee returnees to participate in public affairs and most importantly in decision-making pertaining to their own future, such as local and urban development processes" and to "systematically enhance the absorption capacity of basic services for IDPs and returning refugees".²¹

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

To strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

B. Project Components

20. Building on SURP, the second phase has been designed as an urban resilience project that aims to deliver prioritized infrastructure in cities, use country PFM systems at the sub-national level and strengthen municipal government capacity. SURP II will scale up investments within cities where the SURP is currently operational - Mogadishu, Garowe, Kismayo and Baidoa and lay the groundwork for expansion to cities in the States of Galmudug and Hirshabelle. The following four components are proposed for a duration of five years: (i) Urban Infrastructure and Services; (ii) Institutional Strengthening and Analytics; (iii) Project Management and Capacity Building; and (iv) Contingent Emergency Response.

Component 1: Urban Infrastructure and Services (US\$89 million, of which IDA US\$37 million and Somalia MPF US\$52 million)

21. This component will support the preparation and implementation of all infrastructure investments in the project.

Sub-Component 1.1: Preparatory Activities for Urban Infrastructure and Services in Existing Cities (US\$5 million, of which IDA US\$3 million and Somalia MPF US\$2 million)

22. This subcomponent will finance consulting services for preparatory works required for civil works to be financed under SURP II in cities currently being supported under SURP/SUIPP.²² Eligible preparatory works include: (i) technical studies, engineering designs and bidding documents for priority investments; (ii) environment and social due diligence work; and (iii) any other necessary analytical work.

23. During this preparatory phase, communities will be engaged in the prioritization of infrastructure investments to be financed by the project following a participatory decision-making process. Community Engagement Officers (one male and one female) in the PIUs will facilitate this engagement and ensure

²¹ Federal Government of Somalia (2017). "National Development Plan 2017 – 2019".

²² This will include the preparation of any additional feasibility studies, engineering designs, safeguard instruments, institutional assessments as well as other analytical work that may be required for Mogadishu, Garowe, Kismayo and Baidoa.



that the voices of the vulnerable groups such as women, youth and IDPs are reflected.

Sub-Component 1.2: Preparatory Activities for Urban Infrastructure and Services in New Cities (US\$3 million IDA)

24. This subcomponent will finance consulting services for preparatory works required for civil works to be financed under SURP II in new cities²³ that meet the project's participation criteria. Eligible preparatory works include: (i) technical studies, engineering designs and bidding documents for priority investments; (ii) environment and social due diligence work; (iii) institutional assessments of implementing agencies and (iii) any other necessary analytical work. This subcomponent will also finance the establishment and training of Project Implementation Units (PIUs). These studies will be contracted out following a competitive procurement process either by the Project Coordination Unit (PCU) at the federal level or the respective municipalities/district governments depending on the capacity of the municipalities as determined by the institutional assessment.

Sub-Component 1.3. Investment in Urban Infrastructure and Services (US\$81 million; of which IDA US\$31 million and Somalia MPF US\$50 million)

25. This sub-component will finance civil works, goods and construction supervision consultancies associated with the implementation of infrastructure investments in cities where the necessary implementation readiness criteria related are met, these criteria are outlined below.

26. **Infrastructure selection criteria.** Eligible urban infrastructure investments need to meet the following criteria which interface the top-down citywide technical assessment with a bottom-up participatory decision-making process:

- *Critical investments that fill the existing urban infrastructure gaps* as identified by local governments and citizens and verified in feasibility assessments.
- *Strategic investments that contribute to urban resilience.* Investments aligned with a broader urban development plan and that directly contribute to making cities more resilient.
- *Inclusiveness.* Investments that benefit vulnerable groups including women, youth, the poor, and the displaced and selected in a participatory manner.
- *Maximizing development impact.* Substantive investments should be prioritized over small scale/piece meal investments.
- *Coordination/complementarity with ongoing projects.* Investments should avoid overlap with ongoing development interventions but complement them.
- *Labor intensiveness.* Investments should provide short term income generation opportunities for vulnerable groups.
- *Sustainability.* Investments should build in operations and maintenance measures to ensure sustainability.

²³ These new cities would be from Galmudug and Hirshabelle States.



- *Climate Resilience.* Investments should be climate resilient, in that they are planned, designed, built and operated in a way that anticipates, prepares for and adapts to changing climate conditions.
- *Government visibility.* Investments should be visible to citizens and highlight the government's role in implementation to strengthen their legitimacy.

27. **Funding allocation** for infrastructure across participating cities will be determined through two sets of criteria – participation and implementation readiness criteria.

- *Participation Criteria.* Cities would need to meet a set of participation criteria before they can be included in the SURP.
 - The city should be socio-economically important (e.g. Federal Member State capital, large influx of IDPs, economic hub, etc.)
 - The inclusion of the city in the SURP is formally endorsed by the Project Steering Committee and documented in the meeting minutes.
- *Implementation Readiness Criteria.* Cities would need to meet the following *implementation readiness criteria* before being eligible for an infrastructure grant.
 - A PIU has been set up and is functional with necessary staffing.
 - The necessary technical studies for the priority investments have been prepared to a standard acceptable to the World Bank.
 - Any necessary safeguard documents²⁴ have been prepared to a standard acceptable to the World Bank; consulted on with communities and local government officials and publicly disclosed.
 - There are no outstanding ineligible expenditures, any other fiduciary issues and/or safeguard issues with prior investments implemented by the respective city.

28. Once the above implementation readiness criteria have been met, cities would be allocated funding for infrastructure investments in two installments.

1st Installment: An initial installment totaling US\$55 million would be divided among eligible cities based on the following procedures.

- All cities meeting the implementation readiness criteria would receive an equal allocation or base grant of 50 percent of the total funds available for the initial installment.²⁵
- An allocation formula taking into account needs and vulnerability of the city would be applied to top up the above base grant.

²⁴ These include Environment Safeguard Management Frameworks and/or Plans, Resettlement Action Frameworks/and or Plans, Stakeholder Engagement Plan, Labour Management Procedures

²⁵ Total funding being allocated for the initial installment is US\$55 million and the balance of US\$26 million set aside for the second installment.



Table 1. Budget Allocation Across Cities (US\$) (50% Equal Allocation)

City Meeting Readiness Criteria	Population	Equal Allocation (50%)	Discretionary Allocation (50%)				Total Weighted Allocation
			Vulnerability weight	Vulnerability Weighted population	Vulnerability Weighted population share	Sub-total	
Mogadishu	1,529,000	6,875,000	1.17	1,788,766	67%	18,432,705	25,307,704
Kismayo	198,000	6,875,000	1.03	204,418	8%	2,106,469	8,981,469
Baidoa	423,000	6,875,000	1.50	634,500	24%	6,538,334	13,413,334
Garowe	82,000	6,875,000	0.50	41,000	2%	422,493	7,297,493
Total		27,500,000		2,668,685		27,500,000	55,000,000

2nd Installment: A second installment would be provided to cities that are able to fully utilize their first installment successfully.

29. The balance of US\$26 million will be provided to cities that are able to successfully commit their initial allocation fully and disburse at least 50 percent of their allocation. This US\$26 million will be divided among all cities meeting these criteria. Newly participating cities will also be eligible for the second tranche subject to meeting the implementation readiness criteria. Allocations for the second installment will be determined in the second year of project implementation in consultation with the Steering Committee and PIUs.

30. The exact infrastructure investments in individual subprojects will be determined during project implementation. However, based on consultations with relevant stakeholders and technical assessments²⁶, priority investments are likely to include: (i) upgrading/rehabilitation of existing urban roads and community roads; (ii) drainage; (iii) pedestrian walkways; (iv) streetlighting; and (v) bridges. Investments in roads are justifiable in that provision of basic services such as water and electricity are fully privatized in Somalia whereas private sector is unlikely to invest in roads, which are public goods.²⁷ While the final list of infrastructure investments are not known across the four cities, there are some investments in Mogadishu and Garowe which can possibly be considered “quick win” subprojects as they have feasibility studies and preliminary designs already prepared and can be implemented as the first batch of subprojects under SURP II.²⁸ City-specific eligible infrastructure investments include the following.²⁹

31. **Benadir Regional Administration (BRA)/Mogadishu:** The construction of 11km of community roads in 10 districts of Mogadishu,³⁰ and one urban road (Jaal Siyaad) about 3.7km has been prioritized as

²⁶ Technical assessments include: urban assessments and feasibility studies undertaken in Kismayo, Baidoa, Garowe and Mogadishu, as well as the Road Inter-connectivity and Drainage Masterplan in Mogadishu.

²⁷ Future phases of the project can however support improvements in basic service delivery if this is a priority of the Government.

²⁸ These potential ‘quick win’ candidate investments amount to approximately US\$10 million.

²⁹ See section C for more details on the implementation readiness criteria

³⁰ 19 community roads, a total of 7.5km in 7 districts of Mogadishu are being financed under the ongoing SURP. The community



possible “quick win” candidate subprojects. Feasibility studies and preliminary designs for these roads have been completed under SUIPP and the community roads were selected through engagement with communities. To ensure proper road network and interconnectivity of the disjointed community roads within the city, BRA has also prioritized construction of additional 15.2km of interconnectivity roads. The preparation of feasibility studies, designs and bidding documents for these additional roads would need to be carried out under SURP II. Due to the perennial flooding problem in Mogadishu, BRA is also keen to implement the first phase of the Drainage Masterplan prepared through Bank support in December 2018 which would include the rehabilitation and construction of 6.5km of drainage.

32. **Garowe:** The construction of four urban roads³¹ have been prioritized as “quick win” candidate subprojects and feasibility studies and preliminary designs have been completed for the roads under SUIPP. These roads will serve areas where IDPs are living, the main Garowe hospital, and other social facilities. A multi-criteria analysis (MCA) was used in prioritizing and ranking these roads using indicators such as road condition, traffic volume, access to socio-economic facilities, environmental and social impacts, and government/community priorities. A hospital bridge has also been prioritized but this still requires engineering designs. This subproject will therefore be included in the second batch infrastructure investments.

33. **Kismayo:** Under SUIPP AF, feasibility studies and detailed designs for priority roads in Kismayo are being prepared. Sixteen road sections totaling 32km have been prioritized based on MCA. The analysis examined various indicators which included: road condition, traffic volume, number of beneficiaries, access to socio-economic facilities, benefits to IDPs, environmental and social impacts, and government/community priorities. Furthermore, roads that were identified as priority roads in the urban plan and those that link with other development partners’ investments were prioritized. About 10 – 15km of prioritized roads depending on available funding can potentially be funded under SURP II. There are no “quick win” projects in Kismayo.

34. **Baidoa:** SUIPP AF is preparing feasibility studies and detailed designs for priority roads in Baidoa. Eight road sections of about 22km have been prioritized based on MCA as explained above. Given that Baidoa’s population has almost tripled with the recent influx of IDPs, roads that contribute to the new IDP resettlement area and existing IDP settlements were given high priority. Furthermore, considerations have been given to ensure that SURP II financed roads are well aligned with the city’s urban development plan and that they leverage other development partner funded roads to ensure inter-connectivity. About 10 – 15km depending on available funding can potentially be funded under SURP II. There are no “quick win” projects in Baidoa.

35. Community members would be engaged, through community engagement officers, during implementation of the civil works to: (i) identify beneficiaries for wage labor opportunities based on an agreed set of selection criteria and ensure women, IDPs and other vulnerable groups are given priority; and (ii) monitor the adherence to these criteria throughout construction. In addition, community operations and maintenance (O&M) committees will be established and trained in order to support municipalities with O&M of the project financed roads. In order to ensure women’s views are

roads will be constructed with interlocking concrete block pavers, similar to the ongoing works, while asphaltic concrete pavement is proposed for the urban road.

³¹ Gambol, Wadajir, Tawfig, and 30 KA Road



incorporated into subproject prioritization process and the operations and maintenance aspects, separate meetings will be held with women's groups. A female Community Engagement Officer will be hired to facilitate this process and guidelines will be developed to facilitate women's recruitment and retention. These guidelines will further include provisions to protect against potential risks, including risk of sexual harassment, exploitation or abuse in the hiring process. In addition, contract packages across all four cities will be divided to ensure they are small enough to give opportunities to local firms to bid who would be more likely to employ local labor.

36. Female skilled labor will be engaged in the project by exploring partnerships with other development partner initiatives that are providing vocational training to women such as UNHABITAT and United Nations Office for Project Services (UNOPS) support to the Ministry of Public Works. An increase in the numbers of women engaged in unskilled labor will be facilitated through the provision of adequate, separate and safe toilet facilities, safe transport for women to the construction site; female only construction groups will be formed if feasible. Additional provisions to ensure women's access, safety and security will be developed in advance of the recruitment process. Given the urban focus, there is a greater chance of attracting women as both skilled and unskilled labor in the project. The outcome of these initiatives (successes and failures) will be documented by the PCU in a lessons learned note which can feed back into the project to improve the mainstreaming of gender in implementation.

37. The proposed project will have substantial climate change adaptation and mitigation co-benefits. All urban infrastructure will be designed and constructed considering the changing climate conditions, thus ensuring connectivity and enabling communities to recover more rapidly to disruptions caused by climatic conditions. In the dry seasons (which account for a cumulative period of nine months every year, on average), the paved surface will reduce the risk of dust vortexes and its consequences on the population. Since the project locations are susceptible to high temperature fluctuations and occasional flooding due to torrential rainfall, which is expected to increase in frequency and intensity due to climate change, improved drainage infrastructure will provide climate change adaptation benefits during the two annual rainy seasons. Pedestrian walkways will provide climate change mitigation co-benefits, as this will support urban transport modal change and pedestrian mobility, resulting in reduction of emissions from vehicular traffic. Finally, the project will also include energy-efficient street lighting, which has significant climate mitigation co-benefits.

38. This sub-component will also finance construction supervision consultancies to be procured by the respective municipal governments. The supervision consulting firm(s) will assist the municipal governments to effectively supervise investment subprojects and to transfer skills to technical staff. Support will also be provided to assist the municipal governments in the implementation and monitoring of safeguards.

Component 2: Institutional Strengthening and Analytics (US\$5 million, of which IDA US\$3 million and Somalia MPF US\$2 million)

39. This component will support various thematic TA and related analytics which include but are not limited to the following:



- **TA on Informal Settlements** – Municipal governments will be supported in identifying pathways to formalize informal settlements *in situ* to the extent possible through a range of interim tenure arrangements for different types of informal settlements. Due to lack of secure tenure, many of the IDPs in Mogadishu³² face secondary displacement in the form of forced eviction.³³ In the absence of clear laws to regulate land transactions or policies to protect informal settlers, the number of illegal evictions is likely to continue to rise. To date, the government has applied a one-size-fits-all approach aiming to resettle all IDPs to city peripheries, which is expensive and should be treated as a last resort. By distinguishing different types of informal settlements (based on location and types of inhabitants) and identifying tailored solutions, this TA will help optimize the interim tenure options. This TA will be undertaken in Mogadishu, as the city has the government’s strong political will. The proposed TA will build on the World Bank’s ongoing Somalia Urbanization Review as well as a joint UN study on sustainable IDP durable solutions. Close coordination will be required with various partners engaged in land and housing issues such as the UN Regional Coordinator’s Office, International Office for Migration, UN-Habitat, and Norwegian Refugee Council among others.
- **TA on Urban Infrastructure O&M** –The technical and financial aspects of O&M for municipal road assets will be supported, starting with Mogadishu as a pilot. Specifically, the TA will help: (i) examine the status quo of major urban roads in Mogadishu and construct a road network inventory and condition database; (ii) examine BRA’s current budget and expenditures on road O&M and estimate the financing gap; (iii) review and update the Mogadishu road maintenance plan prepared by BRA with innovative financing and technical measures utilizing various financing sources such as the private sector, diaspora, communities, and the government; and (iv) ensure that the consideration of climate change impacts in the O&M of infrastructure, such as changing maintenance schedules and including adaptive management to account for uncertainty in the future. This TA builds on the first phase of the TA that is currently being implemented in Mogadishu under SURP. Should the pilot prove successful, the TA will be scaled up to other target cities.
- **TA on Urban Governance and Services** –Taking solid waste management as an entry point, this TA will help strengthen the local government’s ability to hold private service providers accountable in urban service delivery. Specifically, this TA will finance: (i) diagnostic work to analyze the current solid waste management system in Mogadishu and identify key challenges and means to tackle them; and (ii) pilot activities to improve waste disposal and collection in project supported areas. Unlike other service delivery sectors, solid waste management is managed by the municipal government by contracting private operators for waste collection and is therefore a good entry point.³⁴ The benefits of helping the local government improve solid waste management are manifold: (i) better solid waste management helps maintain SURP II roads and side drainage; (ii) strengthening the local government’s capacity to monitor and hold private service providers accountable can strengthen urban governance and service provision; (iii) improving a highly visible problem can help enhance local

³² Mogadishu is home to an estimated 600,000 IDPs most of whom live in informal settlements while Baidoa hosts an estimated 323,000 IDPs³² and based on the available cities’ population estimate, IDPs account for 39 percent and 76 percent of Mogadishu and Baidoa’s population respectively.

³³ Between January and July 2018 alone, over 204,000 IDPs were forcibly evicted across the country, more than half of which were in Mogadishu.

³⁴ Other urban services such as water supply and electricity are currently provided by the private sector who have no contractual obligations to the municipal government.



government legitimacy; and (iv) can reduce health and environmental risks. In addition, to further the overall discussion of inter-governmental functional assignments pertaining to urban governance and services, the establishment of a “Mayors’ Forum” will be supported. This TA will be undertaken in close collaboration with the UN Joint Program for Local Governance (UN JPLG) given the program’s continued support to sub-national governance system strengthening.

Component 3: Project Management and Capacity Building (US\$18 million, of which IDA US\$10 million and Somalia MPF US\$8 million)³⁵

40. This component will finance the overall project management costs (including monitoring and evaluation) as well as the capacity building of the PCU, PIUs and relevant municipal staff. Specifically, this component will finance: costs related to staffing of a PCU located in the Ministry of Public Works (MoPW) as well as the PIUs at the municipal level in Mogadishu, Garowe, Kismayo and Baidoa; financial audits; grievance redress and feedback mechanism (GRM), social and environmental safeguard implementation, M&E including a geo-enabled monitoring system (GEMS) and impact evaluation. Third-party monitoring for the supervision of civil works and verification of project implementation progress will be undertaken by the World Bank through Somalia MPF funding.

41. Capacity building in engineering, FM, procurement, environment/social safeguards, planning and budgeting, M&E, citizen engagement and any other capacities necessary will be provided to the PCU, PIU and municipal staff. The contents of the capacity building will build on the institutional assessments of the municipalities and will be provided through either a TA firm or Individual Consultants as deemed appropriate. The TA will use on-the-job mentoring and classroom training.

Component 4: Contingent Emergency Response (US\$ 0m)

42. This contingent emergency response component (CERC) would be included under the project in accordance with the World Bank Policy on Investment Project Financing dated September 30, 2018, Paragraph 12 and 13 for situations of urgent need of assistance. This will allow for rapid reallocation of uncommitted project funds in the event of a natural or man-made crisis in the future, during the implementation of the project, to address eligible emergency needs under the conditions established in its operations manual. This component will have no funding allocation initially and will draw resources from the other expenditure categories at the time of activation.³⁶

C. Project Cost and Financing

43. The proposed project 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. The

³⁵ The costs allocated for this component are significant given the high costs of operating in Somalia – costs related to monitoring and evaluation, safeguards implementation and monitoring as well as community engagement for example are expected to be high. These costs were estimated based on the costs of the ongoing SURP.

³⁶ If an Immediate Response Mechanism (IRM) is established, this component will serve as an IRM CERC to allow the reallocation of uncommitted funds from the project portfolio to the IRM Designated Account (DA) to address emergency response and recovery costs, if approved by the World Bank.



proposed costs across project components are outlined in the cost table below.

44. The SURP II provides for retroactive financing of US\$1,200,000 equivalent to cover expenses related to the preparation of detailed designs, bidding documents and site-specific safeguard documents for “quick win” subprojects in Mogadishu and Garowe from July 1, 2019 until project effectiveness.

Table 2. Project Cost Table

Project Components	Project cost	Project Financing (US\$ millions)	% Financing
1. Urban Infrastructure Services	89.00*	89.00	100%
2. Institutional Strengthening and Analytics	5.00	5.00	100%
3. Project Management and Capacity Building	18.00	18.00	100%
4. CERC	0.00	0.00	100%
Total Costs			
Total Project Costs	112.00		
Total Financing Required	112.00		100%

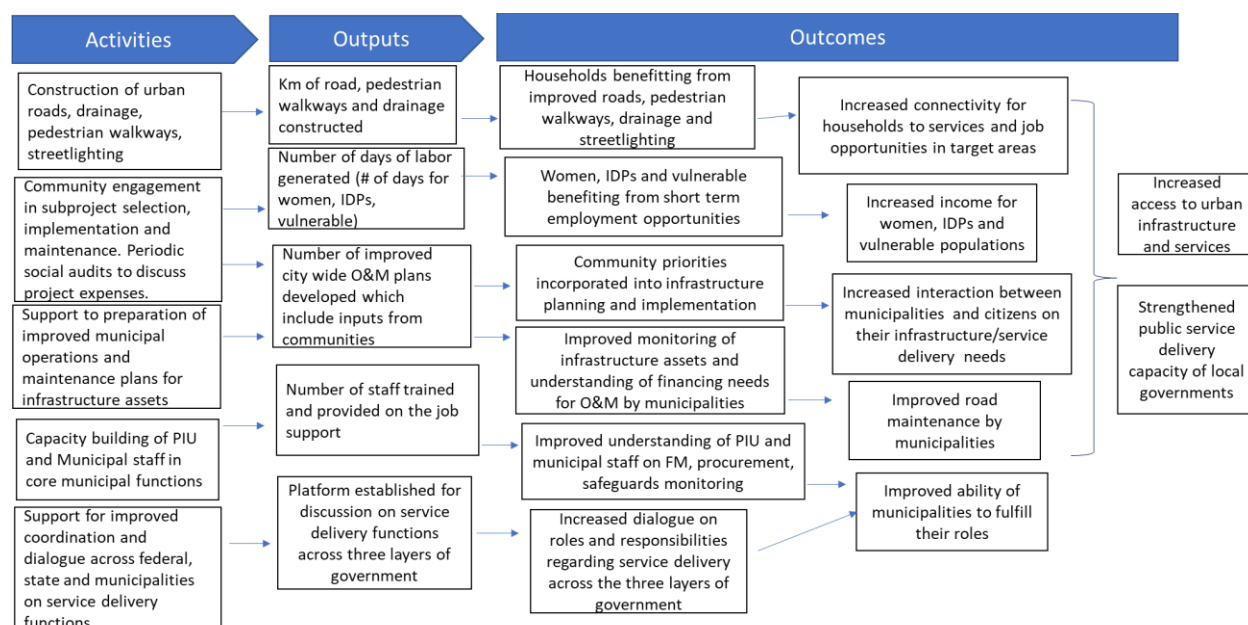
*The US\$89 million includes US\$8 million for technical studies for urban infrastructure.

D. Project Beneficiaries

45. The immediate project beneficiaries will be the residents of BRA, Garowe, Kismayo and Baidoa as well as residents in the States of Galmudug and Hirshabelle. This includes those affected by forced displacement (i.e. IDPs, returnees, and host communities) where the infrastructure investments are being implemented. In addition, approximately 530 people in BRA, Garowe, Kismayo and Baidoa will benefit from short-term income generation opportunities resulting from the civil works. Finally, the BRA, Garowe, Kismayo and Baidoa Municipality staff will benefit from capacity building initiatives in this project. Once cities have been selected in Galmudug and Hirshabelle, those municipalities will also benefit from capacity building initiatives.

E. Results Chain

46. The theory of change underlying the proposed project interventions is that supporting municipal government capacity and delivering community prioritized urban infrastructure would support the Government’s efforts to demonstrate visible and tangible improvements in the lives of its citizens in the longer term. This is critical for strengthening the legitimacy of the government and sustaining social and political stability in the country. In the context of Somalia however, the theory of change outlined below would be non-linear and iterative in nature.



F. Rationale for World Bank Involvement and Role of Partners

47. In a context where the bulk of Somalia's Official Development Assistance Budget (ODA) is provided outside government systems, the World Bank has a significant role to play in strengthening government institutions and helping to bring the ODA on budget. Somalia is highly aid dependent with ODA growing in the last decade from around US\$400 million in 2006 to US\$1.75 billion in 2017. This is driven largely by the humanitarian response to the drought. Through this project, the World Bank would be strengthening local government institutions and their ability to serve as a platform for the delivery of infrastructure and services to their citizens in the longer term. This project is expected to catalyze additional donor funding to be channeled on-treasury to FMS and municipalities/districts to the delivery of urban infrastructure and services.

G. Lessons Learned and Reflected in the Project Design

48. **Use of government systems helps strengthen local governments.** Putting local government in the driver's seat is particularly important in urban areas where municipal governments have the primary responsibility for infrastructure and service delivery. This project is the first attempt to use government PFM systems at the sub-national level in Somalia with the aim of helping to build their capacities and fulfill their mandate. While such an approach poses significant risks, successful implementation of this model can help municipalities leverage more assistance from other development partners in the future to meet the vast and growing development needs in cities.

49. **Mitigation of the potential negative spillover effects of urban infrastructure upgrading such as induced forced eviction of the IDPs is critically important.** Forced eviction of IDPs, who have fled from drought and violence and settled on idle private or public lands in Somali cities is rampant especially in



urban centers such as Mogadishu where land is scarce and land values are high. Between January and July 2018, over 204,000 people were evicted without any prior notice or due process. Any urban investments will result in increased land values, which can trigger displacement and further impoverish the already vulnerable IDPs. To help mitigate such potential risks, it is important to build in collaboration with relevant partners and measures to provide more security of tenure for the vulnerable IDPs. A specific TA has therefore been included in SURP II.

50. **Measures for sustainable O&M for project supported assets need to be built into the project design from the outset.** Both national and sub-national governments in Fragile, Conflict and Violence (FCV) affected countries such as Somalia rarely have funds to properly maintain assets. It is therefore essential to identify innovative ways to ensure sustainability of the assets such as mobilizing resources from the community and the private sector and ensure that the government has a system to monitor and budget for the O&M needs. SURP II will finance a specific TA to support municipalities in ensuring proper O&M of urban infrastructure assets.

51. **Ensuring inclusivity of all levels of government and relevant institutions requires that additional time be budgeted in the project timetable.** As Somalia's political institutions are still in their infancy, there can be ambiguity in the division of labor across different levels of government as well as across different agencies. Ensuring that all levels of government and relevant agencies are involved in the project planning and oversight in a constructive manner can therefore be a time-consuming process. The project implementation timetable and workplan should therefore allocate sufficient time for key activities such as recruitment of PIU staff, bid evaluation, and implementation of safeguard measures.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

52. The proposed SURP II will be implemented on behalf of the Federal Government of Somalia (FGS) by the BRA, Garowe Municipality, Kismayo Municipality and Baidoa Municipality. New cities in Galmudug and Hirshabelle States will also be implementing entities in the project. The Grant Agreement/Legal Agreement will be signed between the World Bank and the Ministry of Finance at the federal level, whereas each state will sign a subsidiary agreement with the Federal Government. The Federal Government will have oversight of the project.

53. **Federal-level roles and responsibilities.** A federal inter-ministerial Steering Committee chaired by the Office of the Prime Minister and the Aid Coordination Unit will be set up and would meet on a quarterly basis or more frequently as needed. Other key line ministries such as the Ministry of Planning, Investment and Economic Development (MoPIED), MoPW, and the Ministry of Finance will also be represented. This Steering Committee will also include one representative from each Federal Member State participating in the project.³⁷ The Steering Committee will be responsible for providing strategic guidance to the project, approving the inclusion of additional cities into the project and deciding on the

³⁷ The Mayor of Mogadishu would represent the Benadir Regional Administration and the Ministries of Public Works would represent the other FMS.



funding allocations across cities. Detailed terms of reference will be developed for the steering committee to outline the composition, roles and responsibilities and procedures for decision making.

54. A PCU will be set up at the federal level in the MoPW staffed with a Program Coordinator, FM Specialist, Procurement Specialist, Environment/Social Safeguards Specialist, Gender Specialist, M&E Specialist and other technical staff as needed. The PCU will be responsible for providing coordination and technical support to the municipalities as needed. The PCU will not manage the project funds related to implementation of the civil works. The Program Coordinator will act as the Secretariat to the Steering Committee. Other roles of the Program Coordinator are described in Annex 1: Implementation Arrangements and Support Plan.

55. **State- level roles and responsibilities.** State level inter-ministerial committees would be set up to provide a platform for coordination, information dissemination and consultation at the State level. These committees would include the Ministries of Public Works, Planning, Finance and Interior as well as the Mayors of the cities benefiting from the project. These committees have already been established in Jubaland and South West State but will need to be established in Puntland, Galmudug and Hirshabelle. Given there will already be a federal level steering committee, an additional committee for BRA will not be required. Subsidiary Agreements will be prepared and negotiated for each State to clearly outline the roles and responsibilities of the State vis a vis the federal level.

56. **Municipal- level roles and responsibilities.** The BRA, Garowe, Kismayo and Baidoa Municipalities will have overall responsibility for project implementation. PIUs have already been established within the BRA, Garowe, Kismayo and Baidoa Municipalities who report to the respective Mayors. They are staffed with a Project Focal Point/Coordinators, Procurement Specialists, FM Specialists, Project Engineers, Environment and Social Safeguard Specialists and M&E Specialists. Community Engagement Officers (male and female) will be recruited. PIUs will: coordinate overall project implementation; ensure timely payments to contractors, implement the relevant safeguard instruments, ensure continuous community outreach and consultation, maintain project accounts and produce financial reports, undertake M&E activities, develop and implement the GRM and report results to various stakeholders. Once Galmudug and Hirshabelle enter the program, PIUs will be established in these cities. PIUs' capacity will be continuously strengthened by the World Bank technical staff.

57. The PIUs will be supported by an engineering supervision consultant(s) who will be responsible for monitoring the civil works contractors as well as monitoring adherence to the safeguard instruments. A third-party monitoring agent will be contracted by the World Bank to provide quality assurance - carry out spot checks on both the engineering quality of the civil works and adherence to the safeguard instruments.

B. Results Monitoring and Evaluation

58. A project monitoring system has been established by the PIUs to assess progress on indicators in the projects results framework. Data on activities and outputs will be included in regular monthly and quarterly reports prepared by the PIUs based on inputs from the supervision agent and the Project Engineer. The M&E Specialist at the PCU will be responsible for collating the data from the municipalities and providing quality assurance.



59. An impact evaluation will be carried out across all four cities to measure the socio-economic impacts of the project on different population groups with a particular focus on benefits for the vulnerable people. The evaluation will include both quantitative and qualitative surveys. This will be complemented by a continuous iterative beneficiary monitoring and regular social audit to allow the project to adjust the implementation approach on a real-time basis.

C. Sustainability

60. The SURP II is building on the ongoing SURP and is supporting the longer-term relationship between enhanced municipal institutional capacity, municipal planning and improved service delivery. The project will also be supporting the development of improved O&M plans across all four cities where road and drainage infrastructure is being financed. These plans will factor in the available municipal budget as well as financing needs for maintenance of existing infrastructure assets. In addition, the type of surfacing selected for urban roads supported under this project would be surfacing that can be easily maintained by the communities themselves with minimal support from the respective municipalities. Maintenance committees composed of community members would be set up for all project supported roads and these committees would be responsible for informing the municipalities of maintenance needs and mobilizing community members for maintenance work as needed. These committees would be trained under the project by the respective municipality and engineering supervision consultant.

IV. PROJECT APPRAISAL SUMMARY

A. Economic and Financial Analysis

61. The following assumptions were made for the economic analysis:

- Valuation of costs and benefits: based on market and shadow prices, with a Standard Conversion Factor (SCF) of 0.85 applied to capital, and operations and maintenance, to account for market price imperfections;
- The capital cost of the project is assumed to be incurred in the first two years of the project, and the operations and maintenance cost are assumed to be equivalent to 4 percent of the capital cost of the project adjusted by the SCF;
- Appraisal period: a 15-year appraisal period is selected; and
- Discount rate: a 12 percent discount rate is applied.

62. The economic analysis conducted as part of the project preparation process suggests that the proposed interventions under sub-component 1.2 are economically feasible, with the net present value (NPV) of the project being positive and the economic internal rate of return of the project being largely in excess of the discount rate of 12 percent that is assumed. The stream of benefits derived from this project consists of the: (i) value of greater access to public services; (ii) value of time saved commuting; and (iii) value of greater economic integration of relatively isolated areas.

63. The benefits of the project are estimated based on the daily traffic growth over the life of the



project applied on the daily traffic estimates for 2020. Table 3 presents the daily traffic volume for all four cities in 2020.

Table 3. Daily Traffic Estimates for Road Interventions

	Daily Traffic Volume		
	Cars and Utilities	Trucks	Buses
Mogadishu	6,842	2,795	5,624
Garowe	10,526	4,530	3,193
Baidoa	10,526	3,193	4,530

Source: Somalia Urban Resilience Project Phase II, Engineering Feasibility Studies for Mogadishu, Garowe and Baidoa.

64. For the city of Mogadishu, the results of the economic analysis suggest an NPV of US\$50 million and an IRR of 49 percent. For the city of Garowe, the NPV is estimated at US\$67 million and the IRR is estimated at 218 percent. For the city of Baidoa, the NPV is estimated at US\$61 million and the IRR is estimated at 106 percent. (Table 4).

65. The sensitivity analysis performed indicates that the economic rate of return for interventions would remain significant in the event of potential downside adjustments to the economic assumptions relied on for the economic analysis (Table 4).

Table 4. Sensitivity Analysis of Cost-benefit Analysis of Road Interventions

	Alternative Scenarios	NPV	IRR
Mogadishu	Without sensitivity analysis	\$50,403,498	49%
	Costs increase by 10 percent	\$47,874,082	44%
	Benefits reduce by 10 percent	\$42,833,733	43%
	Benefits lag by two years	\$36,290,869	30%
Garowe	Without sensitivity analysis	\$67,264,217	218%
	Costs increase by 10 percent	\$66,534,858	195%
	Benefits reduce by 10 percent	\$59,808,437	193%
	Benefits lag by two years	\$55,177,198	132%
Baidoa	Without sensitivity analysis	\$61,151,649	106%
	Costs increase by 10 percent	\$59,811,033	95%
	Benefits reduce by 10 percent	\$53,695,868	94%
	Benefits lag by two years	\$51,663,862	88%

Source: Based on World Bank staff calculations.

66. The proposed project bears significant direct and indirect benefits. The direct benefits of this Project include the reduced cost of transportation for individuals and for businesses. This bears a number of indirect benefits which include greater access to public sectors and to markets, which can foster growth in human capital and economic growth which justify the rationale for public sector engagement.



B. Technical Analysis

67. The ongoing SUIPP/SUIPP Additional Financing has supported technical studies for investments in Mogadishu, Hargeisa, and Garowe and is currently also supporting studies for Kismayo and Baidoa. In Mogadishu, studies are available for 17km of primary roads and 19km of secondary roads and associated drainage across 17 districts. In Garowe, studies are available for 2 bridges and 19 secondary roads. In Kismayo and Baidoa, feasibility studies are being undertaken for a total of 50km of secondary roads and associated drainage for both cities. In Kismayo 16 roads of about 31 Kms have been prioritized and ranked based on multi-criteria analysis during the study; while, in Baidoa 8 roads of about 21km have been prioritized and ranked. As such, the project would be able to commence approximately US\$16 million of civil works soon after project effectiveness and an additional US\$20 million in the first year.

68. Investments in road upgrading and rehabilitation will be implemented using technology and methods that are well known in Somalia (such as asphalt, concrete interlocking blocks, and cobblestone) and no technical difficulties are foreseen in this area as long as qualified firms are engaged for the civil works. All investments will be designed to correspond to local conditions and will make use of labor-intensive methods to the extent possible. To insure adequate compliance to technical design, the works will be overseen by dedicated supervision consultants engaged by the municipalities, the PIU technical team, and the end users or beneficiary community committees who have been involved in the road selection and design process.

69. The Feasibility Studies and Preliminary Engineering Designs undertaken under SUIPP determined that the secondary and urban road investments in the four cities were technically feasible. While the Bank's mobility to the proposed roads was limited, these studies were undertaken by an outsourced firm that was able to travel to the specific project sites.

70. The SUIPP studies identified precast interlocking concrete paving blocks surfacing for secondary roads in Mogadishu given the potential for generating short term income opportunities and the ability of communities to maintain the roads themselves with little technical support. Asphaltic concrete (asphalt) road surfacing was selected for urban roads in Mogadishu owing to the high traffic volumes on those roads. In Garowe, Otta seal which is an asphalt surface treatment constructed by placing a graded aggregate on top of a thick application of bituminous binding agent will be used.³⁸ In Kismayo and Baidoa, asphalt concrete roads with a mix of two base-course options has been recommended in the feasibility studies. One option is cement/lime treated gravel base that has higher use of construction equipment, and the other option is hand-packed stone base that is more labour intensive and will therefore promote engagement of local community in the construction work.

71. In Mogadishu and Garowe, the local construction industry has previously been involved in construction of asphalt-based roads and therefore has the capacity to implement these proposed investments. Such capacity is not present in Kismayo and Baidoa and firms in the two cities will either form joint venture with experienced international firms or those from Mogadishu. Most material for the construction of roads are readily available in Somalia while asphalt will be imported.

³⁸ This is a technology that will generate short term employment and is cheaper than asphalt since the material and construction specification are not as strict as for asphalt.



72. During construction, contractors will be required to establish their own laboratory for quality control tests in accordance with the works specifications. Alternatively, they will identify a suitable third-party laboratory to carry out required construction materials and works quality tests.

73. For all four cities, a 20 percent infrastructure contingency will be provided for any changes in physical quantities during construction.

C. Fiduciary

Financial Management

74. The financial management residual risk is assessed as **Substantial**. Financial management capacity challenges include: weak PFM legal framework including rudimentary inter-governmental fiscal relations between the FGS and FMS as well as municipalities; inadequate financial management competencies and internal controls; and rudimentary banking arrangements among others. Various mitigation measures are designed specifically for the project. The SURP II will adopt the Use of Country Systems (UCS) in various aspects of the project including for accounting and reporting, banking, oversight arrangements with the Office of the Auditor General and staffing. This will be supported by TA with clear requirement for knowledge transfer incorporated in the Term of Reference. The project would also focus on developing FM capacity as part of the project activities. The project will be supported by the existing PIU arrangements for the on-going SUIPP and the External Assistance Fiduciary Section (EAFS) Units that have benefited from various fiduciary trainings. Overall the FM arrangements are acceptable for the implementation of this operation.

Procurement

75. **Procurement will be carried out in accordance with the requirements in the Procurement Regulations for Borrowers under Investment Project Financing (IPF):** Goods, Works, Non-Consulting Services and Consulting Services dated July 1, 2016 (revised November 2017 and August 2018); Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016); and provisions stipulated in the Financing Agreement. Given Somalia's FCV country status, procurement will be processed under the special procurement arrangements referred to under paragraph 12 of Section III of the World Bank Policy on Investment Project Financing dated September 30, 2018.

76. **The project design will provide a window to enable the Borrower to carry out advance contracting and retroactive financing in accordance with Section V (paragraphs 5.1 and 5.2) of the World Bank Procurement Regulations for IPF Borrowers.** The retroactive financing will be allowed up to 20 percent of the Credit covering the expenditures incurred by the project from July 1, 2019.

77. **Project Procurement Strategy for Development (PPSD) and Procurement Plan (PP).** The World Bank's New Procurement Framework (NPF) will apply to this project. According to the requirement of the Procurement Regulations, the recipient prepared a PSD, which describes how procurement activities will support project operations for the achievement of the PDOs and deliver value for money. Based on the PSD, the PP for the first 18 months has been prepared. The PP sets out the selection methods to be in



followed by the Recipient during the project implementation in the procurement of goods, works and consulting services. The PP also include the cost estimates, time schedules, the World Bank's review requirements, brief description of the activities/contracts etc. The PP will be updated at least 12 months, or as required to reflect the actual project implementation needs, but each update shall require WBG approval. All PPs will be publicly disclosed in accordance with World Bank Group (WBG) disclosure policy. The procurement management risk for this project is assessed to be Substantial. Annex I provides additional information on procurement management.

78. **Procurement implementation arrangement:** The SURP II will be implemented in a decentralized manner through municipalities. PIUs have been staffed with Procurement Specialists among other staff through the ongoing SURP/SUIPP in Mogadishu, Garowe, Kismayo and Baidoa. The SURP II will be implemented by the same PIUs.

79. **Systematic Tracking of Exchanges in Procurement (STEP):** The WBG's STEP system will be used to prepare, clear and update PPs and conduct all procurement transactions for the project. The system allows the systematic planning and tracking of procurement activities throughout the project cycle, including online collaboration with Clients and recording service level standards through workflow. The PIUs of Mogadishu, Garowe, Baidoa and Kismayo have already been trained on using STEP.

D. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No



E. Environmental and Social

80. **Potential environmental and social benefits.** SURP II will have environmental benefits, including (i) improved ambient air quality due to reduced traffic congestion as a result of improved traffic circulation and dust suppression by the surfacing of heavily-trafficked roads; (ii) reduced vehicle wear and accident hazards; (iii) improved pedestrian traffic safety; and (iv) reduced road flooding and reduced roadside erosion. The social benefits of SURP II include: (i) improved community accessibility to schools, health care centers, and other livelihood activities; (ii) improved security and safety through improved walkways and night-time street lighting; (iii) employment opportunities for the community through construction and maintenance of the municipal infrastructure; and (iv) positive economic impacts on livelihood and businesses through cost savings on commuting, enhanced accessibility to municipal service points and longer trading hours.

81. **Potential environmental and social risks and impacts and mitigations.** Because of the nature and relatively moderate scale of the civil works in urban environment, the environmental adverse impacts from such physical works will be minor, temporary, and confined to the area immediately surrounding the construction. However, the overall Environmental and Social Risks Classification (ESRC) of SURP II is **High** since some key social risks of the project are high, including risks related to the security, GBV and the displacement of IDPs. The client's capacity to manage environmental and social risks in complex political, legal and security circumstances is also limited. Additionally, the GBV risk rating for the project is **High**. Anticipated environmental risks and impacts may include dust generation, noise pollution, soil erosion, surface water sedimentation, traffic interruptions, temporarily impeded pedestrian access, pollution from construction wastes, as well as waste from worker campsites (where established). These short-term impacts will be prevented or mitigated with standard operating procedures and good construction management practices. Anticipated social risks and impacts include: (i) land acquisition and physical and economic displacement; (ii) potential risks associated with labor and working conditions such as OHS risks, child labor, labor influx, and risks of sexual exploitation and abuse (SEA), sexual harassment (SH) and other forms of gender-based violence (GBV); (iii) potential exclusion of disadvantaged and vulnerable groups from project benefits; and (iv) potential risks of increased social tension in the community; and (v) security risks associated with terrorist attacks for stakeholders including project workers and the community. These risks will be mitigated through preparation and implementation of environmental and social instruments; adoption of mitigation measures proposed in WB Good Practice Notes on labor influx and GBV (such as tapping of local workforce, use of code of conduct, collaboration with local communities and GBV-related service providers); inclusion of disadvantaged and vulnerable groups in project activities/benefits including provision of project-related job opportunities; effective stakeholder engagement including an inclusive and transparent consultation process and functional GRM; and measures to minimize security risks (such as protection of project workers by security authorities).

82. **Environmental and social instruments for infrastructure investment.** The World Bank ESF will be applicable to SURP II. While the details of individual subprojects will be determined during the project implementation, SURP II takes the framework approach during the project preparation. The Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) prepared under SURP/SUIPP with WB safeguards policies (OPs/BPs) have been updated and the Stakeholder Engagement Framework (SEF) and the Labor Management Procedures (LMP) have been newly prepared in compliance with the ESF. The public consultations on these frameworks were



conducted from April to August 2019 in all municipalities, involving a broad range of stakeholders, including potential project-affected communities and vulnerable/disadvantaged groups. The final ESMF was disclosed on September 30, 2019, the RPF disclosed on October 2, 2019, and the LMP and SEP disclosed on October 3, 2019. Consistent with these frameworks, subproject-specific environmental and social instruments will be prepared, reviewed and disclosed before the start of civil works of each subproject. Relevant provisions of subproject-specific instruments will be incorporated into procurement documents. Key environmental and social commitments of the client have been included in the ESCP.

83. **Safeguards approach to TA component.** While the proposed technical assistance under Component 2 (Displacement; O&M of Urban Infrastructure; and Urban Governance and Services) will not fund any infrastructure investment, the application of the results of such TA activities, such as policy advice, analytics and training events for government authorities, may have adverse environmental and social implications. To address such concerns, the ESCP includes a commitment of the borrower to ensure that all TA and capacity building activities conducted under the Project shall only be undertaken pursuant to terms of reference reviewed and approved by the Bank. Such terms of reference shall ensure that the TA takes into account, and calls for application of relevant provisions of ESSs and the borrower's own laws relating to the environmental and social aspects.

The screening of environmental and social risks and impacts was conducted by the task team's environmental and social specialists through site visits, consultations with key stakeholders and the implementation of the ongoing SURP I project.

F. GRIEVANCE REDRESS SERVICES

84. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



G. KEY RISKS

85. **The overall risk rating for SURP II is High.** Through this project, investments will be channeled through municipal governments at a significant scale for the first time which poses serious risks and possible implementation delays. Risks are posed by the challenging operational environment, continued insecurity, and inadequate institutional capacity. The Bank will continue to provide intensive supervision and oversight to the PIUs at the municipal level and efforts will be made to significantly strengthen federal level implementation oversight and supervision capacity through the PCU. The Project Implementation Manual (PIM) will outline clear reporting and accountability mechanism and includes guidance to the PIUs on how to address the impact of insecurity on the proposed civil works in the project.

86. **Insecurity risk is High.** There are areas across all cities that remain in conflict which affects access to locations and insecurity for staff, making monitoring difficult. Moreover, the security situation may prevent or delay the civil works and achievement of project objectives. The project will need to develop clear guidelines for addressing insecurity and possibly suspending the civil works which will be outlined in the PIM. The Bank's supervision and oversight of civil works will be supported through a third-party monitoring agent. It is important to note however that the risks related to Al Shabaab activity in urban areas cannot be fully mitigated.

87. **Political and governance risks are High.** Al Shabaab still retains control of territory, particularly in rural areas but is also present in the cities of Mogadishu, Kismayo and Baidoa. In Mogadishu, the group collects rents from major businesses which can potentially affect project implementation. Moreover, the political process, including the relationship between the FMS and the central FGS remains fragile. This risk can enter the project level with political competition over scarce financial resources. Mitigating measures will include regular communication on project activities, allocations and processes with all levels of government including through the project steering committee. All procurements and awarded contracts will be publicly disclosed.

88. **Technical design of project risk is Substantial.** Civil works are not likely to be complex. The risk however is rated as substantial given these would be contracted and supervised through municipalities. In Kismayo and Baidoa, these municipalities would be implementing infrastructure investments for the first time. PIUs will be staffed with a Project Engineer to support the technical aspects of works. The project will also be supported by an engineer on the Bank task team and a contracted engineering supervision agent(s) with extensive experience in civil works supervision in Somalia.

89. **The institutional capacity for implementation and sustainability risks are High.** Capacity and authority in Somalia are relatively weak given the history of conflict and mistrust with public institutions. All PIUs would need to ensure the recruitment of qualified consultants and conform to the guidelines of the Civil Service Commission. These staff will continue to receive regular training and support both through the project management and institutional strengthening component in the project. Intensive support will be provided at key stages of implementation such as during evaluation of bids for contractors.

90. **Fiduciary risks are High.** The financial management and procurement environment in Somalia are challenging and fraud and corruption risks in the project are high given the significant amount of civil works being implemented. Although anticorruption and public-sector regulations are in place, problems



persist, contributing to low levels of trust in government institutions. Mitigation measures for governance issues have been built into the project design with a strict fiduciary control mechanism and application of Bank fiduciary rules as well as a focus on social accountability. The project will ensure that the PIUs always have dedicated procurement and financial management specialists in place and that the PIM includes a well described fiduciary management process. A Monitoring Agent further supports the MPF projects on managing fiduciary challenges. Moreover, the Bank's Integrity Vice Presidency (INT) Prevention Services Unit carried out a portfolio wide review for Somalia in coordination with the country management and task teams to identify fraud and corruption mitigation measures that can be applied.

91. Environment and Social risks are High. Due to the nature and relatively moderate scale of the civil works in urban environment, the adverse environmental impacts from such physical works will be minor, temporary, and confined to the area immediately surrounding the construction. However, the overall environmental and social risks are high given the overall insecurity in Somalia, the high levels of GBV risk and the displacement of IDPs. The client's capacity to manage environmental and social risks in complex political, legal and security circumstances is also limited. Project activities may also cause physical and economic displacement of several households and structures, including those of established roadside vendors, encroaching on the roadways. The civil work will entail risks related to labor and working conditions, such as occupational and community health and safety risks and child labor. The project might also exacerbate risks related to persistent social tensions and incidence of violence (for example, dispute over physical/economic displacement or dissatisfaction of districts that have not been chosen for subproject locations). Mitigation measures will include the implementation of resettlement action plans and labor management procedures, inclusive and transparent stakeholder engagement, and effective grievance redress mechanisms, and measures to minimize security risks (such as protection of project workers by security authorities). To strengthen the capacity of the Somali governments, including municipal governments, to manage environmental and social risks and impacts with the ESF, additional support from the Bank task team and the supervision consultant will be deployed.

92. GBV risks are High. Incidence of GBV in Somalia is a significant contextual and project-related challenge. Assessment of project-related risks of SEA, sexual harassment and other forms of GBV has been conducted during project preparation as per the WB Good Practice Note on Addressing GBV. This assessment indicates that the GBV risks of the project are high. Given such risks and the context of pervasive insecurity. The project will adopt a robust and comprehensive approach to address potential GBV risks. Relevant mitigation measures to address these risks (e.g., integrating Codes of Conduct with SEA/GBV-related protections; community consultations and sensitization activities to raise awareness of potential risks; hiring of GBV experts for the project implementation and monitoring (such as in the PIU, engineering and supervision consultant and third-party monitoring agent); mapping activities to identify potential service providers in project affected areas; development of a GBV Action Plan; and establishment of GRM with procedures and channels to enable safe, confidential and ethical reporting of GBV incidents) to be articulated in relevant environmental and social instruments. Given security risks and potential risks of sexual harassment in recruitment and retention of skilled and unskilled female workers, additional measures to address workplace sexual harassment and to assure safety of female workers hired under the project will be also identified. GBV sensitization activities, in line with global guidelines on ethical engagement, should be integrated into the Stakeholder Engagement Plan. Mechanisms to enable monitoring of GBV risk management through Third-Party Monitoring will be established. The project will establish partnerships and enable financing with identified GBV service providers. The project includes



provision of capacity building and training of relevant stakeholders, including contractors and project workers, in addition to capacity building for government partners. GBV risks will be monitored throughout project implementation through regular re-assessment, particularly as new project locations are determined, and through regular monitoring activities.

93. **Stakeholder risk is High.** The current context in Somalia, characterized by the lack of trust between key groups in society, and the accompanying high levels of contestation and violence, presents a high risk stakeholder environment for this project. Opposition from stakeholders (civil society, private sector organizations, other donors and other members of the general public), or districts that have not been chosen for investments under SURP II are possible. This can potentially have a negative impact on the achievement of the PDO. The respective municipalities and Project Coordinators will play a key role in managing communications with stakeholders. Moreover, the project's GRM would help manage grievances from communities and the private sector.

94. Table 5 below outlines key risk mitigation measures likely to be included in this project.

Table 5. Proposed Risk Mitigation Measures

<i>Fiduciary</i>	<i>Use of direct payments</i>	The direct payment method will be used for all larger transactions such as payments to engineering supervision consultants, consultants carrying out technical studies and contractors as applicable.
	<i>Project Bank Accounts</i>	The project would have Designated Accounts managed by the Office of the Accountant General in the federal Ministry of Finance with project accounts managed by the State Ministries of Finance. All transactions for municipalities would be processed through their respective State EAFS.
	<i>Ceiling of the Designated Account</i>	The DA ceilings would be retained at a maximum of 2 quarters of forecasted expenditures to reduce the amount of funding that the project has access to at any given time.
	<i>Quarterly review of project budget</i>	The PIUs will be required to submit budgets including all operating expenses to the Bank for review and approval on a quarterly basis.
	<i>Procurement reviews</i>	All procurement activities regardless of value, nature, categories or packages are treated as prior reviews and reviewed by the TTL and procurement staff.
	<i>Hands on procurement support</i>	The World Bank will engage a short-term procurement consultant to provide hands on support to the Government in procurement – particularly during the bid evaluation process for civil works. The possibility of outsourcing all procurement to a Procurement Agent at the federal level will be explored.
<i>Monitoring/ Verification</i>	<i>Third-party monitoring</i>	A third-party monitoring agent will be engaged to verify the completion of sub-projects, the quality of construction and the adherence to safeguard policies. The potential of using the Third-Party Monitor for



		monitoring of GBV related risks and incidences is being explored.
	<i>Geo-enabled monitoring</i>	Geo-tagging of sub-projects to better monitor and verify implementation progress will be introduced; this is essential for the more inaccessible areas.
	<i>Engineering Supervision Consultant</i>	A qualified engineering supervision consultant(s) will be recruited to supervise the day to day construction of the civil works. The Consultant will also be responsible for ensuring adherence to the Banks environment and social safeguard policies as well as the participatory and inclusive selection of unskilled labor.
Enhanced conflict sensitivity	<i>Strengthened Grievance Redress and Feedback Mechanism</i>	Special attention will be provided to the GRM which will ensure project related tensions/conflict are addressed early on. The GRM will provide multiple channels for uptake of grievances, keeping in mind the context of Somalia with low literacy rates and limited mobility of women. Specific provisions to enable safe, confidential and ethical reporting of SEA/SH or GBV incidence will be identified and integrated into GRM design.



H. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Somalia

Somalia Urban Resilience Project II

Project Development Objectives(s)

To strengthen public service delivery capacity of local governments and increase access to urban infrastructure and services in selected areas.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
To support the construction of key urban infrastructure in targeted cities				
People with access to all season roads within a 500 meter range (% female, %IDPs, %host communities) (Number)		3,500.00	5,000.00	30,000.00
Financed subprojects functioning and delivering services one year after completion. (Percentage)		0.00	90.00	90.00
Municipalities with clean financial project audits that continue to remain eligible for the project (Number)		0.00	4.00	4.00



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Urban Infrastructure and Services				
Urban roads rehabilitated or upgraded (Kilometers)		0.00	15.00	45.00
Pedestrian walkways constructed (Kilometers)		0.00	5.00	10.00
Person days of employment created (days, % female, % IDPs, % host) (Number)		0.00	40,000.00	100,000.00
Subprojects with post-construction Operations & Maintenance plans (Number)		0.00	10.00	20.00
Number of women engaged in unskilled labor activities in the project (Number)		0.00	15.00	50.00
Beneficiaries satisfied that infrastructure met their needs (number, % female, %IDPs) (Percentage)		0.00	60.00	70.00
Institutional Strengthening and Analytics				
Inter-governmental forum discussions held between federal/state/municipal levels (Number)		0.00	2.00	4.00
Municipalities with improved O&M plans (Number)		0.00	2.00	4.00
Project Management and Capacity Building				
Project and municipal staff formally trained on core municipal functions (Number)		0.00	35.00	80.00
Participants in consultation activities during project implementation (Number)		0.00	150.00	400.00
Greivances registered related to delivery of project benefits that are addressed (Percentage)		0.00	60.00	85.00
Women engaged in consultation activities during project implementation (Number)		0.00	30.00	100.00
Contingent Emergency Response				



Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Specific Operation Manual developed for crisis response (Yes/No)		No		Yes
Beneficiaries covered under the activated crisis response (Number)		0.00		0.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People with access to all season roads within a 500 meter range (% female, %IDPs, %host communities)	All-season road is defined as a road that is passable all year by the prevailing means of transport (e.g. a car, fire truck, or ambulance which may not have four-wheel drive). Predictable interruptions of short duration during inclement weather (e.g. heavy rainfall) are acceptable, particularly on low-volume roads. Road blocks due to security purposes are also acceptable. The proportion of beneficiaries that are female, IDPs or host	Annual	Project progress reports, UNFPA population figures for districts if available and with support from municipalities.	Guidance on people with access: The data on the number of people provided with access can be measured by assessing the kilometers of roads constructed or rehabilitated and estimates of the population in the project area within a 500-meter range that will access these roads (based on population density estimates by the municipality). 500	Municipalities, PIU, PCU



	communities will also need to be measured and calculated as a percentage. This indicator will be disaggregated by city.			meters is roughly equivalent to 5-10 minutes walking time.	
Financed subprojects functioning and delivering services one year after completion.	These are subprojects that are still being used by communities one year after completion and handover of the subproject by the contractor. Subprojects affected by natural disasters or conflict are not considered to calculate this indicator. This is a long term project and is likely to have subsequent phases. Those subprojects completed in the last year of implementation can therefore be evaluated in the subsequent phase of the project.	Annual	Quarterly project reports/Annual reports	Review of quarterly reports and verification of data by the PCU	Municipalities, PIU, PCU
Municipalities with clean financial project audits that continue to remain eligible for the project	Municipalities that have clean audits based on the annual project wide financial audits. Municipalities must also not have any ineligible expenditures or declared mis-procurements which would exclude them from	Annual	Annual project audits	Review of annual project audits	PCU, federal EAFS



	any additional infrastructure financing from the project.				
Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Urban roads rehabilitated or upgraded	Measures cumulative length of all newly constructed and/or rehabilitated roads in the 4 municipalities thereby improving urban mobility. Road-side drains are systematically included in the road improvements and will not be double counted under the project.	Quarterly	Project quarterly progress reports, Supervision engineers reports	Review of engineering supervision reports and contractor reports	PIUs, PCU, Municipality
Pedestrian walkways constructed	Measures cumulative length of all newly constructed pedestrian walkways in the 4 municipalities, thereby improving mobility of pedestrians.	Quarterly	Quarterly reports, engineering supervision reports	Review of engineering supervision reports and contractors reports	PIU, Municipalities
Person days of employment created (days, % female, % IDPs, % host)	These are the number of people benefiting from short term employment opportunities created by civil works financed through this project. Percentage of beneficiaries that are female, IDP, host	Quarterly	Quarterly reports, engineering supervision reports, contractors reports	Review of engineering supervision and contractor reports	PIU, Municipality, PCU



	communities will need to be calculated. The values will be broken down by city.				
Subprojects with post-construction Operations & Maintenance plans	Subproject specific operations and maintenance plans are to be prepared for each subproject supported by SURP II which include indicative operating budgets and identifies key stakeholders responsible for maintenance.	Annual	Engineering supervision reports, quarterly reports	Review of engineering supervision reports, quarterly reports	PIUs, Municipalities
Number of women engaged in unskilled labor activities in the project	These are the number of women benefiting from short term employment opportunities created by civil works financed through this project.	Quarterly	Project quarterly progress reports, Supervision engineers reports	Site visits, review of reports	Municipalities/PIUs/PCU
Beneficiaries satisfied that infrastructure met their needs (number, % female, %IDPs)	Beneficiaries are people or groups who directly derive benefits from improved roads in this project and their satisfaction with the infrastructure will be assessed through questionnaires in focus group discussions. The measure of satisfaction will need to look at multiple	Mid-term and end project.	Mid-term and end project evaluation	Review of evaluation reports	PIU/Municipality, PCU



	dimensions including the quality of the rehabilitated infrastructure and whether the rehabilitated road has improved their access to services/jobs. Satisfaction to be calculated through focus group discussions and or surveys.				
Inter-governmental forum discussions held between federal/state/municipal levels	The number of meetings held that involve the different layers of the government to discuss issues related to the project, functional assignments related to service delivery, revenue sharing etc.	Quarterly	Project Quarterly reports	Review of project quarterly reports	PIU, municipality, PCU
Municipalities with improved O&M plans	These are O&M plans that are informed by the number of km of paved roads in the city that needs to be maintained, the institutional structure within the municipality that would implement the O&M plan and the availability of financing within the municipality.	Annual	Quarterly reports	Review of quarterly reports	PIU, Municipality, PCU
Project and municipal staff formally trained on core municipal functions	The number of municipal staff trained in procurement, financial management, social and	Quarterly	Quarterly progress reports	Review of quarterly progress reports	PIU, PCU and Municipalities



	environment safeguard management, project management etc				
Participants in consultation activities during project implementation	This indicator measures the level of community engagement in project implementation - this includes in the selection of subprojects, during construction and in the selection of beneficiaries for casual labor and in maintenance activities.	Quarterly	Quarterly reports, mid-term and end project evaluation	Review of quarterly reports, focus group discussions or surveys in midterm/end project evaluation	PIU, PCU, Municipalities
Grievances registered related to delivery of project benefits that are addressed	This indicator measures the transparency and accountability mechanism established by the project. Grievances would need to be registered and responded to.	Quarterly	Quarterly progress reports	Review of quarterly progress reports	PIU, PCU, Municipalities
Women engaged in consultation activities during project implementation	This indicator measures the level of engagement of women in project implementation - this includes in the selection of subprojects, during construction and in the selection of beneficiaries for casual labor and in maintenance activities.	Quarterly	Project quarterly progress reports	Review of quarterly progress reports	Municipalities/PIUs/PCU
Specific Operation Manual developed for crisis response	An operational manual for the CERC will need to be				Municipalities, PCU



	developed that outlines the eligible activities to be financed under this component if triggered and the implementation modalities.				
Beneficiaries covered under the activated crisis response	The number of people benefiting from the CERC if it is triggered. This will vary depending on the amount of funding allocated for this crisis response.				Municipalities, PIU, PCU



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Somalia Somalia Urban Resilience Project II

Overall Implementation Arrangements

1. The proposed SURP II will be implemented on behalf of the Federal Government of Somalia (FGS) by the BRA, Garowe Municipality, Kismayo Municipality and Baidoa Municipality using proceeds from the Somalia MPF and IDA through a Grant Agreement/Legal Agreement with the World Bank. Once the new cities in Galmudug and Hirshabelle States have been selected, these cities will also be implementing entities in the project. The Grant Agreement/Legal Agreement would be signed between the World Bank and the Ministry of Finance and the Federal Government would have oversight of the project.
2. **Federal-level roles and responsibilities.** A federal inter-ministerial Steering Committee chaired by the Office of the Prime Minister and the Aid Coordination Unit will be set up and would meet on a quarterly basis or more frequently as needed. Other key line ministries represented in the steering committee will be the Ministry of Planning, Investment and Economic Development (MoPIED), Ministry of Public Works, and the Ministry of Finance. This Steering Committee will also include one representative from each Federal Member State participating in the project.³⁹ The Steering Committee will be responsible for providing strategic guidance to the project, approving the inclusion of additional cities into the project and deciding on the funding allocations across cities.
3. A Project Coordination Unit (PCU) will also be set up at the federal level in the Ministry of Public Works. This PCU will be staffed with a Program Coordinator, Finance Specialist, Procurement Specialist, Environment/Social Safeguards Specialist, Gender Specialist, Monitoring and Evaluation Specialist and other technical staff as needed. The PCU will be responsible for providing technical support and guidance to the municipalities as needed. The Program Coordinator will act as the Secretariat to the Steering Committee.
4. **State- level roles and responsibilities.** State level inter-ministerial committees would be set up to provide a platform for coordination, information dissemination and consultation at the State level. These committees would include the Ministries of Public Works, Planning, Finance and Interior as well as the Mayors of the cities benefiting from the project. These committees have already been established in Jubbaland and South West State but will need to be established in Puntland. They will also be established in Galmudug and Hirshabelle once those two states formally join the project. Given there will already be a federal level steering committee, an additional committee for BRA will not be required. Subsidiary Agreements will be prepared and negotiated for each State and BRA to clearly outline the roles and responsibilities of the State/BRA vis a vis the federal level.
5. **Municipal- level roles and responsibilities.** Under SURP II, the BRA, Garowe, Kismayo and Baidoa Municipalities will have overall responsibility for project implementation in their respective cities. PIUs

³⁹ The Mayor of Mogadishu would represent the Benadir Regional Administration and the Ministries of Public Works would represent the other FMS.

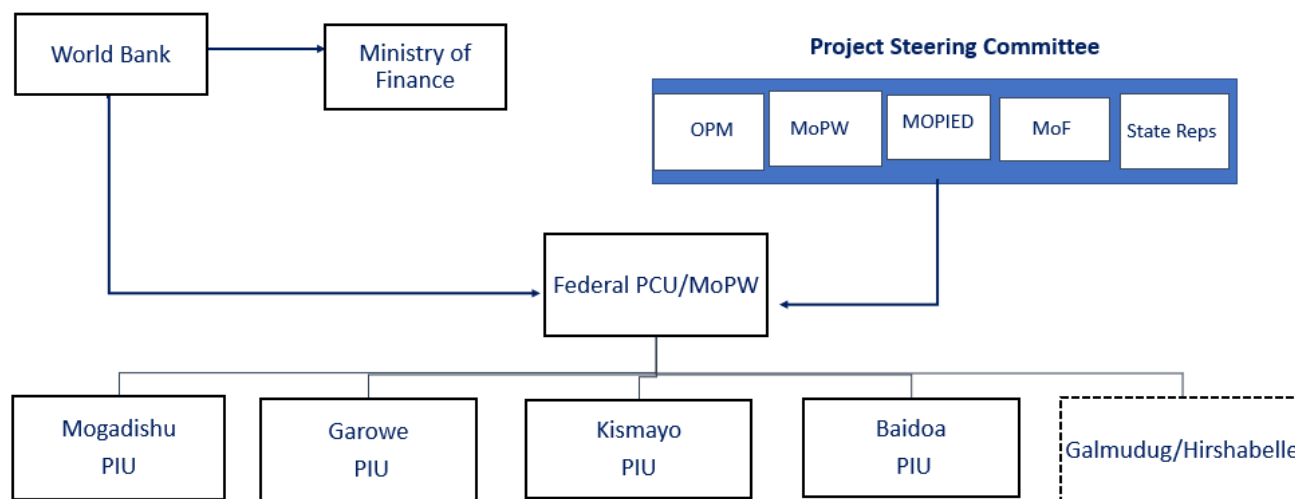


have already been established within the BRA, Garowe, Kismayo and Baidoa Municipalities who report to the respective Mayors. The PIUs will have project management responsibility, coordinating overall project implementation, ensuring the timely availability of fund transfer to contractors, implementing the relevant safeguard instruments and ensuring continuous community outreach and consultation, maintaining project accounts and producing financial reports, monitoring and evaluating program implementation and impacts, developing and implementing the GRM and reporting results to various stakeholders. Once Galmudug and Hirshabelle enter the program, PIUs will also be established in the participating cities and once these cities meet the relevant participation criteria, they will also have overall responsibility for project implementation.

6. The PIUs will be supported by a contracted engineering supervision consultant who will be responsible for monitoring the contractors of the civil works as well as monitoring adherence to the safeguard instruments. A third-party monitoring agent will be contracted by the World Bank to provide quality assurance –carry out spot checks on both the engineering quality of the civil works and adherence to the safeguard instruments.

7. Given that SURP II is following on from the ongoing SUIPP and the SURP, the PIUs in Mogadishu, Garowe, Kismayo and Baidoa are in a satisfactory state of readiness for rapid project implementation. Under SUIPP/SURP, the PIUs were staffed with a Project Focal Point/Coordinators, Procurement Specialists, Finance Specialists, Project Engineers, Environment and Social Safeguard Specialists and M&E Specialists. These positions were all competitively recruited. The capacity in the PIUs will continue to be enhanced through training by the World Bank technical staff on fiduciary and safeguards issues as well as the engineering supervision firm.

Figure 1.1: SURP II Implementation Arrangements



8. Details for each officer in the PCU and PIU are provided below:



PCU Staff

9. *Program Coordinator*. The position will be the primary interlocutor for the project with federal government institutions, FMS, local governments and the World Bank. He/she will also have an oversight role of the project overall, ensuring it is on track to deliver on project objectives as well as ensuring adherence to the reporting, fiduciary, environment and social safeguard requirements. The Program Coordinator will also provide guidance and support to the PIUs on budgetary and fiduciary management issues, or any other issues that PIUs request help on related to the project. Finally, the Program Coordinator will liaise with other stakeholders to ensure coordination and synergies across relevant projects.

10. *Environment and Social Safeguard Specialist*. Responsible for providing technical support to the PIUs in the preparation of safeguard documentation and monitoring/reporting on safeguards implementation. Responsible for supporting the PIUs in preparation of any ToRs as necessary for the preparation of any additional safeguard documents. The E&S Specialist is also responsible for finding solutions to safeguard challenges faced during implementation and identify ways of improving safeguards management/monitoring in the project.

10. *Gender Specialist*. Responsible for supporting the preparation of the GBV Action plan and ensuring its implementation throughout the project. Providing technical assistance to the PIUs setting up/improving the project GRMs to ensure it is equipped to hand GBV issues. Providing quality assurance of community engagement activities in the project with regards to ensuring women's participation and voice in project implementation.

11. *Procurement Specialist*. Responsible for providing technical support to the PIUs in all procurement related issues related to the project. Providing additional training to the procurement specialists when needed and providing on-the-job technical support as needed on issues such as STEP, bid evaluations etc. The Procurement Specialist is also responsible for ensuring overall quality of all procurement documents sent to the World Bank (Terms of References, Requests for Quotations/Proposals, draft contracts etc).

12. *Finance Specialist*. Responsible for ensuring the quality of all financial reports prepared by the PIU and collating these and sharing with the World Bank for review. The Finance Specialist is also responsible for liaising day to day with the EAFS at the federal Ministry of Finance to process withdrawal applications for all FMS/PIUs.

13. *Monitoring and Evaluation Specialist*. Responsible for setting up the overall an M&E system for the project, monitoring the physical and financial progress across all cities and tracking the project's progress towards meeting the PDO. The PCU M&E Specialist is also responsible for leading on project evaluations and overseeing the baseline and end-line surveys across the project. Finally, the PCU M&E Specialist is responsible for collating all project reports from the PIUs and sharing them with the World Bank/donors.

PIU Staff

14. *Project Coordinator*. Has overall responsibility for management of the PIU and PIU team – this



includes recruitment of new staff, performance evaluations of existing staff and extending contracts as necessary. The Coordinator will ensure the project is implemented in compliance with all fiduciary and safeguard requirements, reviewing and approving all reporting on the project for submission to the Municipality and the World Bank.

15. *Engineer.* Responsible for overseeing the preparation of bidding documents, being involved in the assessment of bids. The Engineer is also responsible for assessing the quality and progress of implementation of the civil works in close consultation with the supervision agent.

16. *Monitoring and Evaluation Specialist.* In close consultation with the PCU M&E Specialist, responsible for setting up an M&E system for the project within the respective municipality, monitoring the physical and financial progress within the city and preparing quarterly/monthly reports. The M&E Specialist is responsible for updating the project Results Framework for the respective city ahead of each Implementation Support Mission. Finally, the M&E Specialist would be providing any necessary support to the PCU M&E Specialist in carrying out project evaluations (baseline and endline surveys).

17. *Environment and Social Safeguard Specialist.* Responsible for preparing the ToRs for the preparation of safeguard documents under the guidance of the PCU E&S Specialist. Together, with the Project Coordinator, the E&S Specialist is responsible for ensuring compliance with the ESMP/RAPs and the payment of compensation.

18. *Procurement Specialist.* Responsible for preparing, implementing and monitoring the project procurement plan. With support from the Project Engineer and Coordinator, the PS is also responsible for leading the preparation of all procurement documents including bid documents, bid evaluations and contracts and ensuring all procurements are carried out through STEP.

19. *Finance Specialist.* Responsible for managing all project finances in the respective city, preparing timely financial reports for the city and submitting these to the PCU Finance Specialist. Finally, the Finance Specialist is responsible for liaising with the State level EAFS to process withdrawal applications as necessary.

Procurement

20. **Procurement procedures:** Procurement will be carried out in accordance with the requirements in the Procurement Regulations for Borrowers under Investment Project Financing (IPF): Goods, Works, Non-Consulting Services and Consulting Services dated July 1, 2016 (revised November 2017 and August 2018); Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016); and provisions stipulated in the Financing Agreement. Given Somalia's FCV country status, procurement will be processed under the special procurement arrangements referred to under paragraph 12 of Section III of the World Bank Policy on Investment Project Financing dated September 30, 2018. The project design has provided a window for the Borrower to carry out advance contracting and retroactive financing in accordance with Section V (paragraphs 5.1 and 5.2) of the World Bank Procurement Regulations for IPF Borrowers. The retroactive financing will be allowed up to 20 percent of the Credit covering the expenditures incurred by the project with effect from July 1, 2019 before the signing of the Credit Agreement under the activities agreed with



the World Bank.

21. **PPSD and PP.** The World Bank's New Procurement Framework (NPF) will apply to this project. According to the requirement of the Procurement Regulations, the recipient prepared a PPSP which has been agreed to between the Borrower and the World Bank. The PPSP describes how procurement activities will support project operations for the achievement of the PDOs and deliver value for money. Based on the PPSP, the PP for the first 18 months has been prepared. The PP sets out the selection methods to be followed by the Recipient during the project implementation in the procurement of goods, works and consulting services. The implementing agencies have prepared PPs which include the cost estimates, time schedules, the World Bank's review requirements, brief description of the activities/contracts etc. The PPs will be updated at least every 12 months, or as required to reflect the actual project implementation needs, but each update shall require WBG approval. All PPs will be publicly disclosed in accordance with World Bank Group (WBG) disclosure policy.

22. **Systematic Tracking of Exchanges in Procurement.** The World Bank's STEP system will be used to prepare, clear, and update PPs and conduct all procurement transactions for the project. Staff of the PIUs have already been trained and using STEP under SUIPP/SURP.

23. **National Public Procurement Law and Procurement Templates:** The Public Procurement, Concessions and Disposal Act, 2015 (PPA) for the FGS is the relevant public procurement legal framework. The new Act foresees a decentralized system of procurement. The Act further provides for an independent oversight body that will foster the regulatory and the policy framework of public procurement in the country. The PPA has been reviewed by the World Bank and found to be satisfactory and consistent with the National Procurement Procedure requirements prescribed in paragraph 5.4 of the Regulations to a large extent. However, institutions are not yet in place in accordance with the Act. Similarly, regulations and other procurement guidance documents, including Standard Bidding Documents, are yet to be finalized. The private sector and civil society have limited capacity or functionality. Currently, the process of operationalizing the PPA are underway. Until such time that the PPA is operationalized, and the documents reviewed and found satisfactory by the World Bank, the Project shall use the World Bank's Standard Procurement Documents (SPDs) customized to national standards (agreed by the World Bank with the Borrower) when approaching the national market. Also, the World Bank's SPDs shall be used for procurement of goods, works, and non-consulting services under open International Competitive Procurement. In accordance with the PPA, it is anticipated that, when the PPA is operationalized, for the national procedures to be used, the following shall be observed: (i) the request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation to the World Bank's right to sanction and the World Bank's inspection and audit rights; and (ii) rights for the World Bank to review Borrower's procurement documentation and activities.

24. **Publication Advertising:** The Borrower is required to prepare and submit to the World Bank a General Procurement Notice. The World Bank will arrange for its publication in United Nations Development Business online (UNDB online) and on the World Bank's external website. Specific Procurement Notices for all procurement under open international competitive procurement and Requests for Expressions of Interest for all consultancies estimated to cost not less than US\$300,000 shall



be published in at least one newspaper of national circulation in the borrower's country, or in the official gazette, or on a widely used website or electronic portal with free national and international access, and in UNDB online.

25. **Procurement implementation arrangement and Procurement capacity assessment:** SURP II will be implemented on behalf of the FGS by the BRA/Mogadishu Municipality, Garowe Municipality, Kismayo Municipality and Baidoa Municipality. Under SURP II, the BRA, Garowe, Kismayo and Baidoa Municipalities will have overall responsibility for project implementation in their respective cities. PIUs have already been established within the BRA, Garowe, Kismayo and Baidoa Municipalities under the on-going SURP/SUIPP. A procurement capacity assessment of the PIUs to implement project procurement has been carried out by the World Bank for BRA, Garowe, Kismayo and Baidoa. In Mogadishu, Garowe, Kismayo and Baidoa each of the procurement function for the SUIPP/SURP is led by a national Procurement Specialist (PS), who is part of the PIU. The Procurement Specialists have adequate academic qualifications but have not undergone substantive Public Procurement training. Based on previous procurement under SUIPP/SURP, their experiences in public procurement are inadequate. Reviews of procurement documents under SURP/SUIPP shows that they are still learning how to carry out public procurement using World Bank Procurement Regulations. The implementation of SUIPP/SURP was characterized by substantial delays due to weak procurement capacity. In this regard, the PIUs will require support to undertake the necessary procurement according to the Bank procedures satisfactorily. The PIUs will be supported by a contracted engineering supervision consultant who will be responsible for monitoring the contractors of the civil works as well as monitoring adherence to the safeguard instruments. A third-party monitor contracted by the World Bank will provide quality assurance of the supervision carried out by the engineering supervision consultant and carry out spot checks on both the engineering quality of the civil works and adherence to the safeguard instruments.

26. A PCU will also be set at the federal level, at the Ministry of Public Works given the expansion of the project from two FMS or Municipalities to six States/Municipalities and subsequently six different PIUs. Given that there will be six PIUs already staffed with Project Coordinators and fiduciary and safeguards staff, it would be critical for the PCU to recruit highly qualified consultants that are able to add value and provide the necessary technical guidance needed. The area where this is particularly important is in procurement due to weak capacity (focusing on improving the quality of ToRs, shortlisting reports/evaluation report and bidding documents).

27. The project envisages procurement of the following main contracts:

- (i) Small Works (Constructions of Roads)
- (ii) Consultancies (Feasibility Study, Design, Preparation of detailed designs and bidding documents for community roads, supervision of construction off community roads and TA consultancy services.
- (iii) Non consulting services
- (iv) Goods (Office Equipment, Vehicles and Office supplies)

28. For the proposed works contracts, an assessment of the road construction capacity identified local road construction companies are available in Somalia who can construct the roads under the project. Most of these firms are based in Mogadishu and Garowe. Firms in Mogadishu have interest to work in Baidoa and Kismayo where capacity of local firms is low. It was also noted that in the past decade, very



little asphalt concrete road construction has been undertaken in Somalia. In this regard, local firms will be encouraged to form joint ventures with firms that have the experience and technical capacity to effectively undertake the project works. Due to contract sizes and security concerns especially in Mogadishu, there is a possibility that foreign firms will most likely be discouraged from participation. In this regards, open national competitive procurement method will be used, and the recommended selection method would be Request for Bids (RFB).

29. Consultancy services will include recruitment of consultant firms and individuals from local and international market as appropriate. There are limited domestic capacity of firms/individuals who can be engaged for Technical Assistance (TA). However, there are well qualified consulting firms and individuals mainly from the region who have participated in the previous consultancy assignments in the past. Previous experience from the on-going SURP and from other similar projects shows that both local and foreign firms have participated in the bid opportunities. In some instances, local firms have partnered with foreign firms. There is therefore a likelihood of foreign firms to associate with national firms to enhance their capacity. Firms and individuals will be selected on open-international/national basis as appropriate. The preferred procurement method for firms under consulting services would be QCBS. However, other methods including Consultant Qualification and direct selection would be used as stipulated in the Procurement Plan.

30. Contracts under non-consulting services include activities such as workshop venues, transport, printing services or IT services. These non-consulting services are available either locally or internationally. Given the size and nature of non-consulting services to be procured, most of the potential bidders are available locally. Such items will be procured through Open National Market Approach and Request for Quotations.

31. Somalia has available local traders for ICT equipment, scientific equipment, motor vehicles, and furniture and other office supplies. For equipment, vehicles and ICT hardware and Software, no domestic manufacturing capacity or facility to produce these goods, equipment and machineries. The bidders import the equipment/goods and provide after sales support. For this reason, such items will be procured using either Open National Market Approach or Request for Quotation method. Procurement of Vehicles, Office Equipment and ICT Hardware etc. will be procured through RFB. The specifications for these items are of standard nature.

32. **Training and Workshops:** The project will finance training and workshops, if required, based on an annual training plan and budget which shall be submitted to the World Bank for its prior review and approval. Training and Workshops will not be treated as Procurement Transaction unless a service provider is exclusively hired from market through agreed Selection Method of Consultant/Non-consultancy to render the training or capacity development. The annual training plan will identify, inter alia: (i) the training envisaged; (ii) the justification for the training; (iii) the personnel to be trained; (iv) the duration for such training; and (v) the estimated cost of the training. At the time of the actual training, the request shall be submitted to the World Bank for review and approval. Upon completion of the training, the trainees shall be required to prepare and submit a report on the training received.

33. **Risk Assessment**

In view of the challenges identified, the risk for procurement is considered **High**. The risk is reduced to a



residual rating of **Substantial** in view of the mitigation measures proposed in the Table below.

Table 1.1. Procurement Risks and Mitigation Measures

No	Risk Description	Description of Mitigation Measures	Timeframe	Responsibility
1.	Inadequate knowledge and experience of World Bank Procurement Regulations for Borrowers under IPF: Goods, Works, Non-Consulting Services and Consulting Services dated July 1, 2016 (revised November 2017 and August 2018);	Recruit a qualified Procurement Consultant through the PCU with qualifications and experience acceptable to IDA for the duration of the Project to build the capacity of the National Procurement Specialists of the PIUs, apart from assisting in processing procurement activities for the Project	During Project implementation	Ministry of Public Works
		- Training and capacity building on the Bank's Procurement Regulations and contract management to PIUs. - Prior review of all contracts regardless of the value.	During Project Implementation	BRA, Garowe, Kismayo and Baidoa Municipalities/WB
2.	Inadequate skills by the end users in developing Specifications and Terms of Reference (TOR)	- Need for TAs/Consultants in the respective technical areas to extend hands on support. - Support by the PCU staff. - Train staff in preparation of TORs/Bid specifications	During Project Implementation	BRA, Garowe, Kismayo, Baidoa Municipalities and PCU/WB
3.	Bidders not familiar with bidding procedures using WB procurement procedures	Conduct workshops (and pre-bid/pre-proposal conferences) for bidders/Consultants on how to submit acceptable bids/Proposals	During Project Implementation	BRA, Garowe, Kismayo and Baidoa Municipalities
4.	Absence of defined procurement complaint (including allegation of fraud and corruption) handling mechanism	- As the procurement law is not fully operational, any procurement complaint by dissatisfied bidders or stakeholders may be lodged to the accounting officer and the Project Coordinator has to respond within a reasonable time. - Enough guidance to be provided in the bidding/proposal documents on where to lodge complaints. - Responses to complaint by the Borrower to be reviewed by the Bank. - Bi annual report of all complaints received, and action taken.	During Project Implementation	BRA, Garowe, Kismayo and Baidoa Municipalities/WB
5.	Due to security challenges and weak public-sector functionality, the private sector	All bidding opportunities will be advertised on the available websites and posted on widely circulated national gazette.	During project implementation	BRA, Garowe, Kismayo and Baidoa Municipalities/WB



No	Risk Description	Description of Mitigation Measures	Timeframe	Responsibility
	participation and efficiency would be limited, and this affects the supply market functionality.			
6.	Need for systematic filing system to have complete records of the procurement processes	• Staff training on record keeping and establishment of a satisfactory filing system • All implementing agencies will maintain all procurement records duly catalogued and indexed that will facilitate easy access to information.	During Project Implementation	BRA, Garowe, Kismayo and Baidoa Municipalities
7.	Fraud and Corruption risks (including collusion and outside interference in contracting process	• Disclosure of procurement plan. • Disclosure of contract awards and creating awareness on effects of fraud and corruption • Prior review of all contracts regardless of the value.	During project implementation	BRA, Garowe, Kismayo and Baidoa Municipalities/WB
8.	Use of unqualified and inexperienced evaluation members and varying of the evaluation criteria through elimination or skewed sub-criteria.	• Use of qualified and experience sector relevant evaluation panel who have the time as well to undertake the evaluation within the possible shortest time and ensure confidentiality. • Use of clearly defined evaluation criteria established in the Bidding documents without varying to skew. • Training of the evaluation members on carrying out Bid evaluations.	During project implementation	BRA, Garowe, Kismayo, Baidoa Municipalities and PCU/WB
9.	Inadequate capacity by the PIUs to supervise/manage contracts	• Recruitment of an engineering supervision consultant firm to support the PIU in contract management. • Key staff involved in project implementation will undergo contract management training to enhance their capacity.	Within 6 months of project effectiveness.	BRA, Garowe, Kismayo and Baidoa Municipalities/WB
10	Inefficiencies and delays in procurement process	• Regular monitoring through PP	During project implementation.	BRA, Garowe, Kismayo and Baidoa Municipalities/WB



34. Thresholds for procurement approaches and methods:

Table 1.2. Thresholds for Procurement Approaches and Methods

Thresholds for Procurement Approaches and Methods (US\$ millions)–Goods, Works, and Non-Consulting Services				
Category	Prior Review (US\$ millions)	Open International	Open National	Request for Quotation (RfQ)
Works	All	≥ 5.0	< 5.0	≤ 0.2
Goods, IT, and non-consulting services	All	≥ 0.5	< 0.5	≤ 0.1
Thresholds for Procurement Approaches and Methods (US\$, millions) – Consulting Services				
Category	Prior Review (US\$, millions)	Short List of National Consultants		
		Consulting Services	Engineering and Construction Supervision	
Consultants (Firms)	All	≤ 0.1	≤ 0.2	
Individual Consultants	All	n.a.	n.a.	

Financial Management

35. The financial management residual risk is assessed as **Substantial**. Financial management capacity challenges that are likely to affect the project do exist. This includes weak PFM legal framework including rudimentary inter-governmental fiscal relations between the federal Government and regional member states as well as regional member states and municipalities, inadequate financial management competencies and internal controls, rudimentary banking arrangements amongst others. Various mitigating measures are designed specific to the project and as part of other Bank/Donor engagements in the country. Given the consideration for UCS, the project will adopt the UCS in various aspects of the projects financial management including for accounting and reporting, banking, oversight arrangements with the Office of the Auditor General and staffing. This will be supported by TA with clear requirement for knowledge transfer incorporated in the Terms of Reference. The project would also focus on developing financial management capacity as part of the project activities. The Project will be supported by the existing PIU arrangements for the on-going SUIPP and the EAFS Units that have benefited from various fiduciary trainings. Overall the financial management arrangements are acceptable for the implementation of this operation. A detailed description of the project FM arrangements is detailed in this assessment.

36. **Background.** The 2006–2007 Joint Needs Assessment of PFM systems in Somalia indicated that ‘systems that manage public resources are weak’. The FGS PFM Reform Action Plan (2016-2020) recognizes the PFM systems that manage public resources are weak. While recognizing this, the Bank will work closely with the government to support and strengthen the use of country systems without creating



parallel arrangements and in line with the provisions of the 'Somalia New Deal'. The FM arrangements will be continuously monitored through frequent FM supervisions and updated to reflect the emerging issues in the FM systems.

37. The overarching objective of the project is to strengthen government effectiveness by improving municipal governance and urban resilience through the construction and reconstruction of urban infrastructure. The public works are expected to generate short-term labour opportunities and improve connectivity for the urban poor, IDPs and returnees. The project contributes to the WBG's twin goals of eliminating extreme poverty and boosting shared prosperity through provision of much-needed economic infrastructure for some of the world's poorest and most vulnerable people. The project is also aligned to the priorities of the ongoing Systematic Country Diagnostic for Somalia.

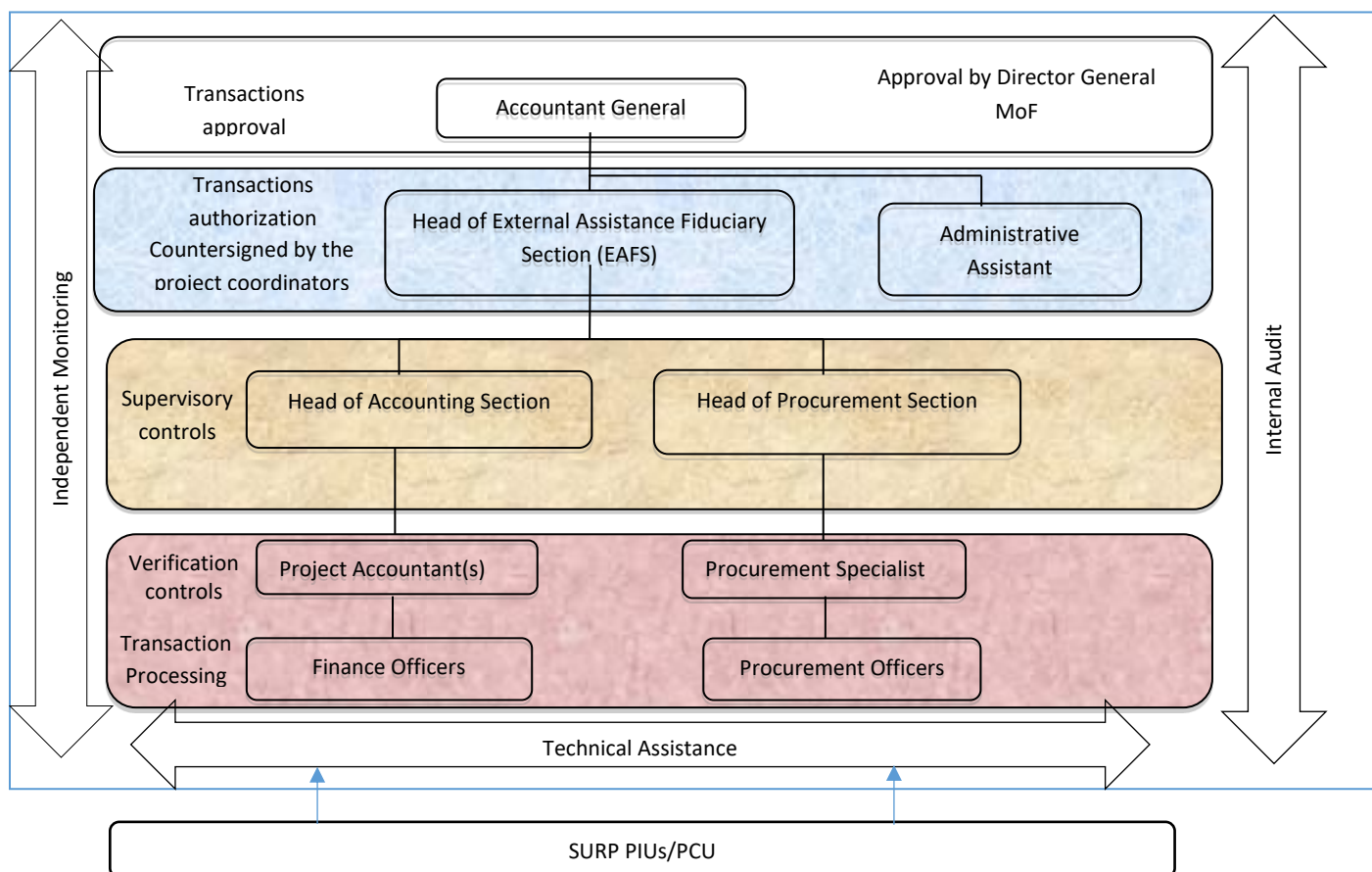
38. The project will support the rehabilitation of secondary roads across in Mogadishu (FGS) and Garowe (Puntland) as well as provide capacity building support to the BRA and Garowe Municipality to enable the municipalities to carry out its mandate. The achievement of the above objective would support the Governments' efforts to demonstrate visible and tangible improvements in the lives of its citizens, critical for strengthening the legitimacy of the government and sustaining social and political stability in the country.

39. **Country Context.** A key PFM finding of the 2006-2007 Joint Needs Assessment (JNA) of PFM systems in Somalia⁴⁰ was that 'systems that manage public resources are weak'. Similarly, the April 2013 PFM self-assessment which focused mainly on the federal government PFM activities revealed serious capacity weaknesses like those identified by the JNA. However, in furtherance to the Paris Declaration on Aid Effectiveness (2005), the Principles for Good International Engagement in Fragile States and Situations (2007), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Co-operation (July 2012), there is deliberate effort as part of the New Deal 'FOCUS' and 'TRUST' principles to use country systems. The underlying principle is '*country-ownership*' anchored in the "strengthened PFM approach" – a common framework that has been widely agreed among the Bank and development partners, and is in line with the Bank's overall approach to strengthening its PFM work.

40. **Project Financial Management Arrangements.** Dedicated financial management units otherwise referred to as the EAFS are operational in Mogadishu, Puntland, Jubbaland and South West State. The key focus of the EAFS units is to ensure harmonization, donor co-ordination, reduce duplication, fragmentation and proliferation of donor funded projects. The EAFS units in consultation with the PIUs across the regions (FGS, Puntland, Jubbaland, South West State) will have overall day-to-day management of the project financial management arrangements.

⁴⁰ jointly carried out by the Transitional Federal Government, the United Nations and the World Bank

Figure 1.2: Typical Federal EAFS FM Functional Structure



41. **Budgeting.** In both FGS and each region (BRA, Puntland, Jubbaland, South West State), the PIUs/Municipalities will work closely with each of the respective EAFS units to prepare and submit the project annual work plan; budget and cash flow forecast. The annual work plans and the cash forecast will be submitted to the Bank for review and clearance before the final estimates are incorporated in the annual appropriation budgets. The work plans, cash flow projections and budget will include the figures for the year segregated by months and quarters. The cash forecasts will reflect the detailed specifications for project activities, schedules (including procurement plan), and anticipated expenditures. Budget utilization reports shall be prepared from the financial management system as part of the internal government(s) periodic reports as well as quarterly reports submitted to the World Bank.

42. **Accounting.** The project expenditures will be recognized, captured, analyzed, summarized and reported on cash basis. These will be supported with appropriate records and documentation to track commitments and to safeguard assets. The project budgets and expenditure will be classified to facilitate the preparation of relevant reports and financial Statements, including information on total project expenditures; total expenditure on each project component/activity, and analysis of that total expenditure into various categories of goods, training, consultants and other procurement and disbursement categories. The project financial management arrangements at the PIU will be outlined in



the Project Implementation Manual whereas those relate to EAFS FM activities are outlined in the respective EAFS Manuals. The project accounting will cover all project funds and any other contributions under the project. Accounting records will be maintained in USD. The respective EAFS units in consultation with the PIUs will ensure that:

- (i) All important business and financial processes are adhered to;
- (ii) Adequate internal controls and procedures are in place;
- (iii) Interim un-audited Financial Reports (IFRs) are prepared on a timely basis;
- (iv) The financial statements are prepared on a timely basis and in accordance with International Public Sector Accounting Standards (IPSAS *cash-basis*);
- (v) The external audit is completed on time and audit findings and recommendations/ issues raised in the management letter are implemented expeditiously.

43. **Standard Chart of Accounts** will be used to map the project activities into the bespoke financial management information system to facilitate the preparation of relevant reports and financial statements, including information on total project expenditures; component/sub-components, categories and economic items (object codes) among other essential dimensional analysis. All the project financial management records will be maintained through the system. Key modules of the Financial Management Information System (FMIS) have been tested and implemented at the federal level and plans are underway to roll out the system to the States. In the interim financial management records and reports for the States implemented components will be maintained through use of excel worksheet and be phased out once the financial management system is in place. The EAFS Manual describes requirements regarding accountability of all funds for all components. Eligibility of expenditures will be based on the actual amount expended evidenced by appropriate supporting documents.

44. **Internal Control and Internal Auditing.** The project EAFS Manuals and SUIPP PIM provides for the relevant internal control procedures and acceptable control procedures for approval and payment processes. The PIM will outline specific internal controls related to internal and independent review and approval of works interim payments certificates, authentication and management of contracts security documents, calculation and retirement of retention amounts as well as measures to mitigate potential penalties. The EAFS units and PIUs will also ensure that the contracts are consistent with the invoices and payment request before processing. They will also monitor and report on the utilization of project funds, including the fiduciary standards complied with and the reliability of the FM systems. The Fixed Assets Register relating to the project will be prepared and regularly updated. Physical verification of outputs and assets will be carried out periodically – at least once every year. The Fixed Assets Register will reflect details of suppliers, description and location of goods, original cost, disposal of assets, asset reference (identification) number; Serial or registration number; date of purchase, price (cost) and/or valuation, additions to the asset; condition of asset, useful life and residual value; disposal. A Contracts Register will also be maintained in respect of all contracts with consultants, contractors and suppliers. The EAFS units will prepare Contract Status Reports quarterly as part of the IFRs. Control procedures over fixed assets and contracts management will be the responsibility of the PFMRCU.

45. **Financial Reporting Arrangements.** Quarterly IFRs will be prepared by the EAFS and will cover all project funds for monitoring the implementation of the project and submitted to the Bank within 45 days of the end of each fiscal quarter but the periodicity shall be revised based on project fiduciary risk rating.



The IFRs will cover all funds received for the project as well as counterpart or government funds received under the project, if any. A template for this report will be agreed upon between MoF, EAFS and the Bank.

46. Each of the EAFS units in consultation with the respective PIUs will be responsible for providing overall consolidated financial reports as defined in the relevant covenants. The accounting system to be put in place will ensure that financial reports will be designed to provide relevant and timely information to the project management, implementing agencies, and various stakeholders monitoring the project's performance. All the original financial records shall be maintained at the EAFS Units. The EAFS will maintain adequate filing and archival system of all accounting and relevant supporting documents for review by the Bank's FM team during supervision mission and for audit purposes. The EAFS units will also prepare annual financial statements (AFS) for the entire project. The content of the statements will be documented in the Audit ToRs to be agreed between the Bank and the Government. The Annual Financial Statements (AFS) will be prepared in accordance with Cash Basis International Public Sector Accounting Standards (IPSAS). The AFS shall include adequate notes and disclosures consistent with the cash basis of financial reporting under the IPSAS.

47. **External Auditing.** The Offices of the Auditor General at the federal and in each of the regional States will have the constitutional responsibility to carry out independent audit of the project components implemented at the federal and State levels. The project will allocate adequate funds to support the engagement of an external audit technical assistance to work with the staff of the respective Offices of the Auditor General with special reference to International Standards on Auditing (ISA 800) - Auditor's Report on Special Purpose Audit Engagements. The audited project annual financial statements, management letters together with any additional information required will be submitted to the Bank within six months after the end of the financial year. The audits shall be in conformity with the Bank's audit requirements and in accordance with internationally recognized auditing standards. The respective Offices of the Auditor General will express an opinion on the Financial Statements in compliance with International Standards for Supreme Audit Institutions; and also prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Grant Agreement(s).

48. **Fraud and Corruption.** Possibility of circumventing the internal control system with colluding practices such as bribes, abuse of administrative positions is a critical issue and may include: (a) complex accounting and internal controls inherent with the construction work contracts in particular management of contracts security documents, retentions, penalties and payments certificates; (b) poor filing and records; (c) nascent intergovernmental fiscal relations between FGS, States and Municipalities; (d) lack of budget discipline; (e) unauthorized commitment to suppliers, bypassing budget and expenses vetting procedures; (f) uncertainty over the banking arrangements supporting the project; g) potential exposure to money laundering; and h) insecurity and political instability. These are mitigated as follows: (i) specific aspects on corruption auditing would be included in the external audit and monitoring arrangements ToR; (ii) FM Procedures (as part of EAFS Manual and PIM) approved and in operation for the project; (iii) strong FM arrangements (including qualified Project Accountants in the EAFS Units; (iv) periodic IFRs including budget execution and monitoring; (v) measures to improve social accountability and transparency are built into the project design by ensuring that project reports are available to the public; and vi) Annual PFM forums will be held. The external audit will pay special attention to the risks of material misstatement of the financial statements due to fraud, in line with International Standards on Auditing 240: "The



auditor's responsibilities relating to fraud in an audit of financial statements").

49. **Flow of Funds and Banking Arrangements.** The project shall open three Designated Accounts (DAs) in bank(s) acceptable to the World Bank for components implemented in FGS & FMS and Puntland. All the expenditures incurred through the DAs and as well as those submitted to the World Bank for direct payments will be justified, supported and eligible as defined in the Project Appraisal Document (PAD) and the Grant Agreement(s). All project withdrawal applications to the Bank will be made in USD and will be submitted online through client connection. Replenishment and reimbursement Withdrawal Applications will be accompanied by Statements of Expenditures (SOEs) in accordance with the procedures established in the disbursement Letter and the Bank's Disbursement Guidelines. Detailed disbursement arrangements will be documented in the Disbursement Letters. The PIUs, EAFS Units in consultation with the respective Offices of the Accountant General will institute adequate controls in the management of the DAs. The signatories to the DAs (Treasury Cheques/Payment Instructions/Electronic Funds Transfer) and Withdrawal Applications will include at least two bank account signatories' categories (either from each panel must sign) in each of the following panels at the Federal level and Puntland:

DA Signatories

Federal Government

- Panel A: Director General of MoF (with Director of Administration as alternate)
- Panel B: Accountant General (with Deputy Accountant General as alternate)

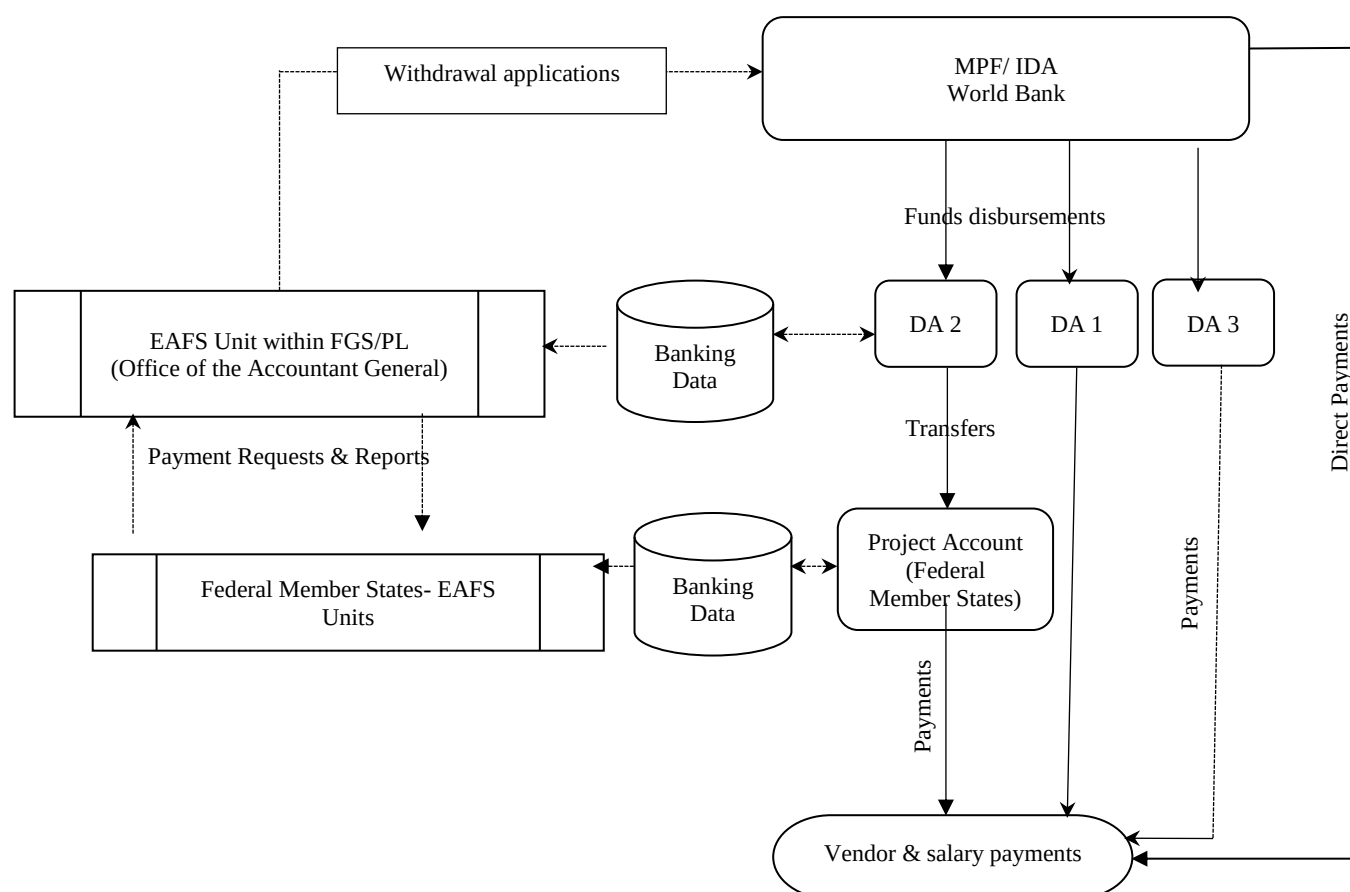
Garowe, Puntland State/ Baidoa, South West State/Kismayo, Jubbaland State

- Panel A: Director General (with Deputy as alternate)
- Panel B: Accountant General or Treasury Director (with Deputy Accountant General or Deputy Treasury Director as alternate)

50. The PIUs will prepare detailed cash flow projections segregated into activities for which funds shall be paid as a) direct payments b) from the DA c) operating costs. Payments from the PAs shall be limited to operational activities. Disbursement of funds from the Designated Accounts (DAs) to the Project Accounts (PAs) shall be based on Statements of Expenditures (SOEs) to be prepared by the PIU and submitted to the EAFS Unit on a periodic basis. The statements of expenditures shall be supported by a PA ledger transaction listing, bank reconciliation statements and a bank reconciliation statement. Management of the project account procedures shall be detailed in the PIM and EAFS Manuals.



Figure 1.3: Funds flow process



51. Each of the EAFS will maintain:

- (i) A DA in US Dollar (USD) for the project component in a financial institution acceptable to the Bank. The ceiling of the DA will be based on cash flow projections.
- (ii) Project component funds will be transferred into the DA against an approved Withdrawal Application to be prepared by the External Assistance Fiduciary Section (EAFS). Subsequent withdrawals will be based on SOE and after the change to report-based disbursement, based on the actual amount expended with a forecast of expenditure and cash flow needs for the next six months.
- (iii) Detailed disbursement arrangements will be documented in the Disbursement Letter.

Table 1.3. Financial Management Action Plan

Action	Responsibility	Due Date
PIU to recruit per PIU and Public Financial Management Specialist	PIUs	Completed
PIU to update the SUIPP PIM to integrate specific financial management arrangements for the SURP II	PIUs	Within 90 days of



		effectiveness
PCU to recruit a qualified Financial Management Specialist	PCU	Within 6 months of effectiveness

52. **Conclusion and FM Supervision Plan.** The financial management risk for the project is high. Given the consideration for use of country systems (UCS) despite the capacity weaknesses identified in the assessment, there will be intensive on-site visits in the first year of implementation with due consideration to the security situation in the country, to ascertain continued adequacy of arrangements. This will be supplemented by desk reviews of IFRs, independent monitoring and annual audit. The FM supervision missions will be planned jointly with the general project supervision mission and the objectives will include ensuring that strong financial management systems are maintained for the project throughout project life. In adopting a risk-based approach to FM supervision, the key risk areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and funds disbursement arrangements, ex-ante and post ante internal controls as well as key risk areas.

Table 1.4. Risk Assessment Table

Type of Risk	Residual Risk Rating		Brief Explanation of Changes and any New Mitigation Measures
	Previous	Current	
INHERENT RISK			
Country Level	N/A	H	The country level risk is high due to lack of PFM systems and legal PFM framework.
Entity Level	N/A	S	The intergovernmental fiscal relations and PFM accountability mechanisms between the respective Ministries of Finance and the Municipalities require continuous monitoring and strengthening.
Program Level	N/A	S	Integration of the Project FM arrangements with the Municipalities Internal control mechanism to enhance internal control effectiveness and efficiency. This is the first time the authorities are implementing a Bank supported project in the last 2.5 decades.
OVERALL INHERENT RISK	N/A	S	
CONTROL RISK			
Budgeting	N/A	S	Integration of the project budgets with the Government and municipalities appropriations.
Accounting	N/A	S	All the project transactions are recognized, captured, analyzed, summarized and reported using the Government systems. The PIUs and EAFS staff need to take over the end to end financial management processes. For Puntland, the accounting function to be migrated to FMIS once rolled out.
Internal controls	N/A	S	The EAFS manual and PIMs will periodically be reviewed to



Type of Risk	Residual Risk Rating		Brief Explanation of Changes and any New Mitigation Measures
	Previous	Current	
			consider the emerging FM issues.
Funds Flow	N/A	H	The country is characterized by an unregulated rudimentary banking sector. However, the project is riding on already existing banking arrangements established under other Bank led projects. However, there is a potential risk due to the rudimentary unregulated banking systems in the country. The funds flow arrangements found to be functioning adequately.
Financial Reporting	N/A	S	The EAFS will work in close consultation with the PIU to ensure the IFRs are submitted to the Bank on time. In addition, the Bank FM team will undertake periodic FM trainings to continuously build the FM capacity of the EAFS and the PIUs.
Auditing	N/A	S	TOR for the external audit TA support and IPSAS Cash Basis formats provided to facilitate preparation of IPSAS compliant Annual Financial Statements. The project to make adequate budget provisions to finance the TA.
OVERALL CONTROL RISK	N/A	S	

Environmental and Social Safeguards

53. **Staffing and implementation arrangements.** The PIUs set up in Mogadishu, Garowe, Kismayo and Baidoa include competitively recruited Environment/Social Safeguard Specialists. They prepare and implement relevant environmental and social instruments and manage continuous community outreach, consultation and the GRM. These staff are constantly being provided with intensive technical capacity building and on-the-job backstopping support by Bank staff and engineering and supervision consultants. The PCU to be established at the federal level under SURP II will also include an overall Environmental and Social Safeguards Specialist and Gender Specialist. The PIUs will be supported by a contracted engineering consultant who will be responsible for monitoring the contractors of the civil works as well as monitoring adherence to the safeguard instruments. The PIUs will also be supported by a third-party/monitoring agent, who will provide quality assurance of the supervision carried out by the engineering supervision consultant with spot checks on the engineering quality of the civil works and adherence to environmental and social instruments.

54. **Environmental and social instruments for infrastructure investment:** The World Bank ESF will be applicable to SURP II. While the details of individual subprojects will be determined during the project implementation, the SURP II has taken the framework approach during the project preparation. The Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) prepared under SURP/SUIPP with OPs/BPs have been updated and the Stakeholder Engagement Framework (SEF) and the Labor Management Procedures (LMP) have been newly prepared in compliance with the World Bank ESF. Consistent with these frameworks, subproject-specific environmental and social instruments (such as ESMP, RAP, SEP and LMP (integrated or stand-alone)) will be prepared, reviewed and disclosed before the start of civil works of each subproject. Relevant provisions of subproject-specific instruments will be incorporated into procurement documents. Key environmental and social commitments of the client have been included in the ESCP.



55. **Safeguards approach to TA component.** While the proposed technical assistance under Component 2 (Displacement; O&M of Urban Infrastructure; and Subnational Governance and Service Delivery) will not fund any infrastructure investment, the application of the results of such TA activities, such as policy advice, analytics and training events for government authorities, may have adverse environmental and social implications. To address such concerns, the ESCP includes a commitment of the government to ensure that all TA and capacity building activities conducted under the Project shall only be undertaken pursuant to terms of reference reviewed and approved by the Bank. Such terms of reference shall ensure that the TA takes into account and calls for application of relevant provisions of ESSs and the borrower's own laws relating to the environmental and social aspects.

Implementation Support Plan and Resource Requirements

56. The Somalia MPF will supplement the World Bank's supervision costs associated with this Grant. This supervision budget will be used to establish a core technical team in the region to provide hands-on support to the Client, including a TTL/Co-TTL and a multidisciplinary task team. The team will include an engineer, environmental safeguard specialist, social safeguard specialist, gender specialist, procurement specialist, financial management specialist. Additional specialists required for the TA activities (e.g. Solid Waste Management Specialist) will be called upon as needed.

<i>Time</i>	<i>Focus of Client Support</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First twelve months</i>	• Set up of the PCU at the federal MoPW. • Carrying out institutional assessments for cities in Galmudug/Hirshabelle • Final selection of 'quick win' subprojects in Mogadishu/Garowe and finalization of bid documents and detailed designs. • Reviewing and finalization of bid documents and detailed designs for Kismayo and Baidoa. • Preparation of GBV action plan. • Implementation of subproject-specific safeguard instruments (RAP, ESMP, SEP and LMP) for roads across all four cities. • Contracting for civil works and engineering supervision consultant across all four cities.	Technical expertise in project management, engineering, institutional strengthening, social and environment safeguards, procurement, contract management, financial management.	US\$850,000	- Team will ensure coordination with any other potential SURP funding partners - The Bank team will provide routine summary reporting to the MPF consultative group.



	• Managing contractors and monitoring the civil works • Ensuring continued appropriate use of the safeguard instruments • Capacity building of PIU staff – with a focus on FM, procurement, engineering and safeguards. • Define TA activities to be supported. • Carrying out a baseline survey • Engaging third-party monitoring firm.			
12-36 months	• Managing contractors and monitoring the civil works in Mogadishu, Garowe, Kismayo and Baidoa. • Ensuring appropriate use of safeguard instruments in the above 4 cities. • Preparation feasibility studies/designs/safeguard documents for second batch of subprojects. • Setting up of PIUs in selected cities of Galmudug/Hirshabelle and preparation of feasibility studies/preliminary designs for prioritized investments. • Continued capacity building of PIU staff – with a focus on FM, procurement, engineering and safeguards. • Continuation of TA support. • Carrying out beneficiary feedback survey for project Mid-term Review.	Same as above	US\$1,800,000	Same as above
36-60 months	• Managing contractors and monitoring the civil works in Mogadishu, Garowe, Kismayo and Baidoa. • Ensuring appropriate use of safeguard instruments in the above 4 cities.		US\$2,000,000	Same as above



	• Continuation of TA support. • Carry out end-project evaluation.			
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Skills Mix Required

Skills Needed	Number of Staff Weeks per annum	Number of Trips per annum	Comments
<i>Task Team Leader</i>	<i>30</i>	<i>8</i>	<i>TTL based in Nairobi</i>
<i>Co-Task Team Leader</i>	<i>20</i>	<i>6</i>	<i>Co-TTL based in Washington DC</i>
<i>Engineer</i>	<i>170 STC days</i>	<i>6</i>	<i>Consultant; Based in Nairobi</i>
<i>Environmental Safeguard Specialist</i>	<i>6</i>	<i>4</i>	<i>Based in Nairobi</i>
<i>Gender Specialist</i>	<i>4</i>	<i>3</i>	<i>Based in Nairobi</i>
<i>Social Safeguard Specialist</i>	<i>8</i>	<i>4</i>	<i>Based in Nairobi</i>
<i>Procurement Specialist</i>	<i>7</i>	<i>4</i>	<i>Based in Nairobi</i>
<i>Financial Management Specialist</i>	<i>6</i>	<i>4</i>	<i>Based in Nairobi</i>

ANNEX 2: Gender Mainstreaming

COUNTRY: Somalia Somalia Urban Resilience Project II

1. Under the General Principles of Human Rights, the constitution articulates provisions prohibiting discrimination across numerous categories, including on the basis of gender. The Constitution further provides for numerous protections; Women are given the right to education, allowed to work, own properties, hold public office, and receive inheritance. The Federal Government of Somalia and regional administrations have further demonstrated a strong commitment to addressing key socio-economic disparities and factors of exclusion, including through key frameworks such as the National Gender Policy and the National Development Plan.
2. At the same time, Somalia's socio-economic indicators remain among the lowest in the world for both males and females and gender disparities are stark. Women and girls, as well as minority groups and IDPs, confront multiple dimensions of disempowerment and discrimination across most categories of social, economic and human development.⁴¹ Gender inequality and exclusion are linked to the persistence of discriminatory norms and relations, and absence of key resources that collectively limit women's roles outside the domestic sphere and circumscribe their presence and participation in political and public decision-making fora.
3. Women are important economic actors in Somali society. According to select estimates, Somali women are the main breadwinners in 70 percent of families and make up approximately 60 percent of business owners.⁴² Women have made further gains economically, expanding into employment and livelihood sectors traditionally held by men, particularly as more women assume responsibility for household income generation.
4. Despite their increasing engagement in economic activities, women are poorer than men, as wealth is unevenly distributed in the household and across the entire economy. Economic opportunities, for men and women alike, are also limited. According to the 2019 World Bank Somali Poverty and Vulnerability Assessment, only 37 percent of women participate in the labor market, compared with 58 percent of men. Despite the fact that a majority (64 percent) of Somali households report perceptions that most or all women can work outside the home, a large number of women remain at home to care for families. The 2019 National Employment Policy attributes the low levels of female participation in the labor market to "the patriarchal nature of society and customs which restrict the participation of women in a number of areas." According to a 2016 UNFPA report, the vast majority (68 percent) of employed Somali women are active in agriculture, livestock, forestry or fishery sectors, followed by 14.7 percent in services. Transport infrastructure remains dominated by men in Somalia.
5. Even among those engaged in income generating activities, the majority are in the informal microenterprise sector, and the women have limited education and lack basic business skills. Furthermore, women's involvement in wage labor is low (33-40 percent) and predominantly concentrated in the agriculture sector.⁴³

⁴¹ Musse F, and Gardner J., A Gender Profile of Somalia (October 2013, updated from the 2007 version)

⁴² UNDP (2014), Role of Somali Women in the Private Sector.

⁴³ Musse and Gardner 2013.

6. Additionally, while women have been moving into economic terrain previously dominated by men, there has been little to no shift in men's participation in domestic tasks. Women are therefore bearing the double domestic burden of earning an income and taking care of the home. The consequences of this burden often fall to girls in the family, who are expected to contribute to the maintenance of the home, often at the expense of education and skills development; according to the 2012 Human Development Report, over 30 percent girls list "work at home" as their reason for not attending school, as compared to 10 percent boys.

7. Given these persistent gaps and discriminatory norms, there are risks that disparities between men and women may possibly occur in the SURP II project in the course of its implementation, in areas such as exclusion from stakeholder engagement activities, priority in hiring, pay rates for similar work done, safe working environment, health and sanitary facilities in the work place and office and others.

8. To address such risks, SURP II will take a number of differentiated measures to include female members in stakeholder engagement processes (including consultation events and grievance redress committees); provision of job opportunities in subprojects' civil works; and fair working conditions (including provision of maternity leave and nursing breaks where relevant, and sufficient and suitable toilet and washing facilities, separate from men and women workers). These measures are also included in the LMP and SEF.

9. Gender mainstreaming can be incorporated into the project with lessons from the Africa Region Gender Action Plan (GAP).⁴⁴ This plan lays out the World Bank Africa Region's strategy for addressing gender inequality. The plan's objective is to advance development for both men and women through operations grounded in robust evidence and informed country dialogue.

Management of GBV risks

10. GBV is widespread in Somalia and considered to be a major obstacle to equality, peace and development in the country. Available data indicates that GBV is common in the lives of women and girls across the life course in Somalia, with some forms of GBV endemic. Intimate partner violence and sexual violence, the most prevalent types of GBV globally, are both commonplace in the lives of Somali women and girls, although there is limited data on which to estimate reliable prevalence and trends in perpetration and victimization rates over time. Female Genital Mutilation/Cutting has in the past been near universally practiced.

11. Conflicts, disasters and insecurity have in the past, and continue to, exacerbate risks associated with child marriage and intimate partner violence in Somalia. The effects that displacement has on increasing GBV risks and rates among internally displaced and refugee communities globally is increasingly recognized,⁴⁵ and evidence points to a similar escalation of violence against women catalysed by conflict and climate-related displacement and associated stressors in Somalia. Child marriage has been adopted as a past coping strategy for drought-affected families in response to acute economic insecurity,⁴⁶ and

⁴⁴ See <http://siteresources.worldbank.org/INTAFRICA/Resources/AFR-Gender-Action-Plan-FY13-17.pdf> for more details

⁴⁵ Vu, A. et al (2014) 'The prevalence of sexual violence among female refugees in complex humanitarian emergencies: a systematic review and metaanalysis', in *PLOS Currents Disasters*: Stark, L and Ager (2011) 'A systematic review of prevalence studies of gender-based violence in complex emergencies', in *Trauma Violence Abuse* 2011;12:127–34.

⁴⁶ Ministry of Planning, Investment and Economic Development (2017) *Somalia Drought Impact & Needs Assessment*, Federal Government of Somalia, Mogadishu; Girls Not Brides (2018) *Child Marriage in Humanitarian Settings*, Girls Not Brides, London; Myers, J. (2013) *Untying the Knot: Exploring Child Marriage in Fragile Settings*, World Vision UK, London.

the altered economic and social dynamics resulting from displacement have been linked to increased intimate partner violence perpetration among displaced populations in Somalia.⁴⁷

12. Conflict in Somalia has given rise to new expressions of GBV in recent decades, in particular conflict-related sexual violence (CRSV), with both state and non-state actors implicated in perpetration. CRSV was a feature of interstate conflict in the 1970's, during the uprising against Siad Barre's regime and the ensuing protracted conflicts in Somalia throughout the late 1980's, 1990's and 2000s,⁴⁸ with mass rape, gang rape, abduction, sex trafficking and forced marriage all perpetrated by parties to conflict. Sexual violence has been deployed as a conflict strategy by armed actors to punish, humiliate and displace populations, and through forced marriages based on family, clan or political affiliation, to control women's fertility and reproductive capacities. Women and girls have also been exposed to sexual violence indirectly linked to conflict, opportunistically sexually assaulted by authorities, smugglers and traffickers, with displaced women and girls used as 'payment' for safe passage at checkpoints.⁴⁹

13. Conflict and disaster-related displacement magnifies risks of sexual violence for women and girls in Somalia. Women and girls are at heightened risk of sexual assault during movement to new areas and once settled in displaced settings. Unsafe environments, eroded protection mechanisms and social cohesion, and a lack of safe livelihoods options all increase the incidence of opportunistic sexual violence perpetrated in and around displaced settings when women and girls are collecting water, firewood and other resources, and when in public spaces and accessing public facilities.⁵⁰

14. Sexual exploitation and abuse of children and women by people in positions of authority and power are reportedly common in Somalia, and as elsewhere, linked to poverty, insecurity and impunity.⁵¹ Although the issue remains under-researched due to the significant sensitivities associated with it, there is evidence of high levels of sexual exploitation and abuse by domestic and foreign security forces and by civilians.⁵² Anecdotal evidence from humanitarian and development agencies indicate that sexual exploitation and abuse is a largely unreported and significant problem in the country.

15. Ongoing insecurity in the country coupled with the increase in climate-related shocks and disasters are likely to create ongoing population displacement, further entrenching poverty among internal migrants and increasing exposure to GBV risks. Displaced, migrants and women from minority clans, or with no clan affiliation, are at particular risk of sexual exploitation and abuse and sex trafficking because of the double discrimination they face due to their economic and social vulnerability, discrimination and lack of access to protective resources and redress mechanisms.⁵³

⁴⁷ Oxfam (2017) Rapid Gender Analysis for Oxfam Drought Response in Somaliland, Oxfam, June 2017.

⁴⁸ Musse, F. (2004) "War crimes against women and girls" in J. Gardner and J. El Bushra (eds) *Somalia: The Untold Story: The War through the eyes of Somalia Women*, Pluto Press, London.

⁴⁹ Musse (2004)

⁵⁰ Ministry of Planning, Investment and Economic Development (2017); Refugees International (2017) *On the Edge of Disaster: Somalis forced to flee drought and near famine conditions*, RI, Washington DC; Human Rights Watch (2014a) *Here, Rape is Normal*, HRW, New York.

⁵¹ See Reports of the United Nations Secretary-General on Sexual Violence in Conflict S/2019/280 and 2018/250; Human Rights Watch (2014b) *"The Power These Men Have Over Us" Sexual Exploitation and Abuse by African Union Forces in Somalia*, HRW, New York.

⁵² Human Rights Watch (2014)

⁵³ International Alert/CISP (2015); Wirtz A.L, Perrin N.A., Desgropes A. et al (2018) Lifetime prevalence, correlates and health consequences of gender-based violence victimisation and perpetration among men and women in Somalia', *BMJ Glob Health* 2018;3; El Bushra, J. and Sahl, I.M.G. (2005) *Cycles of Violence: Gender relations and armed conflict*, ACORD, Nairobi.

16. While incidence of GBV in Somalia is a significant contextual challenge, preliminary assessment of project-related Sexual Exploitation and Abuse (SEA)/GBV (based on the risk assessment tool) has been conducted during project preparation. Given the significant GBV risks and the context of pervasive insecurity, the project will adopt a robust approach to address potential GBV risks. Relevant mitigation measures to address these risks will be included in the ESMP and other relevant Instruments as follows:

- Code of conduct (CoC) for project workers with SEA/GBV-related protections, to be signed and understood by all contractors and consultant staff;
- Plan for sensitization/awareness raising for the community and intended training activities for workers on CoC and SEA provisions;
- Mapping and collaboration with GBV service providers;
- A Reporting and Response Framework that outlines key requirements for reporting cases if they arise and measures to enable safe, ethical, survivor-centered response;
- An Accountability Framework that outlines how the PIU/contractor will handle allegations, including related to investigation (in alignment with national processes) and sanctions for potential perpetrators;
- Establishment of special channel/procedures for safe, confidential reporting of GBV incidence that connect to the project GRM, and enable training of GRM operators on how to respond to cases that come forward;
- GBV requirements to be clarified in bidding documents (including requirements for CoCs, training of workers, and how GBV related costs will be covered in the contract); bid evaluation to include consideration for GBV response proposal; and
- Make additional funds available to implement measures to address GBV and SEA risks and impacts that may arise during Project implementation.

17. The project will also include provision of capacity building and training of relevant stakeholders, including contractors and project workers, in addition to capacity building for government partners. A GBV expert will be hired to support the PCU and a technical specialist will also be brought on board to support the Supervision Consultant. GBV risks should be monitored throughout project implementation through regular re-assessment, particularly as new project locations are determined, and through regular monitoring engagement. To this end, a Third-Party Monitor will be hired to ensure sufficient monitoring and management of project-related SEA/GBV risks.