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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP FRAMEWORK

**FOR THE
FEDERAL REPUBLIC OF SOMALIA
FOR THE PERIOD FY19 – 22**

August 29, 2018

**Country Management Unit, AFCE1
Africa Region**

The International Finance Corporation

The Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENTS

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FISCAL YEAR

January 1 – December 31

LIST OF ABBREVIATIONS

AF	Additional Financing	FMS	Federal Member States
AfDB	African Development Bank	FIDEP	Financial Institutions Development Project
AMISOM	African Union Mission in Somalia	GBV	Gender-Based Violence
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism	GBVIMS	Gender-Based Violence Information Management System
AS	Al Shabaab	GDP	Gross Domestic Product
BER	Bid Evaluation Report	GPSA	Global Partnership for Social Accountability
CASA	Conflict Affected States (IFC)	GRM	Grievance Redress Mechanism
CBS	Central Bank of Somalia	HDP	Humanitarian Development Peace
CIP	Capacity Injection Project	HH	Household
CLR	Completion and Learning Review	HIPC	Highly Indebted Poor Country
CPPR	Country Portfolio Performance Review	HLPF	High Level Partnership Forum
CPI	Country Poverty Index	ICRGBV	Inclusive Community Resilience and GBV Pilot
CRW	Crisis Response Window	ICT	Information and Communication Technology
DA	Designated Account	ID	Identification
DBS	Doing Business Survey	IDA	International Development Association
DfID	Department for International Development	IDP	Internally Displaced Person
DINA	Drought Impact Needs Assessment	IFC	International Finance Corporation
DLI	Disbursement Linked Indicators	IFI	International Financial Institutions
EAFS	External Assistance Fiduciary Section	IGAD	Inter-Governmental Authority on Development
EAPP	East Africa Power Pool	IMF	International Monetary Fund
EU	European Union	I-PRSP	Interim-Poverty Reduction Strategy Paper
FAO	Food and Agriculture Organization	ISA	International Standards on Auditing
FCV	Fragility Conflict and Violence	ISN	Interim Strategy Note
FGC	Financial Governance Committee	SCD	Systematic Country Diagnostic
FGM/C	Female Genital Mutilation/Cutting	SCORE	Somalia Core Economic Institutions and Opportunities Program
FGS	Federal Government of Somalia	SDRF	Somalia Development and Reconstruction Facility
FM	Financial Management	SEA	Sexual Exploitation and Abuse
K4R	Knowledge For Results		
MA	Monitoring Agent		
MAF	Mutual Accountability Framework		
MDA	Ministries, Departments and Agencies		
MDB	Multilateral Development Bank		

MDP	Mandatory Direct Payment	SEAP	Somalia Energy Access Project
MDRI	Multilateral Debt Relief Initiative	SEDRP	Somalia Emergency Drought Response Project
MICS	Multiple Indicator Cluster Survey	SFMIS	Somalia Financial Management Information System
MIGA	Multilateral Investment Guarantee Agency	SGBV	Sexual Gender-Based Violence
MPI	Multidimensional Poverty Index	SICRP	Somalia Investment Climate Reform Project
MPF	Multi Partner Fund	SIM	Subscriber Identification Module
MTB	Money Transfer Businesses	SISh	Somaliland Shilling
MTO	Money Transfer Operations	SJPER	Security and Justice Public Expenditure Review
MW	Megawatts	SMART	Specific Measurable Attainable Realistic and Timely
NCA	National Communications Authority	SME	Small and Medium Enterprises
NDP	National Development Plan	SMP	Staff Monitored Program
NGO	Non-governmental Organization	SS	Security Specialist
NPS	New Partnership for Somalia	STEP	Systematic Tracking of Exchanges in Procurement
ODA	Official Development Assistance	SOPTAP	Somalia Petroleum Technical Assistance Project
PAC	Pre-Arrears Clearance	SURP	Somalia Urban Review Project
PACG	Pre-Arrears Clearance Grant	SWALIM	Somalia Water and Land Information Management
PER	Public Expenditure Review	UK	United Kingdom
PFM	Public Finance Management	UN	United Nations
PIU	Project Implementation Unit	UNDP	United Nations Development Program
PLR	Performance Learning Review	UNFPA	United Nations Population Fund
PPIAF	Public Private Infrastructure Advisory Facility	UNICEF	United Nations Children's Fund
PPD	Public Private Dialogue	US	United States
PPP	Public Private Partnerships	VSLA	Village Savings and Loan Association
PPP	Purchasing Power Parity	WALP	Water for Agro-Pastoral Livelihoods
PSW	Private Sector Window	WASH	Water Sanitation and Hygiene
PV	Photovoltaics	WBG	World Bank Group
RCRF	Recurrent Cost and Reform Financing	WHO	World Health Organization
RF	Results Framework		
RRA	Risk and Resilience Framework		
RRF	Risk and Resilience Framework		
SCALED-UP	Somalia Capacity Enhancement Livelihoods and Entrepreneurship Digital Uplift Program		

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**FY19-FY22 COUNTRY PARTNERSHIP FRAMEWORK
FOR
THE FEDERAL REPUBLIC OF SOMALIA**

I. INTRODUCTION

1. **A sustained period of political and institutional progress reflects a country in transition out of fragility and protracted crisis.** The 2011 Provisional Constitution, the 2012 establishment of the Federal Government, and the subsequent formation of four new Federal Member States are re-drawing Somalia's new federal map and creating the space for a political settlement. Although key constitutional questions remain open, federalism offers a new means to negotiate power and resources and manage developmental imbalances between more stable northern regions and those in the south still emerging from conflict. Somalia's private sector remains a source of resilience and innovation; and political relations in the Horn and Red Sea region are experiencing dynamic change, with potential new opportunities for Somalia to benefit from its proximity to the Ethiopian market for trade and regional integration.
2. **However, political and institutional gains must generate inclusive dividends for the transition to take root.** Since 2013, progress in institution-building, increasing transparency of financial management and steps to formalize the dynamic telecommunications and banking sectors have been impressive. However, the number of people in need of humanitarian assistance has increased, vulnerability to shocks - both man-made and climatic - is deep and poverty remains stubbornly high, despite abundant natural resources. Today, 70 percent of Somalis are poor, 14 percent are displaced and maternal mortality is 734 for every 100,000 births. With no safety net, and in the face of increasingly frequent shocks, Somalis depend on informal, clan-based support leading to exclusion, disproportionately impacting women, female-headed households, Internally Displaced Persons (IDPs) and other marginalized groups.
3. **In the absence of trusted institutions and inclusive economic opportunities, spoiler groups like *Al Shabaab*, as well as outside actors, retain the ability to extract natural resource and protection rents and destabilize the country.** Somalia faces a "dual development trap" which perpetuates instability and exclusion and exposes the country to the risk of back-sliding. First, weak fiscal space constrains service delivery, including security and justice, leading to low trust in state institutions (further undermining revenues) and cycles of political crises. Second, climatic shocks (like the 2017 drought) deplete rural communities' assets, causing displacement and rapid urbanization – resulting in mounting exclusion, and unsustainable exploitation of natural resources. The two traps reinforce each other, becoming structural drivers of the country's sustained fragility.
4. **Breaking out of this trap requires the restoration of citizens' trust in institutions and the creation of more inclusive opportunities.** The Country Partnership Framework (CPF) (FY19-FY22) will help Somalia consolidate its transition by investing in services and economic opportunities while continuing to address the structural drivers of fragility. Based on the Systematic Country Diagnostic (SCD) and wide-ranging consultations, the Bank Group will support priorities in two Focus Areas: *(i) building institutions to deliver services, and (ii) restoring economic resilience and opportunities*. The World Bank Group (WBG) will mainstream inclusion into activity design and delivery across the program, incorporating opportunities for citizen feedback and grievance redress – acknowledging that *how* we work is as important as *what* we do. At the same time, the Bank will continue to coordinate closely with actors across

the humanitarian, political, development and security spectrum, ensuring programs support increasing resiliency and long-run conflict prevention.

5. **Building on good country performance, the WBG's engagement will expand under this CPF, with new – exceptional -- financing from IDA's Pre- Arrears Clearance grants.** In non-accrual status since 1991, Somalia has not had access to regular support from IDA, IMF or other MDBs. Through its re-engagement in 2013 the Bank established a Multi Partner Fund¹ (MPF) for Somalia, which has helped stabilize key institutions and pilot important initiatives now ready for scale up under the CPF. Starting small, learning the lessons of pilots in Mogadishu, Somaliland and Puntland, MPF-funded projects have phased-in across Federal Member States, applying performance-based eligibility criteria as well as 3rd party monitoring arrangements. Donor finance will continue to support the CPF, including for Somaliland. In addition, IDA will initiate new financing through exceptional Pre-Arrears Clearance grants, while IFC will scale up technical assistance and potentially consider investments over the CPF period, after consultations within the World Bank Group to maintain proper sequencing in the Group reengagement.

6. **A focus on results.** Among the CPF objectives, core results areas include:

- Increased quality and more inclusive basic services: increased financing for and proficiency testing of 3,000 school teachers; and increased provision of basic health services in selected Federal Member States by 750 selected, trained and verified female health workers;
- Increased fiscal space and equity in the use of public resources: a doubling of federal inland revenue, and increased trust in formal resource sharing and distribution through inter-governmental transfers system;
- Increased access to finance and energy: new lending for Small and Medium-sized Enterprises (SMEs), particularly for women and youth; 30 percent of energy generated from renewable sources; and greater licensing and supervision capacity of the Central Bank, resulting in more secure financial services; and
- Increased access to water for resilience and productivity, including 250,000 people in rural areas, 56 percent of whom are women.

These objectives and results – and the Results Framework (RF) in Annex 1 – reflect a program based only on the known resources at this time. However, if the country reaches Heavily Indebted Poor Country (HIPC) Decision Point and normalizes relations with IFIs over the period of the CPF, the Bank will take stock of country context and priorities, and adjust the investment plan and Results Framework to reflect new resources available in the context of a Performance and Learning Review (PLR).²

¹ The Bank program is funded by MPF and IFC donors including: Denmark, EU, Finland, Germany, Italy, Norway, Sweden, Switzerland, the State and Peace-Building Fund, UK, and US.

² A fuller description of the HIPC Framework is provided in Annex 5.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

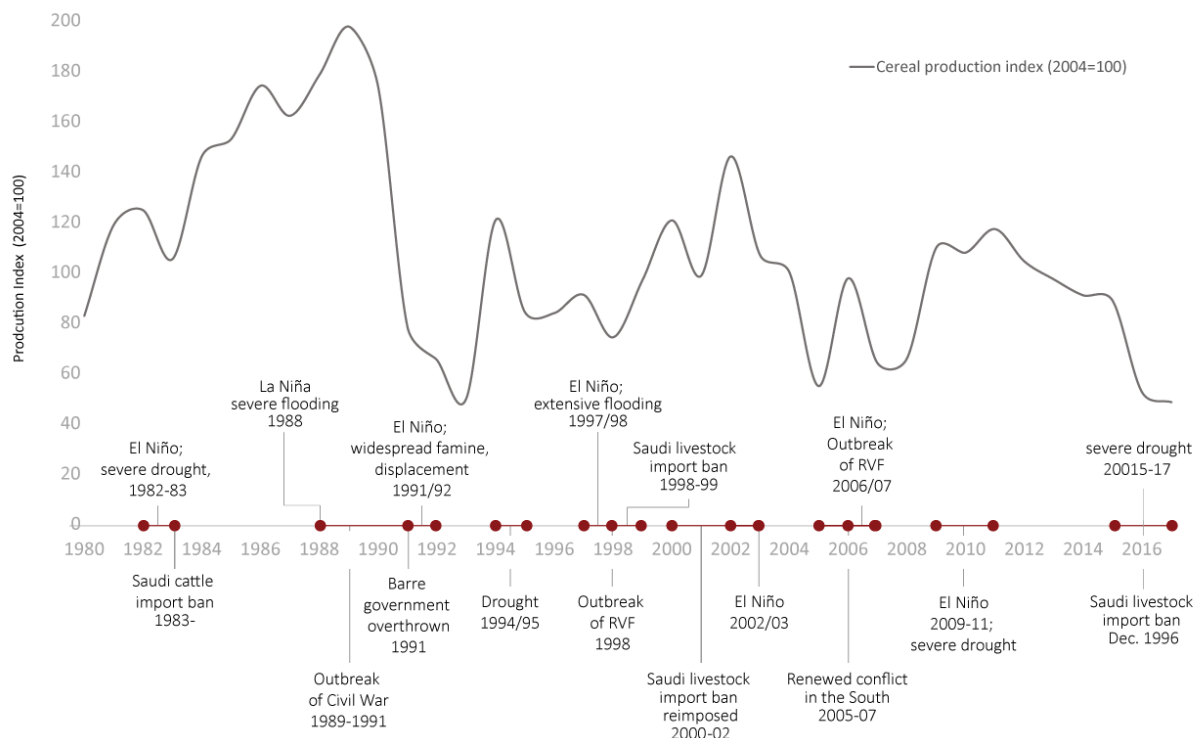
A. Natural, geographic and regional context

7. **Strategically positioned in the Horn of Africa, Somalia has a land mass of 637,657 km² and the longest coastline in Africa.** Traditional livelihoods are shaped by geographic and climatic conditions: while northern Somalia is mainly arid and semi-arid land, southern Somalia has higher agricultural potential, due to higher rainfall and water from two rivers: the Juba and the Shebelle. These rivers, rising in the Ethiopian highlands, underpin both crop and livestock production systems in southern Somalia – but irrigation and flood control infrastructure are in very poor condition following years of neglect and conflict. Livestock production systems are a core economic activity, requiring mobility to exploit seasonal pasture across vast areas of rangeland. Today, livestock production and marketing – mainly to the Gulf – provides around 85 percent of Somalia’s export earnings. However, lack of environmental and rangeland management makes the sector highly vulnerable to drought. Though still underutilized, the country’s long coastline is home to numerous valuable species of fish and other marine life that could support commercial offshore fishing as well as inshore fishing for local food security and trade.

8. **The natural resource base has been depleted by conflict and recurrent drought, threatening traditional livelihoods and generating rapid urbanization.** Almost self-sufficient in cereals pre-war, Somalia is now a chronic food crop deficit country, dependent on remittances and humanitarian assistance to finance consumption and imports. Traditional rural livelihoods are increasingly unsustainable today: charcoal production has depleted forest cover to 10 percent, resulting in land degradation and soil erosion; water management infrastructure and services are dilapidated; and displacement now affects 14 percent of the population resulting in rapid unplanned urbanization. Central and northern rangelands receive little rainfall and have few permanent springs; meanwhile the diminishing flows of Somalia’s major rivers threaten the recovery and growth of irrigated crop cultivation, while further pressuring relations between nomadic pastoralists and agro-pastoralists.

9. **In the last quarter century, Somalia has experienced three droughts and two famines – a pattern that is predicted to continue and intensify (Figure 1).** A famine in 1992 killed nearly 300,000 people and displaced 1 out of 5 people. During the 2011 East Africa Drought, more than a quarter of a million people died in Somalia, half of them children under the age of five. The drought resulted in 955,000 Somali refugees in neighbouring countries and devastating economic losses to agriculture and livestock. In 2016/7 Somalia experienced a further devastating drought, followed by extreme floods in 2018. It was only thanks to a massive, early international response, improved access and coordination by the authorities that famine was avoided. Furthermore, meteorologists predict the Horn will experience more erratic and more extreme rainfall patterns in the coming half century. By threatening the long-term viability of the already fragile ecosystems underpinning Somali agriculture, climate change poses an unprecedented challenge for livelihoods and the country’s weak national institutions.

Figure 1: 1980 – Today: Drought, Shocks and the Political Cycle

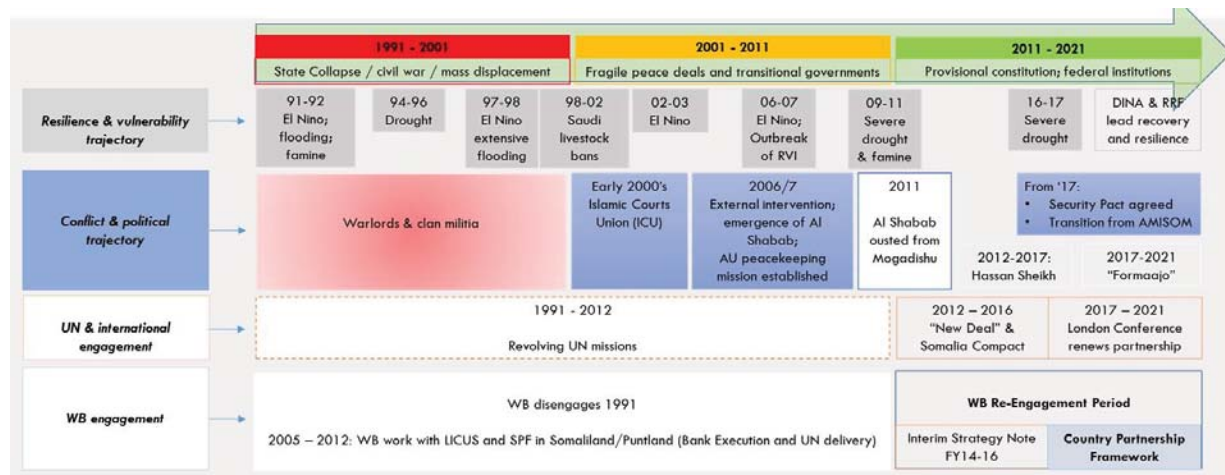


10. **With the longest coastline in Africa, and porous borders with Ethiopia and Kenya, Somalia is regionally inter-connected through trade, clan and politics.** Somalia is a lynchpin in the East African pastoral system between Kenya, Ethiopia and the Gulf, which is the region's major trade partner. The informal trading networks that have emerged through the pastoral system also have facilitated the trafficking of people and guns. Likewise, the collapse of institutions onshore has allowed the exploitation of Somalia's offshore natural resources. In short, the stabilisation of Somalia presents major opportunities - political and economic – for Somalia and for the wider region.

B. Political, security and justice issues

11. **Following a decade of intense conflict during the 1990's, recent years have seen an iteration of encouraging transitions, laying the foundations for a more stable political settlement.** Most importantly, a security transition, facilitated by the ousting of *Al Shabaab* from key urban areas including the capital Mogadishu, opened up the space for political dialogue. Secondly, the 2011 agreement to adopt a federal system enshrined in the 2011 Provisional Constitution opened the way for two electoral processes that generated momentum and support for a Federal Government of Somalia (FGS). Thirdly, wide-ranging institutional reforms have improved public finances and the regulation of the economy helping to address inequities sustained by vested interests. As a result, many analysts claim the country faces a unique opportunity to escape from protracted political crisis and form consensus on the basics of a rules-based governance system.

Figure 2: From Conflict Towards Stability (1991-2021)



12. **The emergence of four new Federal Member States (FMS) is re-shaping the political economy.** Arguably the most significant change in Somalia's context in the last five years has been the emergence of Federal Member States, a development that follows the pattern set by Puntland in the 1990s.³ A federal governance model will allow regions to run their own affairs, thereby avoiding some of the disadvantages of centralization during the 1970s and 1980s. Nevertheless, uncertainties remain over the assignment of functions to different levels of government, pending a final constitutional settlement. Moreover, federal institutions need to win the trust of all stakeholders, as they seek to assume increased authority, not least over the command and control of the security sector. Transparent wealth- and resource-sharing arrangements are also key to establish trust: in 2018, there have been positive steps towards reaching agreement on the ownership and management of fisheries and hydrocarbons revenues as well as structures and forums for transferring financial resources.⁴ Relations between the Federal Government and the regions will remain fluid and asymmetric for years to come, even as inter-government cooperation arrangements emerge.

13. **Somaliland declared independence in 1993 during the civil war but this has not been recognized internationally.** Following the split, Somaliland's political leaders worked with community elders and diaspora entrepreneurs on local level reconciliation, demobilization, and democratization. These home-grown efforts established the basis for Somaliland's stable development, and provided momentum for subsequent institutional reforms. While Somalilanders fill positions in Somalia's Federal Government and Parliament, and Somali businesses operate flexibly across and between the two areas, the division of jurisdictions creates complications and frictions in important regulatory and economic governance areas. In this context, development partners seek to ensure that Somaliland benefits from continued external support, while the dialogue between the two entities continues.

³ Federal Member States are envisaged in the Provisional Constitution to be the principal sub-national federal authority. The four states that emerged were: Jubbaland, South-West, Galmudug and Hirshabelle. While the process was largely driven by local leaders, the Federal Government and international community facilitated the process, which ultimately requires the ratification of Parliament based on confirmation of the regional borders.

⁴ In June 2018, regional and federal leaders reached agreement in Baidoa on a resource-sharing deal for hydrocarbons. The arrangement is due to be enacted through legislation.

14. **The traditional clan system is evolving, but remains a factor in shaping political and socio-economic realities.** Somalis have historically relied on clan for protection, and tend to perceive responsibilities and rights in collective rather than individual terms.⁵ With the collapse of institutions in the early 1990s, clan re-emerged as an important basis for conflict management through arbitration based on *xeer* – literally “there is an agreement between us”.⁶ At the local level, *xeer* has helped to regulate access to shared resources such as grazing areas and water; at the national level, clan played a role in establishing the makeup of the Parliament. While population movements and conflict have weakened traditional authority structures, the role of the clan is evolving, but is expected to continue to play an important role even alongside the emergence of more formalized governance institutions.

15. **Security and the rule of law are key challenges for Somalia’s state-building program – particularly as the African Union Mission in Somalia (AMISOM) transitions its role to national security institutions.** During the civil war, militia groups and private security companies flourished, while the national army and formal courts system collapsed. Business leaders often financed pragmatic arrangements for basic protection and dispute resolution to enable business to continue. Today, state-building will require a gradual transition, based on consensus-building, towards the re-establishment of a monopoly over the means of violence, as well as functional rule of law. At the same time, AMISOM plans to implement a transition to increased national leadership of security and the fight against *Al Shabaab*, placing additional pressure on the implementation and financing of a comprehensive approach to the national security architecture. Based on the World Bank- and UN-led “*Security and Justice Sector Public Expenditure Review*”⁷ serious accountability and affordability challenges remain: both with and without donor grants Somalia spends more on security as a percentage of its budget than any other fragile state except Afghanistan. Accountability concerns are being addressed through incremental payroll reform and a biometric registration of uniformed personnel, under a government-led Operational Readiness Assessment.

16. **Somalia’s stability impacts the wider region.** Instability onshore in Somalia has historically generated instability offshore and “spill over” into the region. The piracy, human trafficking, refugees and terrorism that have afflicted Somalia are symptoms of poor governance and the lack of inclusive economic opportunities. Piracy, although much reduced from the highs a decade ago, still poses a threat to the maritime space, with incidents doubling in 2017 to 54. The costs of piracy – estimated by the World Bank at \$18 billion per annum in 2013⁸ – dwarfs the average annual ransom take of \$53 million, underlining that on-shore solutions are likely to be more sustainable than naval patrols and other off-shore approaches. Meanwhile, human trafficking and smuggling into Europe – which in 2015 saw a 400-percent increase from the Horn of Africa – is the result of well-organized, transnational criminal networks, some of which are based out of the Horn of Africa.⁹ As with the movement of refugees, coordination through the Intergovernmental Authority on Development (IGAD) will be an essential part of the solution.

⁵ <http://katuni.net/2016/05/20/political-economy-of-justice-in-somalia/>

⁶ *Xeer* does not denote a single, universal “law” but rather a set of rules, customs and agreements based on precedent that vary considerably over time and space.

⁷ <http://documents.worldbank.org/curated/en/644671486531571103/Somalia-Security-and-justice-sector-public-expenditure-review>

⁸ <http://www.worldbank.org/en/news/feature/2013/04/11/ending-somali-piracy-go-after-the-system-not-just-the-pirates>

⁹ <http://www.eritreanrefugees.org/wp-content/uploads/2016/02/IGAD-Sahan-2015-Trafficking-Report.pdf>

Box 1: A Risk and Resilience Assessment

The root causes of Somalia's fragility are complex. As part of SCD and CPF preparation, the World Bank Group engaged a wide range of stakeholders on a Risk and Resilience Assessment (RRA) to help prioritize the CPF. Key findings are summarized here:

Somalia remains trapped in a protracted cycle of vulnerability, resource constraints, and insecurity. Somalia's enduring challenges - including emergent capacity in government, corruption, remnants of warlordism and armed groups, fragmented authority and politics - are interconnected.

Interlinked Fragility and Vulnerability Traps: Two interlinked cycles are clearly visible in Somalia. First, weak domestic revenues exacerbate the FGS's inability to restore/supply basic services (such as education and security) which have been fragmented and privatized by conflict. This in turn increases ordinary Somalis' mistrust of the state. This persistent 'fragility trap' is closely connected to a chronic 'vulnerability trap' in which environmental degradation and climate change lead to degradation of livelihoods, displacement, unsustainable urbanization, and land conflict. In the absence of government capacity, external humanitarian intervention becomes the only mechanism for addressing fragility and vulnerability, further undermining the role of national institutions and markets.

Exclusion and fragility: Persistent conflict in Somalia has resulted in environmental degradation, recurring humanitarian crisis, waves of displacement, and high levels of youth unemployment, as have high levels of trauma, and inter-personal violence. Some of these factors, in turn, act as drivers for future conflict, or at the very least, impede institution building and reconciliation. High levels of youth unemployment have been identified as a driver of AS recruitment in some parts of Somalia.

Implications: The RRA provides a diagnostic framework with important implications for WBG prioritization. Domestic institutions are required that can help the country's fragmented political elites to reach stable consensus, which in turn can deliver more inclusive economic outcomes for people. With close integration of political and economic spheres, economic inclusion (or exclusion) is an important factor in enabling political outcomes.

C. Economic context

17. **Growth has been insufficient to generate poverty reduction.** Between 2013 and 2017, real GDP is estimated to have grown an average of 2.5 percent p.a., while population grew by 2.9 percent p.a. The result has been an annual contraction in per capita incomes of 0.4 percent during the same period – significantly below fragile, sub-Saharan, and low-income country averages – leaving per capita GDP at just over \$500, making Somalia among the poorest countries in the world. Growth is mainly consumption-driven, enabled by large remittance and aid inflows, while construction, telecommunications and money transfer services have been the key growth sectors. Manufacturing is limited by an adverse investment environment – Somalia is ranked at the bottom of the WBG's Doing Business Survey.

18. **The economy is projected to grow at an average rate of between 3.5 and 4.5 percent per year during the CPF period.** While agriculture is key to the economy, it remains vulnerable to shocks. As such, services will continue to be a main driver of growth, especially in the financial, transport and communication and trade sectors. Fiscal performance is projected to improve during the CPF period assuming sustained reform commitment and additional external technical assistance. Inflation is expected to remain in single digits (4 to 7 percent) as the country implements the first phase of a currency reform.

Figure 3: Real GDP Growth (%), 2014-2017

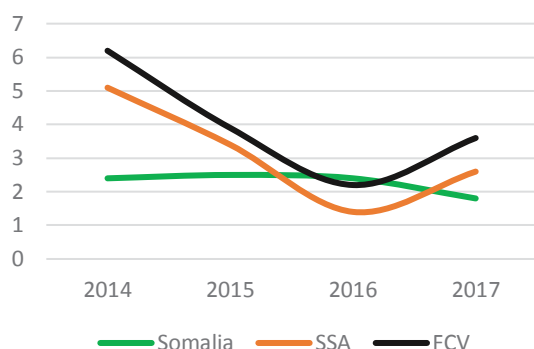
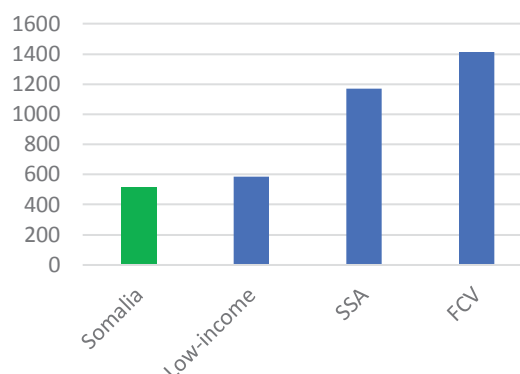


Figure 4: Per Capita GDP (US\$), 2016



Source: WDI and IMF

19. **The economy remains primarily rural, but traditional livelihoods are at risk.** With about half of the population living in rural areas, the livestock and crop sub-sectors remain the main sources of economic activity, employment, and exports. Livestock accounts for about 60 percent of GDP and up to 93 percent of export earnings, generating an estimated \$603 million annually. While impressive, over-reliance on pastoralist production systems exposes the economy to heavy losses during droughts. Coupled with this has been a decline over time in the crop sub-sector's contribution to the economy (see Figure 1 above and Table 1 below). Self-sufficient in cereals for a period before the war, Somalia now imports about 80 percent of its cereal needs at a cost of over \$500 million, financed by aid and remittances, and supplying an increasingly urban population. Furthermore, the absence of a transparent licensing regime has exposed Somalia's diverse marine species, especially large migratory species such as tuna, to unsustainable and illegal fishing. With better management, both coastal and offshore fisheries have good potential to support productive livelihoods and improved nutrition.

Table 1: Agriculture's Share of Somalia's GDP - 2010s versus 1980s

	1980	1986-88	2013-16
Agriculture	64.4	62.0	—
Livestock & Crops	61.9	55.3	70.9
Livestock and livestock products	43.7	37.2	60.7
Crop Production	18.3	18.1	10.2
Other	2.4	6.7	—
Forestry	2.1	6.1	1.5
Fishing	0.3	0.6	—

Source: National Accounts and IMF/World Bank estimates.

20. **Revenue generation is increasing and public finances are subject to greater accountability.** The Federal Government demonstrated stronger fiscal discipline in 2017, avoiding new budgetary arrears, and generating domestic revenues of \$143 million – beyond the IMF target.¹⁰ Total revenues (domestic plus external grants) have doubled from \$117 million in 2013 to \$246 million in 2017 (Figure 5) driven by implementation of additional measures including sales tax on telecommunications and hotels.

¹⁰ The IMF series of Staff Monitored Programs (SMP) was initiated simultaneously with July 2015 Article IV mission, the first since 1989. The latest in the series is SMP 3, initiated in July 2018: <http://www.imf.org/en/News/Articles/2018/07/06/pr18283-somalia-2nd-and-final-review-under-the-staff-monitored-program>

Nevertheless, revenues remain predominantly (70 percent) trade taxes; inland revenue will be a key new phase of reform. Expenditures have grown significantly, although recurrent expenditures dominate, with capital spending accounting for just 3 percent in 2016 and 2017. FGS is facing expenditure-side pressures as it seeks to build legitimacy through timely execution of the wage bill, and provision of improved security and services.

Figure 5: FGS Revenue and Grants (\$m)

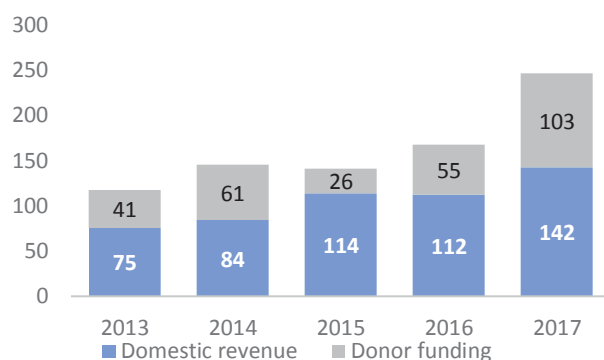
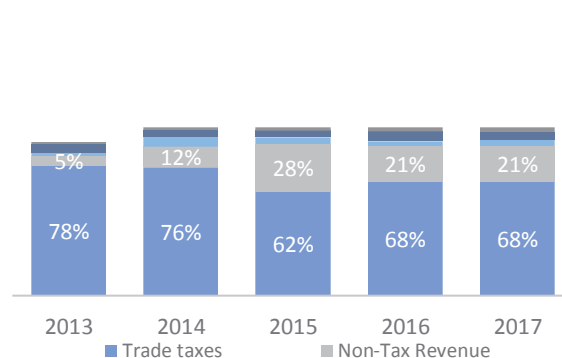


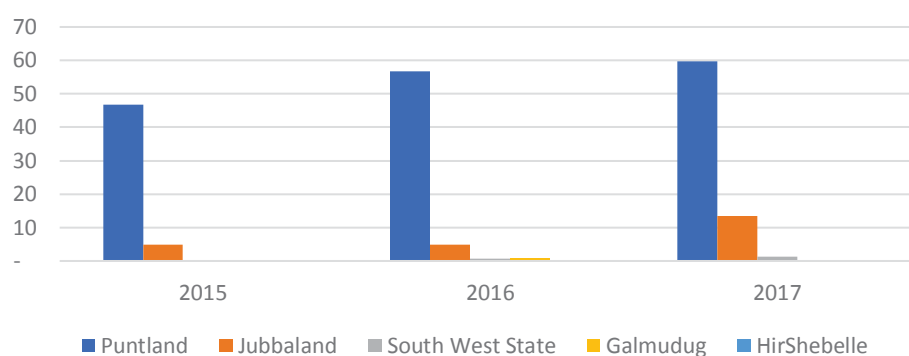
Figure 6: Share in Domestic Revenue (%)



Source: FGS Ministry of Finance.

21. **Fiscal federalism is a critical agenda, both for a stable political economy and for improved management of public resources.** Currently, the Federal Government collects revenues from the region around Mogadishu, while Federal Member States collect and retain all available taxes within their jurisdictions (see Figure 7) – leaving those states with functioning ports much richer than others. The harmonization of *khat* and cigarette taxes in 2017 demonstrated willingness to pilot a broader harmonization of taxes across Somalia, as well as discuss revenue assignments and a mechanism to address imbalances. Although the Federal Government has initiated fiscal transfers, in part financed by the WBG, the rules, norms and procedures of fiscal federalism are yet to formalize. In 2018 Somalia's leaders, except for Somaliland, reached agreement on the management of revenues from fisheries licenses and hydrocarbons.

Figure 7: Federal Member State Revenue Collection (\$ million)



Source: World Bank staff analysis.

22. **The concentration of export markets is a source of vulnerability.** The main trading partners in the region include Ethiopia and Kenya, which respectively account for about 32 percent and 9 percent of the country's imports. In contrast, Somalia's exports are overwhelmingly bought by the Middle East (with Saudi Arabia accounting for about 57 percent). Nevertheless, exports are estimated to have almost tripled over the past six years, reaching around US\$650 million in 2016. The livestock sector has accounted for

between 70 and 90 percent of total export earnings over the past decade but is vulnerable to both low rainfall and trade restrictions. Livestock exports have been affected by import restrictions due to concerns regarding Somalia's health certification standards. In recent years, sesame seeds and fish have emerged as important exports. Informality and insecurity nevertheless constrain Somalia and the region benefiting from the potential offered by future regional economic integration, especially in the context of high growth experienced by Ethiopia and Kenya.

23. The economy is highly dollarized, and mobile money is playing an increasing role in facilitating transactions. An estimated 155 million mobile money transactions take place every month in Somalia, valued at \$2.7 billion, equivalent to around 36 percent of GDP: mobile money accounts for a high proportion of money supply within the domestic economy. The Somali shilling - which is used only for small, face-to-face transactions - has been relatively stable since 2012, exchanging at 23,539 Somali shillings to the US dollar in December 2017. With little or no bank credit outstanding, the Central Bank of Somalia (CBS) cannot influence interest rates or affect the money supply. With IMF support, the CBS is now preparing a phased currency reform to exchange existing Somali shilling in circulation with a new currency issued by CBS in small-denominations (i.e., 1,000; 2,000; 5,000; and 10,000). Phase two of the reform will inject new Somali shilling banknotes, including larger denominations, after strengthening the CBS's institutional capacity and developing independent monetary policy instruments and reserve management guidelines. The introduction of the new banknotes will mark the first time that the CBS is issuing currency since 1991, and will help the authorities bring an end to widespread counterfeiting.

24. Somalia is in debt distress with over 90 percent of external debt in arrears. Out of total external debt stock of \$4.5 billion, \$1.5 billion is owed to multilateral creditors, \$2.5 billion to Paris Club bilateral creditors, and the remaining \$617 million to non-Paris Club bilateral creditors. Given the urgency of meeting Somalia's social and reconstruction needs, a substantial reduction in the debt burden or debt relief is an essential element of the government's economic strategy. In the second review of the 2nd SMP (May 2017–April 2018) in May 2018, the authorities demonstrated satisfactory performance by continued strong commitment to implement critical reform measures in a very difficult environment. Reflecting this, access to IDA Pre-Arrears Clearance grants is included as a key element of financing this CPF, as a bridging mechanism, while the country pursues further milestones to reach HIPC Decision Point and fully normalize relations with IFIs through the clearance of multilateral arrears.¹¹

D. Private sector and the business environment

25. Even during the conflict years, the economy continued to grow at a modest pace, demonstrating natural capacities for business and trade. Conflict led to *de facto* privatization of many services previously provided (albeit inefficiently) by the public sector. The private sector has become the leading provider of telecommunications, air transport, money transfer, urban water, electricity, and social services. Other factors that have helped support the economy include remittances sent by a highly skilled diaspora; traditional institutions based on clan networks, which provided some degree of secured property rights and contract enforcement, even in conflict-affected southern Somalia; and a thriving, though informal, regional trade, which provided a new source of income.

¹¹ Somalia is eligible for the HIPC Initiative and access to this facility would provide much-needed debt relief. The steps needed for Somalia to reach the HIPC Decision Point – at which point arrears can be cleared and new concessional financing becomes available - include: (i) developing an Interim Poverty Reduction Strategy Paper; (ii) establishing a track record of cooperation on policies and payments with the World Bank and the IMF, including in the context of a series of SMPs; and (iii) clearing arrears to the IMF, World Bank, and the African Development Bank, and have an arrears-clearance plan with the remaining external creditors. See Annex 5.

Figure 8: Doing Business Rankings 2017

Indicator	Ranking (out of 190)
Starting a business	187
Dealing with construction permits	186
Getting electricity	187
Registering property	150
Getting credit	186
Protecting minority investors	190
Paying taxes	190
Trading across borders	160
Enforcing contracts	110
Resolving insolvency	168

26. **Ranked at the bottom of the 2017 Doing Business Survey (see Figure 8), Somalia is seeking to introduce a wide range of business environment reforms.** The current environment is characterized by ambiguous or absent regulation, insecurity, weak credit access, and the high cost of electricity, business registrations and construction permits. Very active in telecommunications with a focus on mobile money, agribusinesses (agriculture and livestock), and trade and transportation, private businesses are usually well-connected, and some enjoy a degree of monopolistic

power. As a result, the remaining private sector/traders, operating mostly in the informal sector, struggle to thrive.

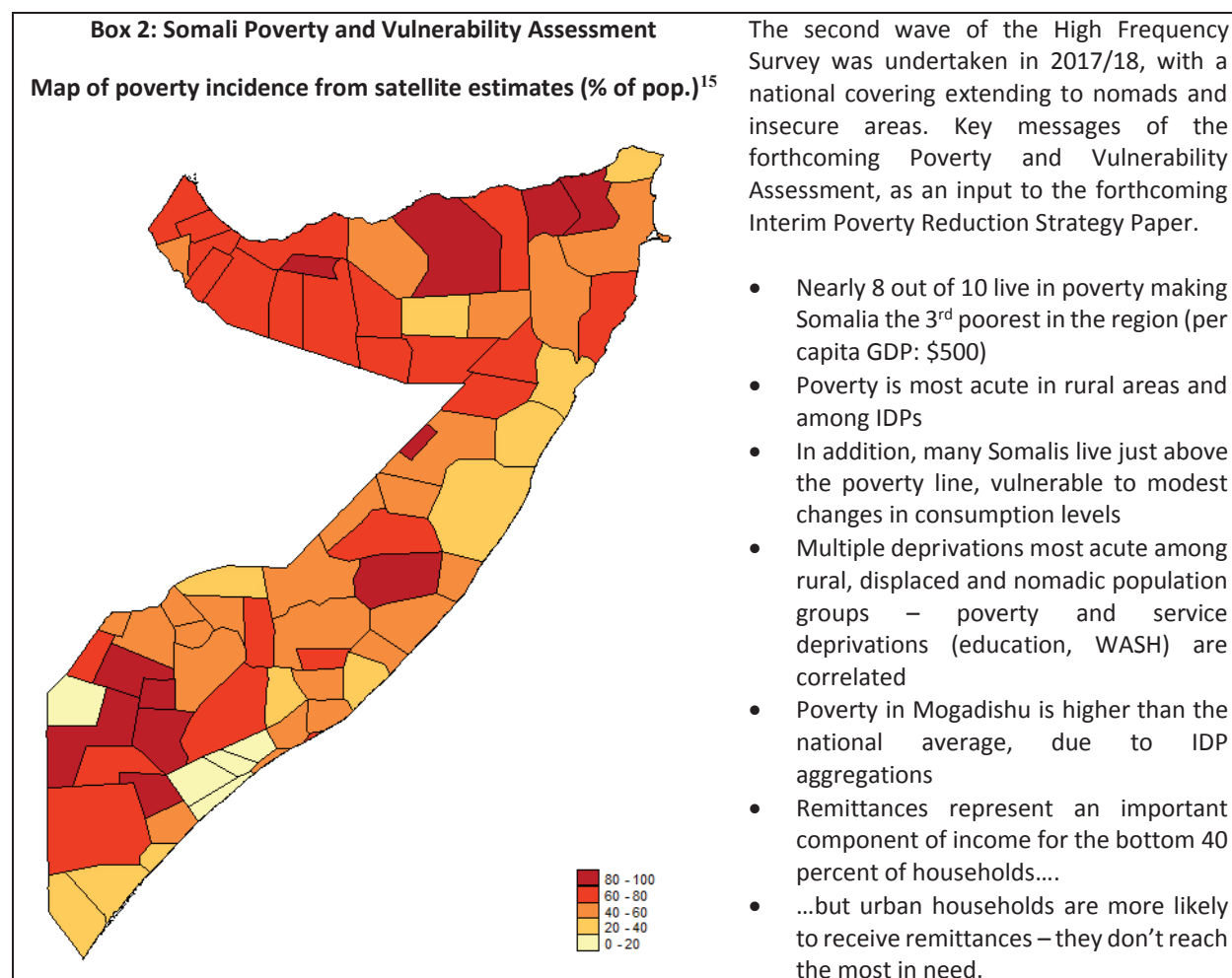
27. **In a country where the majority is unbanked, remittances and mobile money play a key role in the economy.** Six commercial banks are now licensed to operate across the country, but only 16 percent of the population have access to formal banking services. There are 14 licensed Money Transfer Businesses (MTBs), three of which represent over 90 percent of the market. The integration of mobile telephony and banking services has accelerated in the last few years: with 90 percent mobile penetration, some 73 percent of the population aged 16 and above uses mobile money (83 percent in urban areas), with a very low gender gap of 4 percent. This allows for a shift from cash to digital payments improving efficiency and speed of transactions, lowering transaction costs, and ensuring security of payments and savings. About a quarter of Somalis with phones use mobile phones to pay bills (compared with just 13 percent of Kenyans), and a third reported using their phones to receive money (compared with only 20 percent in Tanzania). However, financial transactions remain insecure, under-regulated and un-taxed. Further, Somali financial institutions lack access to global banking and remittance and insurance networks, limiting secure options for the channelling of Overseas Development Assistance (ODA), trade finance and remittance flows. Of the reportedly 35 MTBs that were operating out of the United Kingdom (UK), 16 have had their bank accounts closed over the last few years.

28. **Women's participation in the economy represents a huge opportunity, including for SME development, but high barriers to entry remain.** It is thought that women may be the main breadwinner in 70 percent of households, though their role may not be captured as household head in surveys. Although this is shifting in part due to migration, there is a significant opportunity for greater engagement in Somali agriculture. Milk is a promising value chain for economic empowerment: women already account for 80 percent of dairy production and 100 percent of primary milk collection. They are also active in meat marketing, particularly camel meat and beef. Women's ability to cross traditional clan divides could give them an opportunity to facilitate inter-clan trade. However, social norms constrain their participation: anecdotal evidence suggests that banks require a husband to act as a guarantor for a loan, even when the woman has collateral; and inheritance practices limit women's inheritance rights and access to land. At the same time, women tend to have access to fewer channels through which opportunities are advertised, such as notice boards, websites, and print media.

E. Poverty, vulnerability and human development

29. **Nearly 8 in 10 Somalis are estimated to live in conditions of severe poverty with incidence highest among the displaced.** Poverty in Somalia is widespread with 77 percent of the population living

in poverty from satellite estimates in 2017 (see Box 2), as defined by having a total daily per capita consumption expenditure lower than the international poverty line of US\$ 1.90 at 2011 purchasing power parity (PPP).¹² The incidence of poverty is 26 percentage points higher in Somalia compared to the unweighted average of low-income countries in Sub-Saharan Africa (51 percent) in 2017.¹³ The country has the 3rd highest poverty rate in the region, only after Burundi and South Sudan.¹⁴ The Somali population has relatively low levels of economic activity and income, as reflected by a Gross Domestic Product (GDP) per capita of US\$ 500 in 2017.



¹² The value of the international poverty line in 2017 Sh. was estimated using the 2011 So.Sh./\$ PPP, a Somali Consumer Price Index increase between 2011 and 2017, and the 2017 nominal exchange rate between the Somali Shilling and the US Dollar.

¹³ Based on World Bank estimates.

¹⁴ The countries used for regional comparison are all the African low-income countries as defined by the World Bank: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, South Sudan, Tanzania, Togo, Uganda, and Zimbabwe. For each country, we include the most recent available year for each indicator.

¹⁵ The boundaries on the map show approximate borders of Somali pre-war regions and do not necessarily reflect official borders, nor imply the expression of any opinion on the part of the World Bank concerning the status of any territory or the delimitation of its boundaries.

30. **Vulnerability is multi-dimensional, and is directly linked to the incidence of poverty.** Key vulnerability dimensions combine monetary poverty, lack of access to an improved water source, education and information. Overall, 9 in 10 Somali households are lacking in at least one of these dimensions. In rural areas, 8 out of 10 households do not have access to an improved water source within 30 minutes of their home, with even higher rates without access to basic sanitation or hygiene facilities.¹⁶ Over half of children are not enrolled in primary education. Moreover, vulnerability is directly linked to poverty incidence: the population clustered above the poverty line is naturally vulnerable to fall into poverty in case of an unexpected decrease in consumption levels. In addition to 7 in 10 people being below the poverty line, a further 1 in 10 people are vulnerable to falling below the poverty line during a shock. This is accentuated in urban households where consumption is most closely linked to the cash economy. The humanitarian impact of climatic shocks also plays a role: the 2016/7 drought left an estimated 5.4 million people in need of humanitarian assistance and over a million people were displaced, causing damage and losses valued at over \$3.25 billion (see Box 2). In such conditions, with persisting insecurity, repeated droughts, deteriorating food security, and collapse of basic services, children, especially in rural areas, face high risk of malnutrition and communicable diseases like cholera causing high levels of morbidity and mortality. In 2017, more than 1.2 million children were acutely malnourished.¹⁷ Stunting, or chronic malnutrition, known to affect cognitive and physical development as well as productive capacity, is also considered high, though data varies.¹⁸ Fifty-nine percent of children under five also suffer from anaemia. During the 2017/18 drought, 1,613 cases of cholera¹⁹ were reported in four months with a case fatality rate of 0.6 percent.

¹⁶ WHO/UNICEF Joint Monitoring Program <https://washdata.org/data>

¹⁷ UNICEF Somalia Annual Report 2017.

¹⁸ UNICEF “Situation Analysis of Children in Somalia” (2016) shows the rate of stunting as 12 percent in 2015, with a major reduction by two-thirds from 38 percent in 2006 to 13 percent in 2011. Given the global target of annual rate of stunting reduction is 3.9 percent, high acute malnutrition, and persisting severe food insecurity in the country, the data presented by UNICEF warrants caution.

¹⁹ WHO Cholera Report, March 2018.

Box 3: Gender Assessments

In undertaking the CPF, and as per OP/BP4.20 the Bank relied on multiple pre-existing gender assessments rather than undertaking its own. These include: the LOGiCA work on gender and conflict (gender and conflict note developed for the ISN) (2013); EU Somalia Country Gender Profile (2013); World Bank High Frequency Survey – gender chapter integrated into 2017 Poverty Profile (2017); UNDP study on role of women in private sector (2014) UNDP Somalia Human Development Report (2012); WB Somaliland Poverty Assessment (2015); FAO Gender in food security, livelihoods, and nutrition in Somalia (2012); UNFPA Population Estimation Survey 2014; MICS 2011 (Northeast, Somaliland); Somaliland Household Survey 2013; Federal Republic of Somalia Education Statistics Yearbook 2015/2016; Puntland State of Somalia Education Statistics Yearbook 2013/2014 and the Somaliland Education Statistics Yearbook 2013/2014.

31. With 75 percent of the population under the age of 30, the lack of educational attainment constrains future economic growth and poverty reduction but also puts youth at risk. Two generations of Somali children missed out on education. Given very low or non-existent public funding, the private sector and Non-Governmental Organizations (NGOs) have provided most primary education supplemented by household income, remittances, and foreign grants. Only 55 percent of Somalis can read and write; only 16 percent of Somalis have completed primary school (compared to 34 percent in low-income Sub-Saharan countries), and only 7 percent have finished secondary school (compared to 19 percent in Somalia's regional peers).²⁰

32. With a rapidly growing population, gender disparities are among the worst in the world. Somalia's population is growing rapidly at almost 3 percent and is likely to double in 23 years, mainly due to a very high fertility rate of 6.6 children per woman. High fertility and extremely poor reproductive health outcomes limit women's ability to contribute productively while constraining a demographic dividend. High fertility and poor maternal care contribute to maternal mortality rates of 732 deaths per 100,000 live births. Use of family planning is negligible. About 90 percent of births take place at home with only a third attended by a skilled birth attendant. Barriers in access, and lack of accountability, regulation and coordination are major limitations in health

services delivered by private sector providers. Poor geographic access is also an issue, with only 1 health post per 15,200 people. Despite some enrolment gains, gender disparities in access to education persist and gender presents a more significant constraint to education access than location, with rural boys more likely to attend school than girls in urban areas.

²⁰ Among low-income Sub-Saharan countries, Zimbabwe has the highest literacy rate (87 percent) and levels of primary education (81 percent) and secondary education (61 percent); Niger, Burkina Faso, and Chad have the lowest rates: literacy 19 percent, primary education 5 percent, and secondary education 6 percent.

Table 2: Selected Health Indicators

Indicator	Somalia	WHO Africa Region
Life Expectancy at birth	54	68
Maternal Mortality Ratio (per 100,000 live births)	732	190
Neonatal Mortality Rate (per 1,000 live births)	40	26
Infant Mortality Rate (per 1,000 live births)	85	37
Total Fertility Rate	6.6	2.4

Source: WHO 2016

33. Severe protection challenges, including gender-based violence and harmful traditional practices such as female genital mutilation/cutting (FGM/C) persist. Over 14,000 cases of Gender-Based Violence (GBV) were reported to the GBV Information Management System (GBVIMS) from January 2015 through June 2016. Drivers of GBV in Somalia include pervasive insecurity, increased vulnerability and displacement—linked both to

conflict and climate-related disasters—and deteriorating social and customary structures. Persistent violations were rape, physical assault, intimate partner violence, abduction, forced prostitution, exploitation, and human trafficking. Displaced women and girls are among the most vulnerable populations. IDPs in Somalia are also particularly vulnerable to violence; the GBVIMS reveals that between January 2015 to June 2016, 73-78 percent of survivors of GBV were female IDPs.

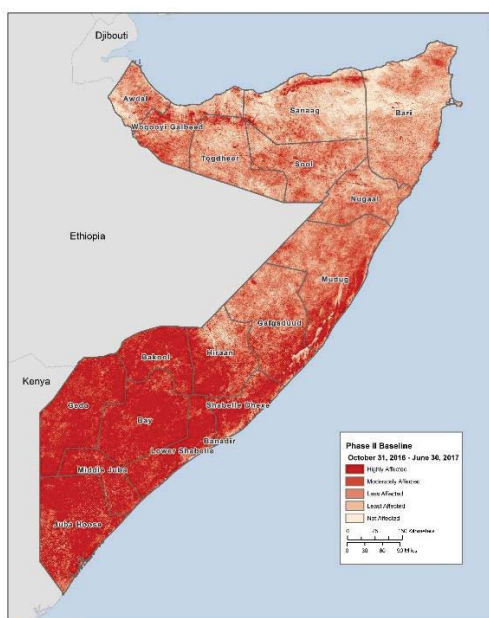
34. Remittances are associated with better economic outcomes and food security but often do not reach those most in need. One fifth of Somali households receive remittances, which represents an important source of income. However, remittances are not effective in reducing poverty among vulnerable households as they typically go to wealthier households. While they may not serve to reduce poverty, remittances serve as a resilience mechanism against adverse shocks. Given that remittances remain largely unavailable for vulnerable populations, social protection programs are likely to build resilience more broadly. A major barrier to inclusive service provision is that only 3 percent have a birth certificate and the majority lack proof of identity. Current functional identify systems are designed and implemented from different points of entry for service delivery. The result is a fragmented ID landscape with substantial inefficiencies and high costs, both private and public.

Box 4: Drought and multi-dimensional poverty – a case study based on the Drought Impact Needs Assessment

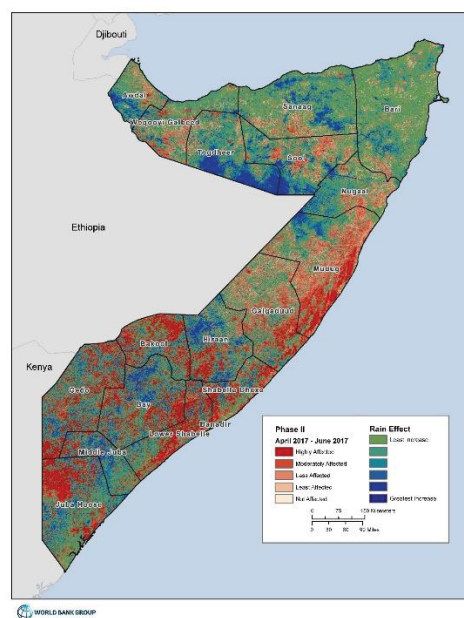
The 2016/7 drought in Somalia took a major toll on affected populations in terms of basic living conditions as well as education, water, sanitation and basic healthcare services. The table below indicates resulting deprivations. According to the Multidimensional Poverty Index (MPI) for Somalia, an estimated 82 percent of Somalis were in multidimensional poverty before the drought. Given the large deprivations caused by the drought in Somalia, multidimensional poverty will increase significantly in the country as a result of the drought, especially in the most affected regions.

Baseline	Human Impact
Water & Sanitation	
About 60 percent of Somalis do not have access to an improved water source, 80 percent in rural areas.	In 2018: over 4.4 million people in Somalia needed emergency water and sanitation services; over 77,000 cases of cholera/acute water diarrhea were reported
Health	
Prior to the drought, the under-5 mortality rate was 133/1000 and the maternal mortality ratio was 732/100,000 live births, among the highest in Africa.	More than 17,000 cases of measles were reported in 2018, the majority in children under five
Education	
More than half of children in the country are out of school, and about one quarter of primary-age children attend primary school in the country.	-80,000 children stopped attending school. -121,000 more children are at risk of dropping out. -Delayed education attainment among children
Displacement (Housing/Shelter)	
Prior to the drought, about 1.1 million people were internally displaced in Somalia	An additional 926,000 people across Somalia were displaced between Nov. 2016 and Oct. 2017.

Impact of the Drought (Oct '16-June '17)



Rain Effect (April '17-June '17)

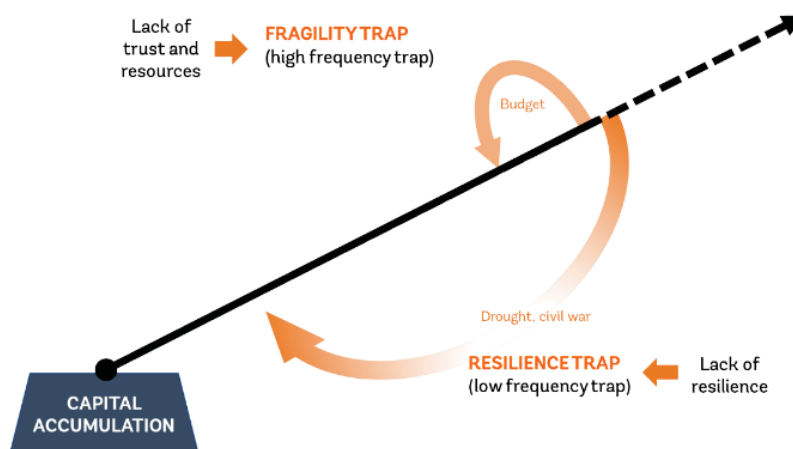


F. Development challenges and opportunities

35. The SCD identified a “dual development trap”, driven by an absence of trust, and exacerbated by vulnerability to repeated shocks that result in exclusion and insecurity. The dual-development trap consists firstly of a *high-frequency fragility trap* manifested in turbulent politics, driven by the lack of resources to provide services and public goods, like improved justice and security, which in turn undermines citizen/state relations and the trust in institutions. The result is short-lived reform efforts undone by inadequate political or financial resources, further weakening public confidence. Private and non-state actors, including spoiler groups, thrive in this environment, and become vested in continued institutional weakness. The fragility trap is driven by a historical absence of trust in formal institutions, exacerbated by conflict, and endemic corruption, underlining the central importance of sustained reforms in public finance accountability and transparency.

36. The second element of the dual development trap is a *lower-frequency resilience trap* in which natural disasters, and trade or geopolitical shocks, undo development gains and deepen exclusion. This cycle is evident in the pattern of droughts and floods that severely damage rural livelihoods, impacting the most vulnerable, and generating high levels of forced displacement and unplanned urbanization. Given the absence of a reliable and targeted shock-absorptive safety net, single shocks can impact huge numbers of people, sustaining high levels of poverty and shifting the burden to humanitarian agencies. The need to address the structural drivers of vulnerability is becoming more urgent as climatic events are due to intensify in the coming period.

Figure 9: Somalia’s Dual Development Trap



Source: World Bank Systematic Country Diagnostic.

37. Exclusion and weak institutions are mobilizing factors for *Al Shabaab*; understanding the security / development nexus is key to finding a pathway to peace. The combination of weak institutions, and large numbers of young people excluded from services and economic opportunities, is an enabling factor for *Al Shabaab* in southern Somalia. In the absence of effective rule of law, *Al Shabaab* can extract protection rents to finance its operations. In Somaliland, local reconciliation, the establishment of basic rule of law and more accountable public finances have delivered more revenues, service delivery and stability. Through the Public Private Dialogue, Somali businesses have expressed frustration with the current business environment, and seek accountable and transparent public finance institutions that can restore trust and generate increased revenues for investment in security and public infrastructure. This

represents a powerful logic for PFM reform, increasing fiscal space and extending basic services to excluded populations.

38. **Restoring livelihoods in rural areas is critical to reduce vulnerability and exclusion.** Pastoralism and rain-fed crop cultivation – the backbone of the economy – are under threat from severe deforestation and soil erosion in the absence of environmental governance. Around 6 million Somalis live in rural areas. Half of this rural population pursue nomadic pastoralist livelihoods, while the other half pursue agro-pastoral livelihoods comprising a mix of settled crop production and livestock rearing. Agro-pastoralists live mostly along and between the two major rivers in south-central Somalia, but also in a few other parts of the southern and north-western regions where there is better access to shallow groundwater and higher than average annual precipitation. In these areas around 3 million ha of grains and pulses are cultivated under rain-fed production systems. The combination of rising temperatures, frequent drought spells and extreme rainfall events (resulting in less infiltration, more runoff and soil erosion) amplify risks in the already unsustainable exploitation of the country's natural resources. Traditional livelihood systems need to adapt, supported by improvements to environmental management (e.g., rangelands and forests), better soil and water management as well as climate-smart agriculture techniques to mitigate against climate-related shocks.

39. **Rehabilitating dilapidated irrigation management infrastructure could boost output but is high risk.** The only two permanent rivers, the Shebelle and Juba, flow from Ethiopia into southern Somalia. The Juba and Shebelle river basins provide much-needed water for irrigation and sustain fertile alluvial flood plains covering 174,600 km² in southern Somalia. Before the collapse of the central government in 1990, more than 220,000 ha of land along the flood plains in the middle and lower reaches of the Juba and Shebelle rivers were under either controlled irrigation or flood-recession farming. Today, much of the irrigation infrastructure has fallen into disrepair with only 100,000 ha under cultivation.²¹ The rehabilitation of barrages, canals, and other water infrastructure would provide a boost to agricultural output but this infrastructure investment needs to be complemented with enhanced systems for land and water governance. Furthermore, as both the Juba and Shebelle rivers originate in Ethiopia, issues of transboundary water management (including for flood and drought) will require a structured transnational dialogue process.

40. **In the meantime, opportunities to increase access to water for agricultural production across drylands are lower risk.** Rivers in northern Somalia, and in areas other than the Juba and Shebelle valleys, are ephemeral with water flowing for very short periods during the seasonal rains. Following seasonal rains, water infiltrates into shallow aquifers that last for only a few months of the year. Based around these shallow aquifers there is a small but growing horticultural production base selling vegetables to urban areas. Pilot projects in Puntland and Somaliland have demonstrated that water catchment and storage in these drylands can be increased through investment in small dams such as sand dams, sub-surface dams, and infiltration galleries. These technologies protect water from the high potential evapotranspiration rates by holding the water in shallow sand aquifers and can be used to supply limited amounts of water for domestic, livestock and agricultural uses.

²¹ The area currently under irrigation is estimated to be roughly 50-61 percent of what it was pre-war. Just before the collapse of the government, the Somali Ministry of Agriculture estimated that 112,950 hectares were under controlled irrigation and 110,000 hectares were under flood-recession irrigation (cultivation along the edge of rivers or other water bodies using water from receding floods), for a total irrigated area of 222,950 hectares.

41. **Pressures on the rural economy are driving rapid urbanization, overwhelming municipal capacities now, but offering opportunities for the future.** The urban population is estimated at around 5.2 million (42 percent), with a growth rate of around 4 percent per annum²² - one of the highest in the world. By 2040, the majority of Somali people will be living in urban areas.²³ Urbanization stress appears to be focused on three cities in particular: Mogadishu's population is growing fast, with over 700,000 informally settled or displaced people; Baidoa, in southern Somalia, has seen its numbers triple as rural populations fled the 2017 drought; and Kismayo, likewise, is under pressure from returning Somali refugees from the Dadaab refugee camp in Kenya. Urban fragility can have a profound impact on Somalia's nascent stability as social tensions emerge between migrants and host communities; increased risks of crime and violence; and issues of voice, rights, and participation. However, over the longer term, and assuming improved security and regional integration, urban areas could generate considerable opportunities as trade and services hubs, also generating increased demand for rural products.

42. **Human capital is the most important component to growth of wealth globally, and Somalia will need to address a massive human capital deficit.** High fertility is a barrier to poverty reduction, depleting investments in child health and education. Somalia is at a very early stage of demographic transition and a demographic dividend is unlikely at this stage. Failure to reduce population growth and fertility will not only negatively affect growth, but also pose a daunting fiscal challenge. Meanwhile, child nutrition is alarming, leading to an under-five mortality rate of 137 per 1,000 live births in 2016²⁴, the third worst in the world. Adult literacy is among the lowest in the world and is worse for women and girls. Barriers to female enrolment include poor health, household income, the low number of female teachers (especially outside of urban areas), high rates of early marriage/childbearing, and girls' unequal share of domestic responsibilities. Enrolment in primary schools is below 50 percent and fewer than 10 percent of school-age children attend secondary school. Improving access to quality education will require the FGS to deliver on its commitment to increase the share of social spending in the budget, especially for teachers (only about 20 percent of primary teachers are trained).

43. **Somalia stands to benefit from new opportunities for regional economic integration across the Horn of Africa.** Countries in the wider Horn region are achieving rapid growth, have abundant natural resources, including groundwater, dynamic private sectors and growing young populations.²⁵ Ethiopia's population of around 100 million is generating unmet demand for traded goods; Somalia offers potential routes for trade and transit although huge investment is required for strategic ports upgrading, as well as corridor infrastructure. Ethiopia/Somali cooperation in transboundary water management and power pooling are further opportunities: Somalia currently pays a multiple of 10 times the Ethiopian electricity price and depends on flows of the Jubba and Shebelle rivers for agricultural development (and flood control). Somalia could also provide a bridge for fiber optic internet connectivity into the Ethiopian market in the future. Demonstrating its interest in regional cooperation, Somalia is now participating in COMESA and the Indian Ocean Tuna Commission and is opening accession negotiations with the World Trade Organization. However, substantial reforms of trade facilitation regimes, infrastructure and the financial sector will all be required if Somalia is to optimize these opportunities.

²² UNFPA (2014), <https://somalia.unfpa.org/sites/default/files/pub-pdf/Population-Estimation-Survey-of-Somalia-PESS-2013-2014.pdf>

²³ United Nations (2014). "World Urbanization Prospects." 2014 Revision.

²⁴ UNICEF "Situation Analysis of Children in Somalia" (2016).

²⁵ See the World Bank Group Regional Initiative in Support of the Horn of Africa, October 2013: <http://documents.worldbank.org/curated/en/571071468194354658/pdf/917830WPOHorn00Box385358B00PUBLIC0.pdf>

44. **The SCD identifies a medium-term development agenda to rebuild critical assets – human, natural and institutional – as a basis for long-run inclusive development and poverty reduction.** Based on the dynamic illustrated in Figure 9, three priorities are an analytical starting-point for this CPF: *strengthen governance institutions* to become more accountable and effective to restore confidence in government, and ensure targeted distribution of services; *provide jobs* for an increasingly young, excluded and un-skilled population, driven by Somalia’s dynamic private sector; and *build resilience* to shocks that can severely set back any gains in poverty reduction.

45. **As it considers this agenda, Somalia can draw on many unique characteristics that offer entry points for transformation.** These include: a young population, increasingly connected to the outside world through digital technology; rapid urbanization which means that getting urban spaces right can transform prospects for many; rapid integration of ICT technologies and financial services, with opportunities to “leapfrog” towards financial inclusion, e-government, a safety net based on mobile money transfers and digital entrepreneurship; a vibrant private sector connected to an informal global network; and economic integration, through infrastructure and trade, with the broader Horn of Africa and Red Sea region.

III. WORLD BANK GROUP COUNTRY PARTNERSHIP FRAMEWORK

A. Government Program: The National Development Plan

46. **Somalia's National Development Plan (NDP), the first in more than 30 years, sets out the country's priorities for national recovery and development for 2017-2019.** The plan sets ambitious targets for peace-building, state-building and the Sustainable Development Goals structured around nine pillars across the humanitarian-development-peace continuum. The NDP is reinforced by the New Partnership for Somalia for Peace, Stability and Prosperity (NPS), a framework for mutual accountability and accelerated progress agreed by the international community and Somali Government in London in May 2017.

47. **Beyond the political and security sections, the NDP sets out national priorities in five main areas, as follows:**

- a. **Economic development.** *This section proposes a private sector-driven approach to attract investment in the productive sectors (fisheries, livestock and agriculture) and hydrocarbons.*
- b. **Effective and efficient institutions.** *The NDP proposes to engage both on re-organization/streamlining of public sector structures as well as re-building operational effectiveness and capacities through reform of PFM, revenue generation, and Human Resource Management.*
- c. **Social and human development.** *The NDP proposes a wide-ranging agenda covering health, nutrition, population, education, WASH, labor and employment, youth/sports and gender.*
- d. **Infrastructure.** *This section sets out priorities for transport corridors, land/urban planning, water, energy and ICT.*
- e. **Resilience.** *This section emphasizes the need for a ‘durable solutions’ approach to the socio-economic integration of displaced people, returning refugees or migrants, as well as to the sustainable management of the environment.*

48. **This CPF is based on the priorities within the current NDP, and on the government’s prioritized sector plans that have been produced since then.** The key plans include: the PFM Action Plan, the Financial Sector Roadmap, the Education Sector Strategic Plan, the Drought Impact Needs Assessment (DINA) and - most recently - the follow up Recovery and Resilience Framework (RRF). In addition, Somaliland has produced its own National Development Plan 2017-2021. These – together with programming frameworks that are already agreed on with the authorities – are helping to prioritize and sequence the CPF activities across NDP objectives.

49. **A new planning cycle is underway and the next NDP will be issued during the CPF period.** The Federal Government is initiating a Vision 2040 within which there will be four five-year plans – starting with the next NDP 2020-2024. The Bank has agreed to support the development of NDP 2020-2024 which will build on the post-drought resilience and recovery framework (RRF) as well as other ongoing government priorities. An Interim Poverty Reduction Strategy Paper (I-PRSP) is a requirement for the HIPC Decision Point and will be developed in the context of the NDP and delivered by May 2019, as per the benchmarks of the SMP. Based on WBG dialogue with the Federal Government, the CPF is aligned with the key priorities of government, that will be broadly consistent with the new NDP.

B. Stakeholder Consultations

50. **Given restricted physical access, civil society consultations were carried out through radio, social media and focus groups, enabling contact with new and remote population groups.** Four 30-minute live radio shows were produced with the largest public radio station (Radio Mogadishu), and further aired on one of the largest private radio stations (Radio Dalsan). The show was structured as a panel discussion, with each show addressing four thematic areas of interest for the WBG in Somalia (Governance, Economic Growth, Urban Development and Crosscutting Issues). Parallel to the radio shows, several Twitter polls were hosted on the MPF handle (@mpfsomalia). Constituting the only quantitative data collection method, the questions and areas of discussion reflected the themes of the show, but with greater focus on functional challenges, federalism and public service delivery. For a final, more targeted consultation, the WBG partnered with a major tech incubator based in Mogadishu (iRise). iRise’s position as a platform for equitable access to information for citizens and popularity among civil society groups provided an opportunity to understand how civil society can contribute to reform and development as agents of accountability.

51. **Consultations highlighted the need for inclusive service delivery in a context where services are delivered mainly by non-state actors (UN, NGOs and private actors).** The role of the state in facilitating the private sector to deliver more inclusive and more sustainable services was emphasized. Furthermore, it was generally recognized that the state had a critical role in creating ‘a level playing field’ for more inclusive private sector development and sustainable economic growth. In discussions with the private sector, they themselves have called for harmonization and streamlining of legal and fiscal regulation across the Federation, while also seeking increased support from IFC, especially direct investments.

C. Overview of the WBG Country Partnership Framework FY19-22

52. **Reflecting improved country circumstances, a growing country program and available data and analytics, the World Bank Group has prepared the first four-year Country Partnership Framework (CPF) since the collapse of institutions in 1991.** The CPF builds on and deepens the WBG’s work in Somalia, including in Somaliland, funded by the MPF. Shifting to a longer planning period increases predictability and flexibility, while also framing a period during which the country is expected to re-engage IDA through

the Heavily Indebted Poor Country (HIPC) Initiative. While IFI normalization is not itself a CPF objective, the CPF program includes actions which will support Somalia's move towards full IFI normalization. Should Somalia reach arrears clearance during the CPF period, the Bank will take stock of country context, resources and results in the context of a Performance and Learning Review (PLR).

53. **The CPF ensures alignment of the WBG program with national priorities.** The CPF aligns the WBG's program with (a) the NDP, (b) the government's priorities that have emerged from ongoing dialogue, and (c) the SCD's three pathways to long-run poverty reduction. Selectivity filters address both the choice, and the approach of the Bank in implementing the CPF:

Filter 1: Building on the WBG comparative advantage in Somalia

54. **Since re-engaging in 2012, the WBG has developed some key comparative advantages, notably in institution-building, economic analysis and the public/private interface.** The WBG's re-engagement has enabled donors, through the MPF, to channel funds through government systems, helping to strengthen ownership, accountability and capacity and restore institutions. The CPF extends this logic to ensure these institutions are visibly delivering for the Somali people, establishing service delivery mechanisms, and creating opportunities. The WBG will also continue to invest in knowledge, through the *Knowledge 4 Results Facility*, and will use new and ongoing products to convene policy dialogue among Somali and international stakeholders. Series like the high-frequency consumption surveys, the Somalia Economic Updates and Country Economic Memoranda will continue through the CPF period and will be geared to develop institutional capacity for policy development inside Somali institutions, including focused on the upcoming National Development Plan 2020-2024.

55. **Another area of comparative advantage is public and private sector dialogue.** The PPD instrument helps establish trust among economic actors as well as between businesses and regulators. Looking ahead, increased pressure on revenue generation will require further work between taxpayers and the authorities. Likewise, as Somalia opens to regional and international markets, ports development will require new concessions agreements to be negotiated, and productive sectors including fisheries and hydrocarbons will attract investment from international private actors.

Filter 2: Addressing the drivers of fragility

56. **The key drivers of fragility in Somalia are weak trust in institutions and exclusion.** The results of the Risk and Resilience Assessment (RRA) will lead IDA towards activities that: (a) help to build consensus among different layers of government, (b) strengthen functionality in the delivery of services that people value, (b) broaden socio-economic inclusion, (c) mitigate natural resource depletion and the effects of climate change, and (d) ensure that any activity the Bank undertakes does no harm.

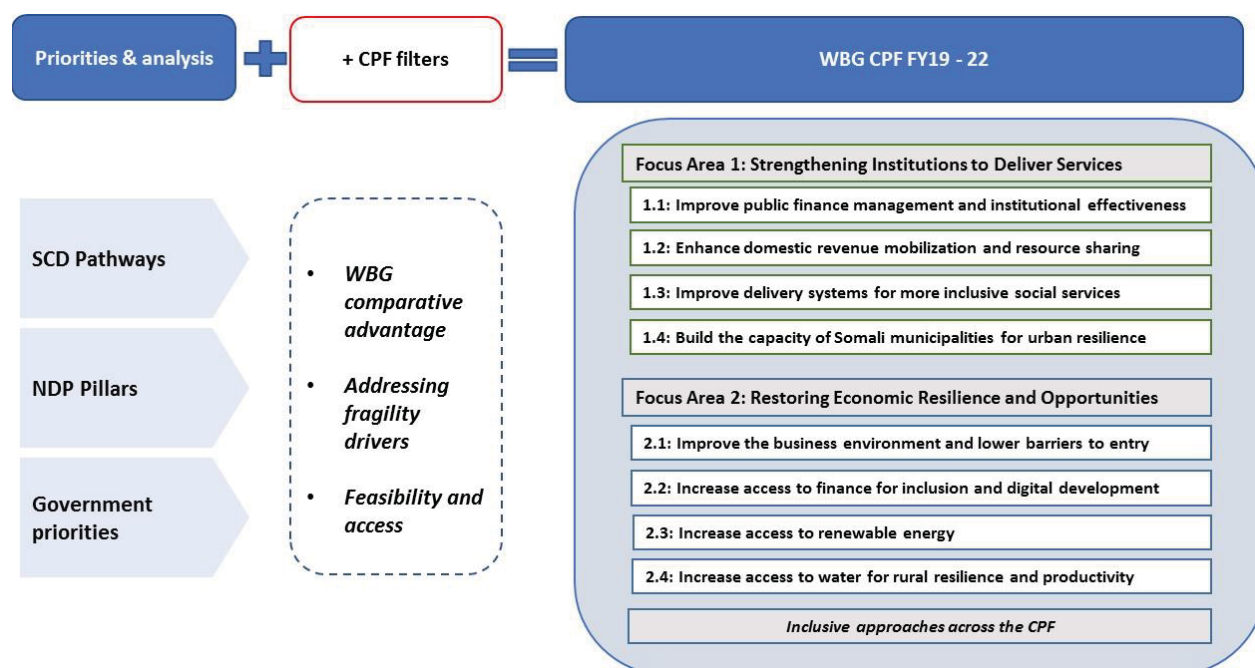
Filter 3: Access and security

57. **Given the improvements in the security situation over the last few years, development work in urban areas has become both feasible and impactful.** Urban areas currently house over half the Somali population, including the populations experiencing the highest poverty incidence. With population density and port access, urban areas act as economic hubs, markets for rural products as well as external trade links. The major urban areas are now accessible across almost all of Somalia, and flights are available to state capitals, enabling Bank teams and their agents to deliver and supervise technical assistance, policy dialogue and investment projects. The CPF prioritizes engagement in urban areas, with a focus on building

the capacity of municipal authorities to deliver inclusive services and plan for the challenges of increasing urbanization. The WBG will assess the viability of further engaging in rural areas as the security situation improves, including through innovative implementation partnerships, building on the experience of the exceptional Crisis Response Window allocation to ICRC and FAO. Equally, humanitarian, “stabilization” and civil-military actors are playing an important role in rural areas of the south where others cannot.

58. **The WBG will work in two Focus Areas:** (a) Strengthening Institutions to Deliver Services, and (b) Restoring Economic Resilience and Opportunities. Each of these two Focus Areas will aim to deliver four strategic objectives linked directly to the top binding constraints on poverty reduction and shared prosperity.

Figure 10: CPF Framework



CPF Focus Area 1: Strengthening Institutions to Deliver Services

Strategic objectives:

- 1.1: Improve public finance management and institutional effectiveness
- 1.2: Enhance domestic revenue mobilization and resource sharing
- 1.3: Establish basic delivery systems for more inclusive social services
- 1.4: Build the capacity of Somali municipalities for urban resilience

59. **In Focus Area 1, the WBG will strengthen ongoing governance programs with a new focus on fiscal space and improving access to - and quality of – key social services and resilience.** Through iterative, learning-by-doing processes, working in close partnership with the IMF and key donors (notably the Department for International Development (DfID) and European Union (EU) active among the Federal Member States) the WBG has invested in key PFM systems, bringing about increased capacity, transparency and sustained reforms. Looking ahead, the WBG will re-double its focus on transparency and

accountability while making new investments in inland revenue and customs, while extending financial support to service delivery through conditions-based fiscal transfers to Federal Member States and municipal governments.

Objective 1.1 - Strengthening public finance accountability and institutional development

Expected results highlights:

- A shift in domestic spending from security and public administration sectors to service delivery of health and education
- Building Somalia's audit framework through the implementation of strengthened audit methods
- Civil service reform: 10-percent increase in female recruitment for middle and upper management positions in FGS and Puntland; includes roll-out of Human Resource Audits, payroll controls, time and attendance systems, civil service performance scheme, and severance and pension policy.

60. **Building on existing initiatives the WBG will strengthen its support to PFM accountability.** Despite gains in core PFM systems, Somalia remains at the bottom of Transparency International's corruption perceptions index,²⁶ undermining citizen trust and revenue potential. Through the CPF, a \$30-million Additional Financing grant for the *Domestic Revenue Mobilization and Public Finance Management Project (P166206)* (partly funded from an IDA Pre-Arrears Clearance Grant of \$20 million) aims to strengthen treasury and cash management, consolidate functionality of the Somalia Financial Management Information System (SFMIS) across Ministries, Departments and Agencies (MDA) and build capacity in the Accountant General's office. The assistance is coordinated with the structural reform benchmarks of the 3rd IMF Staff Monitored Program targeting accountability gaps: closure of ministry sub-accounts within the Treasury Single Account and reducing cash advances.

61. **Complementing its work to improve treasury functions, the WBG will invest in audit and oversight institutions.** In coordination with other donor-funded work, the WBG will strengthen Somalia's audit framework, supporting the Auditor General to audit the government's financial statements and to collaborate with the sub-national audit bodies in line with Somalia's new Federal Audit Bill. Based on the government's request, the WBG will also strengthen its support to the *Financial Governance Committee* (FGC). The FGC structure – arms-length advisers appointed by the IMF, World Bank and EU convening national political leadership from the executive and the legislature - enables technical advice and implementation support in sensitive financial governance areas, including concessions, natural resource sharing and PFM reforms. This helps to increase confidence in government contracting and concessions processes. Looking ahead, the FGC will continue to provide oversight of broad financial governance progress, fiscal federalism and transparent management of natural resources, and concessions. The FGC, although a modest investment, leverages sectoral policy and technical assistance work, providing just-in-time confidential advisory support to senior leadership. For example, the Public Private Infrastructure Advisory Facility (PPIAF) will extend support to prepare a legal framework for Public Private Partnerships (PPP), building on the reviews of the airport and ports concessions carried out by the FGC.

62. **Linked to technical assistance, the CPF envisions a substantial scaling-up of performance-linked financing through the budget using recurrent-cost financing.** The largest program in the WBG portfolio has been the *Recurrent Cost and Reform Financing Project* (RCRF- P154875) which has helped relieve macro-fiscal pressure and pilot fiscal transfers to emerging regions based on eligibility criteria. In 2017,

²⁶ 180 out of 180 countries, just below South Sudan and Syria.

https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table

the RCRF formalized a set of reform benchmarks with the Federal Government and offered additional incentives conditional upon performance in revenue generation; public financial management and payment processes, and; inter-governmental fiscal relations. Benchmarking is welcomed by the authorities, has intensified Federal Member States' engagement with the Federal Government, and has accelerated reforms required under the 2nd IMF SMP by focusing cross-government political attention on key reforms. Building on this, the Bank is scaling up the RCRF program with an IDA Pre-Arrears Clearance Grant of \$60 million and increased Multi Partner Fund support to introduce disbursement-linked indicators (DLIs) and refocus the program on services and inter-governmental fiscal relations. The RCRF Additional Financing is one element of a coordinated approach closely coordinated with the benchmarks of the proposed EU budget support and the 3rd IMF Staff Monitored Program (June 2018 – April 2019) aiming to accelerate progress towards the HIPC Decision Point.

63. **Following a Mid-Term Review, the *Capacity Injection Project (CIP)* will restructure to focus on priority service delivery ministries and civil service reform.** Public service accountability and effectiveness – uniformed and civilian – are key to broader systems reform, citizens' trust and services. The ongoing CIP (P-149971) finances human resource and headcount audits at federal and sub-national levels, including in Somaliland, to strengthen payrolls and establish the baseline for right-sizing, severance and pensions. CIP also continues to finance the recruitment of new staffing into key ministries (around 200 new recruits have been brought in at the mid-point of this project). The government has agreed to strengthen female recruitment into middle and upper management positions by lifting the CIP target of female recruits to 30 percent of total intake (from 20 percent) under a new National Public-Sector Reform Strategy. To mitigate the risk of unsustainable wage bill expansion and safeguard future RCRF-supported fiscal transfers, CIP will be rationalised in line with the country's fiscal framework. Meanwhile, in the security sector, the Bank will initiate parallel technical assistance with the Ministry of Finance to support payroll accountability and fiscal sustainability in line with the government's Operational Readiness Assessment of the Somali National Security Forces. This work builds on the *Security and Justice Public Expenditure Review for Somalia* which the Bank published in 2017 in partnership with the United Nations.

64. **Finally, the CPF will continue to support the monitoring of macroeconomic and poverty indicators as a foundation for policy-making and economic resilience.** Production of poverty data is improving but regular household surveys are needed to deepen analysis for targeting of investments and broader macro-economic monitoring. Through its *Knowledge 4 Results Facility*, the Bank is investing in high-frequency household consumption surveys and in FY19 will expand to a household budget survey to strengthen CPI data to build the national poverty profile. This work will be part of a new initiative to strengthen statistical and economic planning capacity within the Ministry of Planning, Investment and Economic Development and to support the elaboration of the next National Development Plan as an Interim Poverty Reduction Strategy Paper, as required under the HIPC process. The NDP will build on the WBG's collaboration with government and the UN on the Drought Impact Needs Assessment (DINA) and the Recovery and Resilience Framework (RRF).

Objective 1.2 – Enhance domestic revenue mobilization and resource sharing

Expected results highlights:

- Doubling of inland revenue collection through automation and strengthened tax instruments
- Adoption of a policy framework for inter-governmental fiscal transfers
- Legislation prepared to harmonize taxes between Federal Government and Federal Member States
- Increased public engagement in domestic revenue mobilization through public outreach

65. **Building on a doubling of federal revenues in the last four years, the Bank will introduce substantial new technical assistance for customs, tax policy and inland revenue.** Domestic revenue (taxes plus fees) as a share of GDP remains very low, at around 3.0 percent of GDP. Increasing fiscal space - to avoid dependence and to finance essential services - is a key to overcoming the fragility trap and a key objective of the CPF, however will require an incremental and consultative approach given sensitivities in the business community. The Bank will provide just-in time support to the Ministry of Finance in partnership with the World Customs Organisation to (i) strengthen customs-business community collaboration, (ii) contribute to enhanced collaboration between FGS and FMS customs administrations and personnel to reduce port competition, (iii) strengthen evidence-based decision making in customs based on the use of data analytics in the ports of Mogadishu, Bossaso (in Puntland) and Kismayo (in Jubbaland). Equally, and in line with the Revenue Bill under preparation, the Additional Financing for the *Domestic Revenue Mobilization and Public Finance Management Capacity Strengthening Project* will invest in tax policy and administration (including systems automation) and taxpayer education. Given the powerful business community, tax reform will require sustained public private dialogue to design regulation and fiscal regimes, notably for the natural resources, telecoms and financial sectors.

66. **The RCRF will invest in improved inter-governmental fiscal relations.** Combined with public and private agreements on tax, reaching inter-governmental pacts on powers, responsibilities and functions is a foundation of a coherent and legitimate federation in Somalia. The emergence of new Federal Member States has formalized new actors in the federation; however, capacities remain uneven, and functional assignments are unclear. Over the CPF period, the Federal Government envisages increasing the volume of fiscal transfers from the Federal budget to the Federal Member States, intended to finance services, infrastructure and security sector. The RCRF plays a critical role in building the accountability of fiscal transfers, as well as the capacity at the sub-national level to absorb funds. Low levels of trust risks undermining broader political processes. Therefore, the Bank will continue to support an Inter-Governmental Fiscal Forum among Finance Ministers and will finance a staffed secretariat to the Forum as a platform for negotiation and policy-making.

67. **Finally, the Bank will provide technical assistance to the implementation of revenue- and resource-sharing arrangements in the natural resources sector.** Progress towards reaching revenue- and resource-sharing agreements has accelerated in 2018 with agreements on fisheries and hydrocarbons. In February 2018, the Federal Government of Somalia and the Federal States signed an Interim Agreement on the Sharing of the Revenues Generated from Fishing Licenses. This has paved the way for the Federal Government to issue tuna licenses to owners/operators of fishing vessels to fish between 24 and 200 nautical miles. With WBG technical assistance, it is hoped the government will issue the first licences in 2018, in time for the tuna fishing season, between July to November. In June 2018, a further agreement was reached on ownership, management, and revenue sharing for Petroleum and Minerals. Although relatively modest in terms of financing, the Bank is providing strategic technical assistance in these areas. The *Somalia Petroleum Technical Assistance Project* (SOPTAP – P164175) is intended to support the design of the Somali Petroleum Authority and the sector communications effort as a bridge to longer-term support in this sector. In both sectors, the Bank will seek opportunities to increase governance work to generate revenues, based on transparency and equitable resource-sharing.

Objective 1.3 – Improve delivery systems for more inclusive social services

Expected results highlights:

- 750 additional Female Health Workers selected according to guidelines, trained, and verified to actively provide basic health services
- 3,000 teachers tested on literacy, numeracy and teaching skills
- 30 percent of Gender-Based Violence survivors in selected communities receive case management and psychosocial support services in Puntland.

68. **The CPF will ensure continued investment in data and analytics as a basis for policy dialogue and investment in human capital development.** In the health sector, the Bank is preparing analytical work with the Ministry of Health to identify mechanisms for performance-based contracting of service delivery. In the education sector, lessons from the RCRF engagement as well as the ongoing analytical work are expected to prepare the ground for an engagement to support improved quality of teaching and learning, harmonization of national assessments and increased government capacity within clarified functional assignments. With the recent completion of a major stocktaking and policy review of existing Social Protection approaches in Somalia, the Bank team will start work, together with international donor and humanitarian partners, to build the systems of government necessary to leverage existing cash-transfers towards a more sustainable social safety net system able to respond to shocks. This will leverage the WBG's work in Focus Area 2 on payment systems and mobile money, a digital ID system and should bridge existing humanitarian and development efforts to put in place a beneficiary registry.

69. **Through the RCRF Additional Financing, the Bank will scale up investments in the delivery of education and health services at the sub-national level, while developing quality monitoring at the national and sub-national levels.** In a landscape of fragmented and uneven quality of service delivery, the government has a role in setting and monitoring standards and formalizing the provision of services. The RCRF aims to improve education service delivery through two sub-components focusing on teacher assessment and school supervision. In the health sector, the RCRF will support establishing the foundations required for future scale-up of health service delivery models, i.e., developing the Female Health Workers cadre and strengthening government's stewardship and intergovernmental coordination. The RCRF program will therefore spearhead the use of the budget for fiscal transfer-based service delivery in Somalia's regions. This will require additional capacity at local levels of government to be able to engage with private sector service providers as well as a national dialogue – supported by the RCRF - on the assignment of functions for education and health sectors. The RCRF program will be linked to a broader fiscal framework and Public Expenditure Review to ensure that service delivery in Somalia's regions is affordable over the medium term.

70. **Building on the Bank's experience with the Somali Research and Education Network (REN), the Bank will review options for technology-based solutions to extend services to the most vulnerable.** Under the *ICT Sector Support Program*, and in conjunction with the EU AfricaConnect 2 program, finance was provided to allow the Somali REN to invest in international internet connectivity. A 155 Mbit/s connection was launched in July 2018 with an initial seven universities connected, and a network operations centre hosted by the Somali REN. Moving forwards, it is hoped to extend this connectivity beyond Mogadishu to the rest of the country, and to facilitate greater international collaboration. There is also a need to extend support to secondary and even primary schools, so that young Somalis can acquire digital literacy skills from an earlier age, to help prepare them for the needs of the digital economy. The unique and challenging environment in Somalia will require innovative solutions for expanding the benefits of service delivery. Such solutions are likely to be based on the digital, mobile networks: nine out

of ten Somalis own a mobile and seven out of ten regularly use their mobile to access mobile money. The Bank will support the piloting of innovations to (i) use curriculum mapped digital content using open source materials to rapidly scale up training and provide continuous support to poorly trained teachers in traditional and private schools, and (ii) provide content in digital format to students in lieu of traditional textbooks. This initiative will build on the expected expansion of connectivity through the fibre optic national backbone and anticipated fall in broadband prices.

Objective 1.4 – Build the capacity of municipalities for urban resilience

Expected results highlights:

- 150,000 person-days of employment for the rehabilitation or construction of roads in Mogadishu, Garowe, Kismayo and Baidoa; 30 percent of person-days created will target women and 30 percent of person-days created will target youth;
- 30 percent women, 30 percent host communities and 20 percent IDPs benefit from municipal investments in infrastructure and services in selected cities; and
- Rehabilitation of 30 kilometres of road in selected cities.

71. **The Urbanization Review under preparation will help municipal and central authorities understand the status of urbanization and the role of urban areas in supporting a resilient future.** The Urbanization Review will examine the role of Somalia’s urban areas as centres of governance, safe havens from conflict and shocks, and growth hubs. It will also review the provision of services, including water and sanitation, and opportunities for vulnerable and excluded groups as well as understanding the role of public spaces in social cohesion and safety, particularly for women and youth.

72. **The Urbanization Review will feed into coordinated policy dialogue on urbanization and resilience, while also informing the Bank’s expanded Urban Resilience Program.** Designed as a national urban resilience approach, the SURP (P163857) will roll out incrementally based on funding, access and performance, starting in Mogadishu and Garowe. For the period of this CPF, this focus on urban resilience will encompass the measures needed to support urban centres to continue as ‘safe havens’ from man-made and climate-related shocks. Based on Somalia’s experience of internal migration over the last few decades, urban centres need to rapidly expand services to increasing numbers of urban poor and to put in place infrastructure that can contribute to local growth and jobs. The government has requested the project to expand in scope to address the four dimensions of urban resilience: economic, physical, social and institutional. Moreover, while addressing urban resilience at the municipal level, the project aims to strengthen inter-governmental relationships between the federal, state, region and municipal levels. By strengthening communications between the local government and the citizens, the project also aims to strengthen the state-citizen relationship and the government’s legitimacy by providing visible and tangible benefits. Investment plans for town and city water supply have been prepared for seven towns in the north of Somalia and investment plans are under preparation for Kismayo and Baidoa.

CPF Focus Area 2: Restoring Economic Resilience and Opportunities

Strategic objectives:

- 2.1: Improve the business environment and lower barriers to entry
- 2.2: Increase access to finance for inclusion and digital development
- 2.3: Increasing access to renewable energy
- 2.4: Increase access to water for rural resilience and productivity

73. **Under Focus Area 2 the WBG aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth.** Modest growth of 2.5 percent is insufficient to deliver poverty reduction or absorb accelerating labor market entrants. Held back by insecurity, informality, weak financial intermediation and high barriers to market entry, private investment is low. The business community which has enabled a vibrant but informal trade to date, is actively seeking formalization as an entry point for regional integration, increased trade and investment. Equally, Focus Area 2 will seek to address structural drivers of vulnerability. The Drought Impact Needs Assessment estimated the impact of the 2016/7 drought at over \$3 billion – largely reflecting livestock deaths, to which the economy is highly exposed. This Focus Area seeks therefore to restore resilience, including to climate-related shocks, through increasing access to digital and financial services and affordable energy as the foundations for a diverse and resilient economy and diversifying productive opportunities to agriculture and sustainable fisheries.

74. **Reaching these goals depends on delivering as one World Bank Group.** IFC is preparing client-focused technical assistance to develop firm-level and investment climate activities. IFC will also continue the Public-Private Dialogue (PPD) to improve trust between government and business, and to identify regulatory or other bottlenecks to improve the investment climate. Through the *Financial Institutions Development Project* (FIDEP) but also through other forthcoming projects, IFC is identifying future potential clients in the financial sector and will start advisory interventions in corporate governance, compliance (including on Anti-Money Laundering/Combating the Financing of Terrorism – AML/CFT) and operations (risk management, digital finance, SME finance). This ground work is financed through the IFC Somalia Trust Fund in combination with the IFC Conflict Affected States (CASA) Multi-Donor Trust Fund and is undertaken in close coordination with IDA. In addition, Somalia is in the process of reactivating its MIGA membership to provide much-needed cover to foreign investors and attract more foreign investment. Once complete, and with Board endorsement, MIGA could also re-engage in specific projects to provide much-needed cover to foreign investors on an exceptional basis. In the meantime, MIGA will continue to look for opportunities to support foreign investment into Somalia outside of MIGA membership, through its Conflict Affected and Fragile Economies Facility (CAFEF).

Objective 2.1: Improve the business environment and lower the barriers to entry

Expected results highlights:

- The One Stop Shop becomes operational in Somalia and registers 400 businesses (200 in Somaliland);

75. **The WBG will help Somalia lower the barriers currently facing small and medium-sized enterprises.** The business environment is characterized by weak or absent regulatory frameworks; limited

access to credit, energy and skilled labor; and complex business registration and permit procedures. While active in telecommunications and digital finance, agribusinesses (agriculture and livestock), and trade and transportation, businesses remain informal and market power is concentrated in a few, large actors often well-connected politically. Given the sensitivities in the environment, the Public Private Dialogue will continue to be a relevant instrument to convene stakeholders, build trust and debate the steps by which new regulation is brought into the market. IDA and IFC - through its advisory projects - will support the implementation of the forthcoming Companies Act, and the establishment of an Investment Promotion Agency and One-Stop Shop for business registration and investment licensing. IFC's *Somalia Investment Climate Reform Project* (SICRP) will target investment barriers in catalytic sectors such as finance, energy and ICT. Building on SICRP, IFC is also preparing a Trade and Investment programme designed to target regional trade opportunities, including through Public Private Partnerships (PPPs).

76. **During the first two years of the CPF period, IFC will also build the analytical base for scalable investments in appropriate technical and vocational skills.** Analysis and data on the supply and demand for labor is scarce, and experience in skills development is fragmented across a vibrant, but uneven, domestic private and tertiary education sector. Explicit consideration of barriers to employment of marginalized groups including women will be given priority. This analysis would include (i) a stock-taking of technical-vocational and tertiary education, including the type of providers and the financing of these services; (ii) an assessment of the demand for skills in sectors with potential for growth and employment; and (iii) the role of the state in setting standards and quality assurance.

Objective 2.2: Increase access to finance for inclusion and digital development

Expected results highlights:

- One third of women-owned Small and Medium Enterprises (SMEs) have access to financial capital to support growth and jobs; and
- Three new financial products launched to improve financial inclusion and intermediation.

77. **The WBG will help expand access to finance and opportunities for digital development by strengthening the regulatory institutions and market infrastructure.** Somalia's financial services market is expanding and evolving rapidly, notably with mobile money becoming the main instrument including for channelling remittances. Increased access to more secure and diverse financial instruments can expand economic opportunity for individuals and firms. The new program for financial and digital development will partner with the CBS, and the National Communications Authority (NCA) for capacity building and systems upgrading to support accountability, secure transactions and a national payments/settlement system to enable efficient intermediation. The project will also partner with financial institutions to enhance financial intermediation using a financing mechanism to crowd in public and private capital using a broad range of financial instruments (i.e., debt/equity/guarantees) to support enterprise growth, particularly for women and youth. The WBG will continue to partner with government to share global experience and expertise regarding digital development, e-government (including for citizen engagement and grievance redress systems), and the launch of a unique digital ID.

78. **Complementing IDA, IFC plans to increase its focus on financial sector actors through advisory work.** The FIDEP project will address information asymmetries in the sector by providing advisory services directly to financial institutions to improve the quality of reporting standards by commercial banks; governance and prudential compliance norms; addressing capacity gaps and promoting leasing finance, SME banking, and agribusiness.

Objective 2.3: Increase access to renewable energy

Expected results highlights:

- Thirty percent of energy generated is from renewable energy sources; and
- Private sector providers supply the market with high-quality, modern solar home systems.

79. **Building on the energy sector masterplan currently supported under the MPF, the Bank will leverage the ‘Lighting Africa Model’ to develop off-grid and mini-grid solutions in the major urban areas.** At \$1/kilowatt hour, power is currently a constraint rather than an enabler of inclusive economic growth. During the 1990s, electricity generation and distribution infrastructure suffered from disuse, as well as limited oversight, operation, and maintenance. Today, capacity is approximately 100 MW (exact figures vary by source) and the formerly-centralized utility has been replaced by a large number of private generators operating medium, small, and micro-grids. Electricity is supplied under inefficient and costly conditions: small private generators often supply their clients’ homes directly with wires running directly from the generating machines to the homes of the customers. The planned \$5.5-million *Somalia Energy Access Project* (SEAP) will help to reduce market barriers for the private sector to provide modern solar lighting to some of the 1.8 million households in Somalia without electricity by focusing on access to finance targeting (i) poorer household and small businesses in urban and peri urban areas, (ii) isolated villages and smaller settlements where mini-grids do not make economic sense, and (iii) nomadic pastoralists whose livelihoods do not lend themselves to a fixed electricity connection. Given the high risk of operating in Somalia, significant private sector engagement in the energy sector will require support from the public sector and new PPP models for engagement. Under the trade and investment programme, IFC will explore opportunities for greater engagement in the sector and opportunities for PPP, and will use its advisory services to develop its understanding of its gaps and needs.

80. **More broadly, the WBG will help planning for longer term development of the sector, including through potential linkages into regional markets.** Interest in both on-grid and off-grid renewable energy technologies is expanding, driven in part by the high cost of diesel generation and increased political stability. Large-scale grid-connected centralized PV generation is being developed, and off-grid solar is playing an increasingly important role. The WBG is currently providing support for the development of a Power Sector Master Plan, which will help government plan for optimal use of Somalia’s renewable resources. Development of a medium-voltage network is a pre-requisite for interconnections: while no current interconnections exist between Somalia and neighboring countries, the WBG will be supporting a study on interconnection between Ethiopia and Somalia. Additionally, the Eastern Africa Power Pool (EAPP) may offer a potential source of least-cost power.

Objective 2.4: Increase access to water for rural resilience and productivity

Expected results highlights:

- 250,000 people (o/w 140,000 women) in rural areas provided with access to improved water sources for multiple uses: domestic, livestock and horticulture;
- 250,000 producers reached with agricultural assets or services and 100,000 producers adopting improved agricultural (cropping and livestock) technology; and
- 100,000 hectares of rangelands managed by communities.

81. **The livestock and crop subsectors remain the main sources of economic activity and employment, but are extremely vulnerable to climate- and market-related shocks.** Despite Somalia’s

agricultural potential, the country is highly food insecure. In 2015 food aid and food imports exceeded domestic production of grains, which is 60 percent below pre-war levels. To strengthen rural resilience and productivity, the Bank will invest a Pre-Arrears Clearance Grant of \$40 million to increase access to water resources among local communities, support environmental management, and strengthen agricultural knowledge and innovation systems. The grant scales up a successful pilot (*Water for Agro-pastoral Livelihoods – WALP – P152024*) that has proven the capacity of local government and communities to build and manage sand and sub-surface dams. The approach will ensure a bottom-up planning process to link communities' needs with a mixed service-delivery model (public, private, civic and community) that is led and coordinated from the state level with federal level oversight. Re-establishing a limited but core public sector role in the agricultural innovation system will help re-integrate private and civil society service delivery, extend the reach of services, and bring back basic building blocks needed for effective regulation of seeds, chemicals and drugs.

82. Youth and women stand to benefit from the combination of improved water access, environmental management and agricultural innovation. Increased and more diverse production will improve nutritional outcomes for women and children. Water for high-value horticulture production is an area of interest for Somalia's entrepreneurial youth looking for ways to tap into dynamic growing domestic urban markets for higher value crops such as fruit and vegetables, livestock and dairy products. In rural areas traditional lifestyles linked to traditional forms of livelihoods provide limited opportunities for women to engage in economic activity. Shifting away from traditional agricultural practices presents an opportunity to expand economic opportunities of women, particularly in rural areas.

83. Beyond a core focus on water for resilient agriculture, the WBG is engaging on livestock and fisheries value chains to help plan for a more diversified and sustainable rural economy. With better management, both coastal and offshore fisheries have potential to grow. Development of coastal fisheries has the potential to provide jobs while improved governance of off-shore fishing has the potential to generate revenue during the early stages of this CPF. For off-shore fishing, this will require improving the governance and management of marine stocks and licensing. The potential for impact on local economies and jobs will require investments in small-scale storage, fish landing sites, and cold-chain infrastructure. Somalia has one of the largest livestock populations in the world and large areas of the country are suitable for grazing, browsing, and fodder production. Milk production has grown steadily since the late 1980s, reaching some 1.1 million tons by 2013, with a gross market value estimated at about \$2.7 billion (US\$1.65 billion just for camel milk). The WBG will support the FGS-led development of a multi-year strategy that will contribute to enhanced competitiveness and climate resilient, environmentally sustainable growth of Somalia's livestock sector.

Inclusive approaches across the CPF

84. Inclusive approaches to delivering the CPF will be critical to prevent conflict and sustain the momentum of the transition. Recent studies²⁷ as well as experience from working in Somalia underline the importance of three principles for conflict prevention. The first is to *sustain prevention and balance short and long-term approaches flexibly*. In the Somalia case, this means activities should be able to respond rapidly to new pressures as they emerge, while maintaining their long-term goals and incentives. Specifically, project design will continue to set medium-term objectives, while making use of iterative, learning-by-doing project delivery and regular restructurings. Unfunded emergency components (for urban resilience) and draw-down facilities (for technical assistance) will be integrated into design to help

²⁷ "Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict", United Nations & World Bank, 2017.

projects respond to new priorities and crises. More broadly, the objective of setting out a full Country Partnership Framework is to help manage short-term volatility by setting a clear medium-term vision.

85. **The second principle is the *inclusion of different groups*.** The Bank will promote inclusive dialogue and consultative approaches to project design and delivery, with a particular focus on effective intergovernmental dialogue under the RCRF. The allocation of resources – domestic revenue, aid and natural resource revenues – requires the development of a rules-based system reflecting agreed-upon principles that can help reduce tensions and mistrust. Equally, through its work on service delivery, the WBG will pay attention to *how* services are delivered and *to whom*, with a proactive effort to establish citizen-outreach and grievance redress systems within the program.

86. **The third principle is the *proactive targeting of grievances and exclusion*.** Targeting exclusion in Somalia will mean that activities should avoid purely top-down interventions prone to elite capture, further contributing to perceptions of exclusion. Inclusion of women, IDPs and youth will therefore be a focus in all WBG work, starting with the data to allow more targeted interventions. Protection challenges and gender-based violence will remain a central focus both through the targeted *Inclusive Community Resilience and GBV Pilot* as well as through increased social risk assessment to ensure WBG operations minimize and mitigate potential risks of GBV and sexual exploitation, harassment and abuse across operations (see Annex 6). Finally, the WBG will continue to work in the security and development nexus to reduce the potential for corruption and mismanagement of a contentious sector.

IV. IMPLEMENTING THE COUNTRY PARTNERSHIP FRAMEWORK

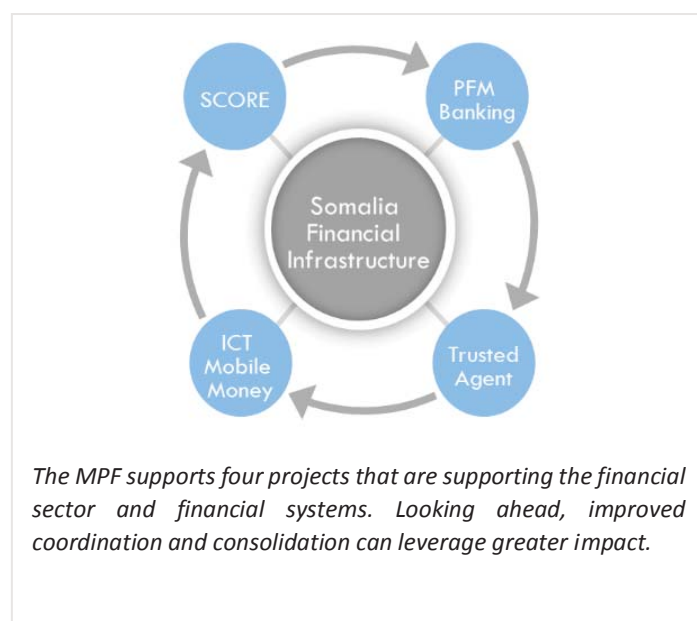
A. Lessons from the implementation of the portfolio²⁸

87. **In 2017, the Bank undertook a review of the ongoing MPF-funded portfolio.** Somalia presents a challenging context for WBG operations. Key challenges have included the absence of government staff familiar with World Bank programming, and supervision constraints, primarily physical access to project sites in some areas. Nevertheless, the WBG portfolio has performed well to date, incorporating approaches from other Fragile and Conflict-Affected Countries. The review identified some approaches that can be strengthened as ingredients for successful delivery of the CPF.

- **Sequencing:** From analytical work, through advisory work, to small pilots leading ultimately to larger investment projects, the sequencing of WBG engagements enabled better navigation of risks in a fluid context. The most effective engagements condensed this sequence through a modular approach that allows for expansion as lessons are learned and capacities developed. Applying this lesson in the CPF means working incrementally, building on existing projects and fresh data and adjusting during implementation. During the first two years of the CPF, the WBG will continue to build knowledge and strengthen policy dialogue with the objective of preparing and informing the investment pipeline including in areas such as human and social development, ID, and the productive sectors including fisheries.

²⁸ The Bank has not undertaken a Completion and Learning Review (CLR) given that the previous strategy was an Interim Strategy Note (ISN). However, the WBG team has undertaken a light-touch Country Portfolio Performance Review (CPPR), the lessons of which are reflected here.

Figure 11: Interdependencies in financial sector programming



- Leveraging interdependencies: The CPPR also identified missed opportunities to leverage the synergies across the portfolio. The CPPR found that despite many interdependencies, lack of coordination between task teams led to less efficient delivery of the overall portfolio. The CPF portfolio will aim to consolidate linkages and interdependencies by having fewer (but larger) cross-sector projects which can also take advantage of flexible modalities – both Bank-executed and recipient-executed. See Figure 11 for one example of how interdependencies are helping build the financial sector.

- Clarity on inter-governmental relations: The nascent federal structures and lack of

clear functional assignments was identified as an implementation challenge during the portfolio review. This challenge was most clearly seen in the case of projects operating in more than one state and working through the Federal Government. Implementation was often delayed through extended deliberations within government over, for example, the choice of a centralized PIU versus the more expensive model of PIUs for each state, where and when procurement processes could be held, the nature of funds flow from central to state government levels, and accountability structures between government entities. Smooth implementation under the CPF will be dependent on achieving greater clarity on roles and responsibilities within different levels of government.

B. Financing the CPF

88. **This CPF envisages financing from trust funds, IDA Pre-Arrears Clearance Grants, and potentially from IFC investments when the context allows it.** The results framework is based only on known resources at this time and will be adjusted only based on a PLR if Somalia reaches the HIPC Decision Point. This section describes these three sources in greater detail.

89. **As Somalia prepares for IFI normalization, trust funds will provide a core layer of financing for the CPF, allowing the WBG to engage.** With support from ten donors – Denmark, EU, Finland, Germany, Italy, Norway, Sweden, Switzerland, UK, US and the World Bank’s State and Peace -Building Fund – the WBG established the Multi Partner Fund (MPF) in 2014 to support the priorities of the Somali Compact and Somaliland Special Arrangement in areas of World Bank comparative advantage, and in line with the Bank’s Interim Strategy Note. Since that time, the MPF has mobilized over \$320 million in donor grants, of which \$204 million is committed in grants. Donors have indicated willingness to continue to finance the MPF through the CPF period to deliver on their Mutual Accountability Framework targets. It is expected that the MPF will have approximately US\$150 million in additional funds to program during the CPF period. In addition, IFC has successfully attracted pledges of over \$7 million through the CPF period to support IFC advisory work, including on PPD, financial sector, business climate reforms, PPPs and women’s entrepreneurship.

90. **Country progress along the milestones-based process has unlocked access to \$140 million in IDA Pre-Arrears Clearance Grants as part of this CPF.** IDA's Pre-Arrears Clearance Grants are intended to support countries re-engaging with the WBG after years of disengagement, and to accelerate progress towards arrears clearance. In Somalia, Pre-Arrears Clearance Grants will leverage ongoing activities to ensure speed and impact and will signal international support for Somalia's sustained reform progress, strengthen capacity and incentives for the government to reach HIPC Decision Point, and help address the devastating impact of drought.

91. **Somalia's economic recovery will be private sector-led; hence, mobilizing domestic and international private capital is a critical objective of this CPF.** In this context, IFC investments could help accelerate progress in the broader WBG/MDB reengagement process. With IDA now providing Pre-Arrears Clearance Grants, IFC is extending its efforts in Somalia to advance the preparation of potential IFC investments. Potential transactions will be finalized after consultation within the Bank Group to maintain proper sequencing in the Group's reengagement, with the primary objective of reaching arrears clearance.

92. **A "high case" results scenario for the CPF can be envisaged if Somalia reaches the HIPC Decision Point.** It is feasible, given the current pace of reforms, that Somalia could reach the HIPC Decision Point within the CPF period. The required steps to reach the Decision Point include: (i) developing an Interim Poverty Reduction Strategy Paper; (ii) establishing a track record of cooperation with the WBG and the IMF, including in the context of a series of SMPs; and (iii) clearing arrears to the IMF, World Bank, and the African Development Bank. *(For additional details on the HIPC process, see Annex 5).* At HIPC Decision Point, and after multilateral arrears are cleared, Somalia would have access to IDA and other concessional sources of finance. Notably, IDA access would also include the Private Sector Window (PSW) which enables IFC investments in contexts with higher credit risks. Likewise, IDA's regional window will enable participation in regional investments for trade and transport, water, energy and other relevant projects (subject to the respective eligibility criteria). Finally, the IDA Crisis Response Window, which helped finance the drought response in 2017, would be callable in case of eligible future shocks.

93. **Were the enabling conditions for progress to deteriorate, IFI normalization would likely be delayed.** If political and security conditions deteriorate, the space for institutional reforms may narrow, causing the country to miss important milestones *en route* to IFI arrears clearance. Under this scenario, depending on the severity, broader donor support for Somalia may also decline, potentially impacting the availability of trust funds as well. The Bank program is designed to allow resourcing to flow to ongoing projects on an iterative basis with a frequent use of additional financing and restructuring instruments. This enables greater agility in the allocation of resources allowing the Bank to respond appropriately to changing context.

94. **Investments during the CPF period will be designed to build on and strengthen existing activities in an agile and iterative approach.** Building on the flexible design adopted by most ongoing projects, new resources can be added to scalable programs as they become available, through restructuring and additional financing operations. Parallel sector activities will be resisted where possible, and integrated into existing operations – hence scaling up the RCRF for health and education sector work.

Table 3: Indicative Investment Program, FY19-22²⁹

Focus Area	Indicative Investments
Strengthening institutions to deliver services	• Additional Financing Public Finance Management and Domestic Revenue Mobilization Project (\$10m MPF & \$20m IDA PAC grant, FY19) • Recurrent Cost & Reform Financing (RCRF) II (\$60m MPF and \$60m IDA PAC grant, FY19) • Public Sector Capacity Injection and Institutional Strengthening Project (CIP) (\$10m, MPF, FY19 and additional tranches in FY21) • Somali Urban Resilience (SURP) (\$6m, MPF, FY19, and additional \$64m through FY22) • Safety Nets Pilot (FY19)
Economic Resilience and Opportunities	• Somalia Capacity Enhancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP) (\$10m MPF, \$20m IDA PAC, FY19) • Somalia Energy Access Project (SEAP) (\$5.5m, MPF, FY19) • Water for Agriculture and Pastoral Livelihoods Phase II (\$40m, IDA PAC, FY19) • Inclusive Community Resilience and GBV pilot (\$1.4m, GFDRR, FY19) • Fisheries Pilot Project (FY19)

95. **CPF investment operations will be matched by intensive analytical, statistical and knowledge work to fill data gaps and build capacity.** The Bank's knowledge program has been funded through the Knowledge 4 Results facility in the Multi Partner Fund, which has already generated a number of important analyses: the high-frequency household survey, enabling the elaboration of a poverty assessment and national accounts; the Security and Justice Sector PER; and the series of Somalia Economic Updates. With translation and proactive communications efforts, these products have proven catalytic within policy circles and among decision-makers. During the CPF period, the knowledge agenda will continue to inform investment activities, setting the agenda for important new policy areas including sustainable natural resource and environmental management, PPPs, ID systems, urbanization and security sector payroll reforms. The WBG will also provide analytical support for the development of the I-PRSP, including a macro-fiscal and poverty framework.

²⁹ This table is indicative and subject to ongoing dialogue with Somali government counterparts, MPF donors and the WBG teams.

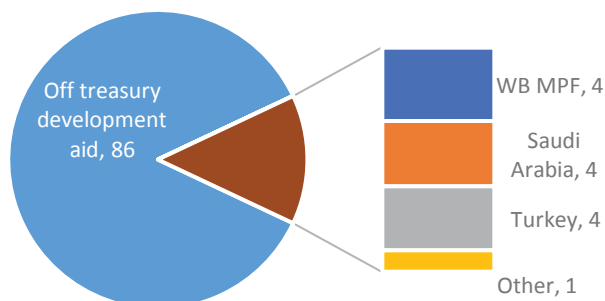
Table 4: Indicative Analytics and TA Program, FY19-22

Focus Area	Indicative Knowledge, TA and Analytical Work
Strengthening institutions to deliver services	• Public Private Infrastructure Advisory Facility work on PPP framework • Macro-economic planning and statistics (including poverty analysis, public expenditure reviews and support to the I-PRSP) • Customs Reform Technical Assistance • Health & Education Sector Knowledge Work • Support to the Financial Governance Committee • PFM Advisory Support to the Security Sector • Urbanization Review • Social Protection Analytical and Advisory Work
Economic Resilience and Opportunities	• Somalia Petroleum Technical Assistance Project • IFC Financial Institutions Development Project • Country Environmental Analysis • Roadmap for Resilience and Growth of Somalia's Livestock Sector • Somali Resilient Multiple Use Water Services • CHOICES evaluation - interventions for young adolescents and their parents to transform gender norms in Somalia – Impact Evaluation • Somalia Investment Climate Reform Program II

C. Partnerships and Donor Coordination

96. **With an ODA to GDP ratio of 26 percent, Somalia is highly aid-dependent.** ODA – including humanitarian financing – has grown over the last decade from around \$400 million in 2006 to the record year of \$1.75 billion in 2017, driven by the humanitarian response to the drought. Key donors to Somalia include the EU, US and UK, accounting for over two-thirds of humanitarian assistance last year. Regional countries are closely involved in Somalia, and some support the government with direct assistance.

Figure 12: Share of on-treasury ODA in Somalia

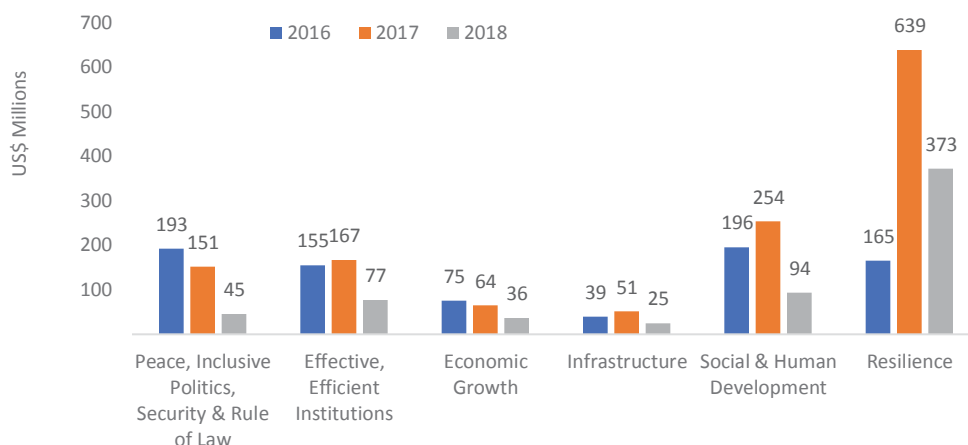


Source: Aid Flows Analysis.

97. **The 2012 Somali Compact – based on the G7/New Deal for fragile states – established a mechanism for country ownership and coordination following years of fragmentation.** The Bank, the African Development Bank and the UN have been the major supporters of this framework through the

three aligned trust funds under the Somalia Development and Reconstruction Facility (SDRF), allowing each to focus on areas of comparative advantage. Building on this, international actors agreed a “New Partnership for Somalia” in May 2017, aligning security, political and economic actors together within a Mutual Accountability Framework (MAF).³⁰ The UN’s integrated political, development and humanitarian mission in Somalia facilitates high-level coordination on key political and security milestones, including the Constitutional Review process, and agreement on the electoral model for 2020.

Figure 13: Aid Flows by Sector



Source: Aid Flows Analysis.

98. **Nevertheless, Somalia’s aid landscape remains fragmented and is dominated by off-budget aid flows.** With the re-engagement of the World Bank in 2013, the MPF has provided a mechanism for donors to finance government institutions, on-budget, based on accountability and monitoring mechanisms. The MPF has mobilized over \$320 million in pledges, pooled to achieve common national objectives. The MPF has demonstrated that Somali institutions have the capabilities to absorb and disburse funds effectively and in line with WBG policies and procedures. Looking ahead, the use of pooled resources – including of the UN and African Development Bank funds – is expected to continue to expand and thereby enable synergies, impact and national ownership.

99. **WBG/UN relations in Somalia are very strong and focused on the humanitarian-development-peace (HDP) nexus and the “New Way of Working”³¹.** The drought response, coordinated by the government and the UN, successfully averted famine in 2017. The IDA \$50-million *Emergency Drought Response and Recovery Project* (SEDRP) financed by the IDA Crisis Response Window on an exceptional basis, brought together ICRC’s rapid-disbursing humanitarian relief model with longer-term resilience programming through the FAO. Since then, IDA and the UN have collaborated with the government and the EU to deliver a comprehensive Drought Impact Needs Assessment to identify both the economic and human impact of drought as well as recovery priorities. The Bank and UN have also collaborated on security sector reform, notably through the joint Security and Justice Sector Public Expenditure Review (SJPER), as well as on ASA for agriculture, ID, Youth and GBV. During the CPF period, WBG/UN coordination is expected to continue on the HDP nexus, including in security sector and resilience programming.

³⁰ <https://unsom.unmissions.org/sites/default/files/new-partnership-for-somalia-may-2017.pdf.pdf>

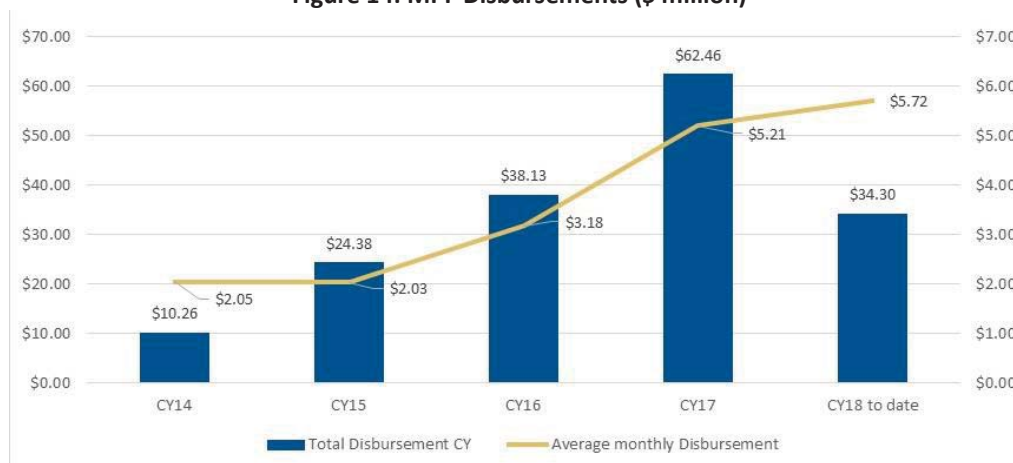
³¹ Agreed among UN and WBG and other international actors at the 2016 World Humanitarian Summit, the New Way of Working seeks to synchronize resources to support vulnerable people in situations of crisis. <https://www.agendaforhumanity.org/initiatives/5358>

100. **Beyond the UN agencies, collaboration will continue across all the WBG’s work in Somalia.** Key elements during the CPF period will include close partnership with budget support financiers and the IMF on policy dialogue and PFM technical assistance providers, supported by the inter-agency FGC; dialogue with diplomatic analysts to ensure development and political work is mutually-informed and mutually-supporting to the extent possible; convening of private sector and Development Finance Institutions with the government, including through the PPD; and partnership with Somali think tanks and academia on sector analytics and surveys.

D. Managing CPF Operations

101. **Despite severe capacity gaps, the MPF has demonstrated Somali institutions have absorption capacity: disbursements have increased significantly and are expected to increase exponentially as new programs come on stream (see Figure 14).** MPF funding is designed to build Somali capacity by using country systems while applying significant technical support to address bottlenecks – mainly relating to fiduciary controls, procurement and fund flows and banking arrangements. Disbursements have increased year on year as institutional capacity increases, and as new financing becomes available to active grants.

Figure 14: MPF Disbursements (\$ million)



102. **Nevertheless, the complexity of the context requires intensive staffing, frequent travel in-country and multi-layered implementation and supervision.** Since 2012, the WBG team has expanded to over 40 people with intensifying mission travel. A systematic security system is now in place, coordinated by a full-time security specialist in Mogadishu, enabling teams to access most urban areas and rural areas in the north to undertake on-site supervision. For supervision, independent monitoring agent arrangements have been put in place and going forward will be increasingly built into project design. The monitoring agent supports task teams to conduct verification of expenditures, assets and quality of works. As the portfolio expands, the WBG will establish dedicated offices in Mogadishu and will also explore remote-sensing, geo-enabled monitoring and citizen feedback/score-card approaches to improve supervision.³² Close coordination with the UN and other partners allows for informed security decision-

³² The Bank team is working with the Global Partnership for Social Accountability (GPSA), which was created in 2012 by the Board of Executive Directors of the World Bank to expand opportunity for civil society to collaborate with governments, using beneficiary feedback and citizen engagement in order to improve development results. Following initial discussions with the government, Somalia is due to “opt-in” to the GPSA in the coming period. Pending the opt-in, an initial pilot activity in Somalia would: 1) build and facilitate an informed public dialogue around

making – but also offers the potential for the CPF to deploy third-party *implementation* in partnership with the government through performance-based contracting in line with good practice from other FCV countries.

103. **If Somalia reaches the HIPC Decision Point and clears its arrears to IDA, the Bank will adjust the Financing and Results Framework, through a Performance and Learning Review (PLR).** A PLR will also be required to ensure the CPF is adaptive to a fluid country context and evolving data on development and poverty. The PLR would also provide the opportunity to shift program emphasis if there are new priorities emerging as part of the new National Development Plan.

Procurement

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

105. **A hands-on approach, including through the introduction of the Systematic Tracking of Exchanges in Procurement (STEP) system, is key to enable smooth and reliable procurement.** STEP allows the systematic planning and tracking of procurement activities throughout the project cycle, including online collaboration with clients. Project Implementation Units (PIUs) have been trained and are using STEP; the World Bank STEP Champion and the Procurement Specialist are closely working with the PIUs and have provided trainings to local staff. For procurement packages that are deemed to pose challenges to the PIUs, the Bank has provided additional procurement support through a short-term consultant to work with them on procurement processing, including assistance in drafting bidding documents, providing guidance on evaluation of bids and drafting of Bid Evaluation Reports (BERs).

Financial Management

106. **Financial management in Somalia is complicated by a fragmented and asymmetric PFM architecture and limited access.** The WBG’s approach in Somalia is to combine the fiduciary assurance function at the project level with the development of institutional PFM capacities: learning by doing. Project-level fiduciary arrangements are designed to facilitate and promote the sustainable development of institutions. The offices of the Accountant General and Auditor General are central to fiduciary oversight. In line with the principles of SMART fiduciary practices, FM arrangements for each of the projects is centralized and managed by special units, namely the External Assistance Fiduciary Section (EAFS), headed by the EAFS Director and reporting to the Accountant General at FGS and each of the Federal Member States. The EAFS units are designed to ensure harmonization, donor coordination, reduction in duplication, fragmentation and proliferation of donor-specific FM units. The EAFS is using the Somalia Financial Management Information System (SFMIS) to prepare and publish project financial reports. Meanwhile, the various offices of the Auditor General, with support of a qualified and registered practicing audit TA firm, are responsible for project audits. Given the high risks, special reference and attention is made to International Standards on Auditing (ISA 800): Auditor’s Report on Special Purpose Audit Engagements.

the use of Somalia’s public funds, and 2) use the results and evidence from the public dialogue to increase interface between the implementers of reform with the beneficiaries of reform.

Disbursement arrangements

107. **The implementation of the country program to date has demonstrated that Somalia has capacity to use the advance method (Designated Accounts) for the implementation of projects.** This disbursement method will continue to be used for new projects under the CPF and Designated Account (DA) ceilings will be monitored closely. The Bank financial management team and the mandated Government institutions carry out detailed review and monitoring of funds flow from the WBG to the final beneficiaries. At the portfolio and project levels mobile payments are used to reduce cash transactions, bar-coded vouchers have been introduced to compensate for lack of cheques, and funds flow are subject to closing tracking at every stage as part of project design by country's PFM oversight institutions as well as the Bank's task teams. Direct payment method is used extensively across the portfolio. The WBG will continue to explore avenues to reduce risks further including by deploying IT to enhance controls and improve top down and bottom up communication with beneficiaries. Finally, Somalia meets the criteria for the piloting of the use of Mandatory Direct Payment (MDP) for new projects. The MDP will be applied for the new and upcoming projects.

108. **Nevertheless, funds flow arrangements represent higher than usual risks given Somalia's delinking from formal global banking and payment systems.** Through innovation and close monitoring, the WBG has tailored an approach to the context, enabling WBG business to continue in the short run, while providing the institutional support to a long-run solution. DAs are domiciled at CBS for activities of the Federal Government and some of the Federal Member States. Somaliland and Puntland, however, base their DAs in off-shore commercial banks in Djibouti and Nairobi, respectively. Meanwhile, given Somalia is delinked from the formal global banking and payment systems, no direct channel exists for the flow of funds between the CBS and its Correspondent Bank, the Ziraat Bank in Turkey. MTOs are used to facilitate the flow of Bank funds between the correspondent bank and the CBS, which involves a degree of risk for WBG funds. To date, WBG projects have not experienced bottlenecks or leakages resulting from the funds flow arrangement.

109. **The WBG's support to PFM reforms, the CBS and financial sector strengthening are expected to lower the risk of development programming in Somalia.** Specifically, the WBG is supporting the legal and regulatory framework for the financial sector, strengthening the inter-bank payment, clearing and settlement systems and integrating the CBS' core accounting system and the SFMIS. In the medium term, the outcomes of these interventions will facilitate efficient funds flow through the CBS rather than via MTOs in and outside of Somalia, thereby helping to lower risks of moving finance in and out of Somalia.

V. MANAGING RISKS TO THE CPF

110. **Given domestic and regional political and security dynamics, Somalia will remain fragile and at risk of back-sliding during the CPF period.** The two main country risks are political contestation among key political actors, including reflecting the influence of regional actors, and natural disaster. These risks – which manifest on a cyclical basis, with varying degrees of severity – are linked with the risk of regional interference in Somalia's political and security spheres. Such risks maintain the capacity to undermine important gains, unwind a fragile political settlement, and enable spoilers to create instability. The SCD, which underpins this CPF, frames these risks as a “dual development trap” and sets out a prioritized pathway for Somalia to become more resilient and lay the foundations for long-run stability and prosperity. A down-side scenario would likely have a negative impact on reform milestones, further

delaying the normalization of Somalia's relations with IFIs. *The overall risk to the CPF achieving its objectives over the next four years is **high**, with five high-level risks.*

111. **For the WBG program, Somalia's insecurity, and low-capacity institutions pose high levels of program risk, including related to fiduciary, safeguards and staff security.** High levels of corruption, both at national and local level, low counterpart capacity and reduced access to project sites make for a challenging combination. Starting small, and learning the lessons of pilot work in more stable regions, the WBG has built in rigorous controls to project delivery and monitoring. The portfolio has started out with low-risk activities initially, including technical assistance and knowledge work, while ensuring the use of monitoring agents with full access to project sites as the portfolio expands. These risks and their associated ratings are listed in Table 5: Systematic Operations Risk-Rating Tool (SORT), below.

112. **Nevertheless, the risk of inaction in Somalia is high.** Piracy alone was estimated to cost the international economy approximately US\$18 billion p.a. at the height of the crisis; while humanitarian support has cost donors US\$4.5 billion since the 2011 drought. This transition therefore is an opportunity for Somalia, the region and the international community to escape a decades-long crisis.

Table 5: Systematic Operations Risk-Rating Tool (SORT)

Risk Category	Rating (H, S, M, L)
1. Political and Governance	High
2. Macroeconomics	High
3. Sector strategies and policies	High
4. Technical design of project	Medium
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Substantial
9. Conflict and Violence	High
Overall	High

Political and governance

113. **Risk of political instability remains high, triggered by internal or external actors, and could slow or derail reforms over the course of the CPF period.** The government's reform trajectory remains positive, but is politically costly for reformers. These reforms can be slowed or reversed by intra-governmental and inter-governmental contestation, particularly related to power- and resource-sharing. Equally, regional politics – including competition for trade and transport corridors - have demonstrated the ability to undermine local political compacts with direct interference by regional powers in the political process becoming an increased threat to stability. Constructive working relations among different levels of government are imperative to sustain reforms. Political economy risk will be heightened by the constitutional review process, the AMISOM transition, federal elections in 2020, and state-level elections every year until 2020.

114. **The low level of trust between and among key actors requires inclusive action within an emerging institutional framework.** The program is managing this risk through support to the Finance Ministers Fiscal Forum, the Financial Governance Committee, national programs for infrastructure investments, and close coordination with the international community on the security sector reform,

humanitarian crises management, and a Public-Private Dialogue forum. Planned work that can help further reduce this risk the strengthened RCRF program which will support Federal Member State government's service delivery and an inclusive policy dialogue around functional assignments and resource sharing.

Macroeconomic and fiscal risks

115. **Macroeconomic risks remain high, reflecting external vulnerabilities and weak domestic institutions and fiscal space.** Key macro risks include drought or a livestock ban, commercial bank de-risking or the closure of correspondent banks, or a change in remittance or aid flows which finance both consumption and investment. Despite progress, the Federal Government's fiscal position remains weak and macro-instruments to respond are limited; consequently, the authorities are at risk of structural over-reliance on grant-financing. To mitigate these risks the WBG and IMF are collaborating in support of domestic revenue mobilisation, financial sector strengthening and monetary policy. Somalia's exports are concentrated in a few commodities (mainly livestock) and exported to few countries (mainly in the Gulf). A disease outbreak or export bans have in the past wiped out export revenues: FAO and others are supporting Somalia to meet the standards required by importers of Somalia's livestock products.

Institutional capacity for implementation and sustainability

116. **The institutional capacity to implement the CPF and important domestic economic reforms remains weak.** The government has embarked on important public-sector reforms and was able to attract domestic and diaspora talent to drive key reforms, yet the overall level of capacity in the public sector and its key economic institutions remains limited. Strengthening country systems and investing in human capital are key principles of the WBG approach. In the meantime, all IDA projects are designed with in-built capacity where appropriate, especially in fiduciary areas, where risks are highest. In addition, IDA makes use of a monitoring agent across the portfolio, monitoring funds flow and financial management. Newer Federal Member States in southern Somalia have weak capacity – in those areas, IDA projects rely to some extent on partnerships with the PREMIS project, funded by EU and DFID, which embeds PFM systems and capacity at the local level. Looking ahead, IDA will explore increased use of technology based monitoring solutions, especially as the portfolio expands.

117. **A weak banking and financial sector creates a degree of risk around funds flow that requires both short and long-term approaches.** Specifically, World Bank-administered funds are routed through the Central Bank of Somalia which uses the services of Money Transfer Operators (MTOs), in a similar way to other international organizations, to route funds within the country. The WBG has piloted and scaled up its use of this arrangement satisfactorily, enabled by close monitoring and reconciliation of beneficiary accounts, as well as considerable use of direct disbursements above a low threshold (\$2,000). Moreover, the IDA's technical assistance and IFC advisory services are targeting the strengthening of payment systems, financial sector regulations and supervision, which will strengthen the capacity of Somali commercial banks.

Environment and Social Safeguards

118. **In the absence of an effective institutional framework for managing environmental and social risks, the Bank builds in strong social and environmental safeguards into projects.** In early 2018, the Bank conducted a Somali safeguards country portfolio assessment which found that the overall Somali country-context environmental management risk is rated High, caused by poor management of non-renewable and semi-renewable natural resources, recurring drought, IDP movements, and threatened

livelihood systems. This High environmental management risk accentuates the need for impact assessment and mitigation in all development interventions. The Bank is assisting the Office of the Prime Minister to address this risk through a Country Environmental Assessment, which will serve as a guide to identify and prioritize how this overall country risk can best be managed.

119. **Overall, the Somali safeguards capacity risk is considered Substantial.** Federal and state systems for environmental stewardship are nascent and underfunded. Impact assessments prepared by international consulting firms are generic and lack appropriate country context. There is strong, but uneven, human capacity at local level to provide consulting services and implement impact assessment mitigation measures and plans. The World Bank is addressing these challenges by a) providing more attention to post-approval safeguards documentation and supervision, b) increasing the intensity of Bank safeguard supervision, c) working with procurement personnel on embedding environmental clauses into contracts, and d) supporting client and consultant capacity to assist the development of safeguards instruments, which are country-context specific and implementable.

120. **Building on the recommendations of the report on “Working Together to Prevent Sexual Exploitation and Abuse: Recommendations for World Bank Investment Projects”, the Bank is working proactively to identify potential risks of sexual exploitation, harassment and abuse and to develop mitigation and response measures.** Initial work includes a portfolio-level risk assessment based on the findings from the World Bank/UN Somalia Gender-Based Violence Survey completed in FY17 - see Annex 6. Risk identification efforts will also include a full review of existing and pipeline operations to assess the extent to which they may exacerbate or contribute to risks of sexual harassment, exploitation and abuse. Mitigation and management of these risks will vary across projects, but may include establishment of Codes of Conduct for any contractors or consultants, establishment of grievance redress mechanisms (GRM) with specific measures to handle allegations of SEA/GBV, or potential Third-Party Monitoring, which is a critical measure to ensure proper supervision and monitoring of risks related to SEA/GBV. Building the capacity of both WBG staff as well as government partners to understand and manage these risks will be critical in preventing potential incidents. Community engagement, to ensure potential risks are known and understood and available response or redress measures are articulated, will also be a critical facet of risk mitigation.

Annex 1. CPF Results Framework FY19-22

Focus Area 1: Strengthening Institutions to Deliver Services		
<i>Institutions that are transparent, accountable and effective will underpin Somalia's transition out of conflict and instability – by creating trust, and delivering services (including human security and justice services which are fundamental to people's experience). The CPF Focus Area 1 supports this in two ways: firstly, the Bank will deepen the institutional reform agenda underway since 2012, with an interim goal to secure the normalization of Somalia's relations through the HIPC process. Ongoing programs will be strengthened in the areas of domestic revenue mobilization, external and internal audit, concessions and procurement oversight and improved public-sector management policies. The Bank will also support the systematization of inter-governmental fiscal relations, including the implementation of revenue and resource-sharing arrangements in key sectors like fisheries, hydrocarbons as well as for customs and corporate taxes. Secondly, the WBG will work to link institutions to people by building a pipeline through knowledge work, towards future IDA notably through the scale up of the ongoing Recurrent Cost and Reform Financing (RCRF) program, but also by building a pipeline through humanitarian, NGO or private actors -- will ultimately need to transition to more evenly distributed, lower-cost and consistently monitored services. Finally, the WBG will build on existing technologies and programs of cash transfers to pilot a shock-absorptive cash transfer safety net system, to test a new model of state-facilitated resilience-building.</i>		
Objective 1.1: Improve public finance management and institutional effectiveness		
Intervention Logic: Somalia is ranked at the bottom of Transparency International's global perceptions of corruption survey, reflecting institutional weaknesses, mistrust of public institutions and lack of transparency and accountability. Corruption remains particularly prevalent in the security sector, where powerful vested interests block reform and transparency (including for payroll and non-salary expenditures). This results in a sustained trust deficit which facilitates Al Shabaab's insurgency and undermines the revenue generation necessary to finance basic services. Security remains highly privatized as a result. Over the CPF period, the WBG will further deepen efforts to build public financial management capacity, including in the security sector, leveraging ongoing programs and scaling up through Pre-Arrears Clearance Somalia's grants in combination with MPF funds. The Financial Governance Committee will continue to oversee reforms in both security and non-security sectors and will help regularize Somalia's concessions framework. All programs will focus on supporting the ongoing Staff Monitored Program (SMP) series of the IMF, and will thereby also support Somalia's process to normalize its IFI relations and re-access IDA financing. The WBG will increasingly help coordination in the sector, not least through encouraging the integration of PFM systems at federal and sub-national levels. Linked to PFM reforms through the wage bill, is the reform of the civil service structures in Somalia. The Capacity Injection Project, as well as the Bank's parallel work in Somaliland, will continue to finance injection of capable staff into prioritized line ministries, as well as set up pay and grade, pension and severance reforms within a broader public-sector strategy. The Bank's ASA work – especially its Public Expenditure Review – will help guide this work from a fiscal perspective.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 1.1.1: Domestic spending shifting from security and public administration sectors to service delivery of health and education sectors (percent of government budget): Baseline: 3 (2018) Target: 12 (2022) Data source: Ministry of Finance, Budget Out-turn Indicator 1.1.2: Strengthened audit methods implemented:		Ongoing Operations: Second Public Financial Management Capacity Strengthening Project (P151492) Recurrent Cost & Reform Financing1 (RCRF) II (P154875) Capacity Injection Project (P149971) Somaliland Civil Service Reform Project (P155123)

Baseline: Audit procedures and methodology are not aligned with International Organization of Supreme Audit Institutions (INTOSAI) standards in FGS, Puntland and Somaliland (2018) Target: Modernized audit methods applied for Government Financial Statement Audits in FGS and Somaliland (2022) Data source: <i>Annual Financial Statement Audits, Office of Auditor General</i> Indicator 1.1.3: Female recruitment increased for middle and upper management positions in the civil service in FGS and Puntland (percent): Baseline: 20 (2017) Target: 30 (2022) Data source: <i>National Civil Service Commission (NCSC) annual recruitment reports</i>		Proposed Operations: <i>Additional Financing Second Public Financial Management Capacity Strengthening Project (P166206)</i> <i>Statistics and Economic Planning</i> <i>Additional Financing Recurrent Cost & Reform Financing1 (RCRF II) (P167224)</i> Ongoing ASA: <i>Public Expenditure Finance Assessment (P165700)</i> <i>Somalia Finance Governance Policy Support (P164339)</i> <i>Multi Partner Fund Knowledge Fund (P159934)</i> <i>Fiscal Federalism Analytics (P160457)</i> <i>Public Expenditure Review (P160458)</i> Proposed ASA: <i>Somalia Economic Update</i>
Objective 1.2: Enhance domestic revenue mobilization and resource sharing		
Intervention Logic: <i>Federal Government revenue/GDP remains at around three percent constraining the state’s capacity to finance basic services, let alone respond to the country’s regular crises. Increases in revenue generation to date have been delivered based on increased efficiencies in trade tax collection from Mogadishu port and airport – but little effort has been made to reform core tax policies, instruments and administration, nor to generate increased revenues through convergence of regional and federal customs regimes. Recent agreements for fisheries, hydrocarbons and the establishment of the National Communications Authority are a solid step forwards, but require implementation to generate confidence and consolidate the political settlement. This objective seeks to bring coherence within an emerging political frame to flows of natural and fiscal resources – piloted through the RCRF fiscal transfer scheme and its support to the Finance Ministers Fiscal Forum. Coordination with the IMF and with the donor-financed customs reforms at the sub-national level will be key.</i>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

Indicator 1.2.1: Increase in real terms (adjusted for inflation) inland revenue collected (US\$, millions) Baseline: 24 (2018) Target: 48 (2022) Data source: <i>Ministry of Finance Inland Revenue Report</i> Indicator 1.2.2: Develop and approve legislation to harmonize taxes between FGS and FMS (yes/no) Baseline: No (2018) Target: Yes (2022) Data Source: <i>Ministry of Finance, IMF Article IV, World Bank SEU</i> Indicator 1.2.3: Citizen engagement of business owners on tax policies and administration (number): Baseline: 0 (2018) Target: 1,000 (2022) Data Source: <i>PFMDRM project monitoring reports</i>	Federal Government of Somalia inland revenue instrument (tax and non-tax) and basic processes³³ effectively automated³⁴ (percent) Target: Additional 50³⁵ (2022) Data source: <i>Ministry of Finance Inland Revenue Directorate Report</i> Policy Framework for Inter-Governmental Fiscal Transfers between FGS and FMS adopted³⁶ (yes/no) Baseline: No (2018) Target: Yes (2022) Data source: <i>Ministry of Finance Inland Revenue Directorate Report</i>	Ongoing Operations: <i>Somalia Recurrent Cost & Reform Financing Project - Phase II (P154875)</i> <i>Somali Petroleum TA Assistance Project (SOPTAP) P164175</i> Proposed Operations: <i>Additional Financing Second Public Financial Management Capacity Strengthening Project (P166206)</i> <i>Additional Financing Somalia Recurrent Cost & Reform Financing Project - Phase II (P167224)</i> <i>Fisheries Governance</i> Ongoing ASA: <i>Somalia Finance Governance Policy Support (P164339)</i> <i>Fiscal Federalism Analytics (P160457)</i> <i>Public Expenditure Review (P160458)</i> Proposed ASA: <i>TA Customs Reform</i> <i>Somalia Economic Update</i>
Objective 1.3: Improve delivery of systems for inclusive social services		
Intervention Logic: <i>The overall logic of the objective is to ensure Somali people -including the most vulnerable – can benefit from Somalia's transition and institutional reforms. In turn, this is expected to consolidate the transition and further incentivize reforms in a virtuous circle. Access to health and education services is currently limited, unequitable and of variable quality resulting in very poor Human Development Indicators, and marginalization of vulnerable groups. Non-state, private actors have played an extraordinary role in sustaining basic services for people through the conflict years – but the absence of government oversight has allowed quality to be uneven and services fragmented and costly.</i>		

³³ The processes for computing the indicator include: (i) registration, (ii) declaration/filing an assessment, (iii) taxpayer payment and accounting, and (iv) debt collection.

³⁴ To obtain the index, percentage of revenue instruments automated shall be multiplied with the percentage of basic processes automated.

³⁵ Baseline will be collected upon project approval

³⁶ Covers budget timetable, reporting and disbursement conditions

This objective will contribute to the ongoing policy debate on service delivery in Somalia by investing in analytics and policy research in health and education (including models for social service financing) and will simultaneously invest in public sector systems using the RCRF as an entry point. IDA will review options for technology-led and performance based service delivery models, to feed into the investments on an ongoing basis. The RCRF will also contribute to improved systems and policy harmonization across Somalia through the inter-government sector working groups – and will lay the foundations for longer-term investment by IDA in sector programs once Somalia's arrears are cleared. IDA will also initiate an Inclusive Community Resilience and Gender-Based Violence pilot in Puntland, that will support the survivors of GBV through economic opportunities and service referral.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 1.3.1: Proportion of women of child-bearing age (15-59 years) and children 0-59 months referred to health facilities by Female Health Workers in selected federal member states ³⁷ (percent): Target: increase by 10 (2022) <i>Data Source: District Health Information Software 2 (DHIS 2) and Health Management Information System (HMIS)</i>	Female Health Workers selected, trained and verified to provide basic health services in selected federal member states ³⁹ (number): Target: increase by 750 (2022) <i>Data Source: District Health Information Software 2 (DHIS 2)</i>	Proposed Operation Additional Financing Somalia Recurrent Cost & Reform Financing Project - Phase II Social Protection Technical & Capacity Building Program Somalia Gender Based Violence Project Somalia Education Investment Project
Indicator 1.3.2: Gender Based Violence (GBV) survivors ³⁸ in selected communities in Garowe, Puntland who report they receive complete case management and psychosocial support services in line with international standards (percent) Baseline: 60 (2017) Target: 90 (2022) <i>Data source: SGBV Project</i>	Proportion of women and girls ⁴⁰ in Garowe, Puntland who participate in safe spaces activities ⁴¹ and know where to find GBV services (percent): Baseline: 0 (2018) Target: 70 (2022) <i>Data Source: SGBV Project</i>	Ongoing ASA Programmatic approach to Somalia ESW/TA - (P160099)
1.3.3 Teachers undergoing proficiency testing on literacy, numeracy and classroom pedagogy in selected federal member states (number): Baseline: 0 (2018) Target: 3,000 (2022)	Developed national social registry (yes/no): Baseline: No (2018) Target: Yes (2022) <i>Data Source: Ministry of Labour and Social Affairs</i>	Proposed ASA Somalia Health ASA Social Protection ASA

³⁷ Baseline will be measured once the project is approved

³⁸ Vulnerable women and female youth selected as part of a pilot project

³⁹ Baseline will be measured upon project approval

⁴⁰ Selected as part of a pilot project of approximately 5,000 women

⁴¹ Safe space activities are activities where women's groups and Community Based Organizations (CBOs) will develop and lead psychosocial and social integration activities for women and girls, including survivors of GBV

<i>Data source: Ministry of Education Communiqué; Third Party verification reports</i>	New government pay scale is linked to teacher proficiency testing: (yes/no) Baseline: No (2018) Target: Yes (2022) <i>Data Source: Ministry of Education Communiqué; Third Party verification reports</i>	
Objective 1.4: Build the capacity of Somali municipalities for urban resilience		
Intervention Logic: Somalia's urban centers represent governance and economic hubs as well as 'safe havens' for those fleeing the impact of shocks – but are under increasing pressure from rural/urban migration. Today, over half the population are urban, of which many live in camps or informal settlements where poverty incidence is over 70 percent. Nevertheless, municipal governments represent a hopeful entry point for governance in Somalia, a potentially sound link in the inter-governmental chain. During the CPF period, IDA – with funding through the MPF – will roll out a national Urban Resilience Program, starting in FY19 with funding for Mogadishu, Garowe, Kismayo and Baidoa, building on the preparation of feasibility studies and the elaboration of an Urban Resilience Strategy. In parallel, IDA will undertake a Somalia Urbanization Review to inform urbanization policy and planning and policy dialogue between mayors and the Federal Government.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 1.4.1: Beneficiaries ⁴² are satisfied that the rehabilitation of secondary urban roads met their needs in Mogadishu, Garowe, Kismayo and Baidoa (number) Baseline: 0 (2018) Target: 2,500 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are IDPs (percent) Baseline: 0 (2018) Target: 20 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are host communities (percent) Baseline: 0 (2018) Target: 30 (2022)	Roads rehabilitated in Mogadishu, Garowe, Kismayo and Baidoa (km): Baseline: 0 (2018) Target: 30 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i>	Ongoing Operations <i>Special Financing Facility for Local Development (P156257)</i> Proposed Operations <i>Somalia Urban Resilience Project (P163857)</i> <i>Additional Financing Somalia Urban Investment Planning Project (P150374)</i> Ongoing ASA Proposed ASA <i>Somalia Urbanization Review</i>

⁴² People or groups who directly derive benefits from improved roads in a WBG-assisted project.

<i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Indicator 1.4.2: People with access to improved roads⁴³ within a 500m range in Mogadishu, Garowe, Kismayo and Baidoa (number): Baseline: 0 (2018) Target: 6,000 (2022) <i>Data source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are women (percent) Baseline: 0 (2018) Target: 30 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are IDPs (percent) Baseline: 0 (2018) Target: 20 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are host communities (number) Baseline: 0 (2018) Target: 30 (2022) <i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Indicator 1.4.3: Person days of employment created in Mogadishu, Garowe, Kismayo and Baidoa (days) Baseline: 0 (2018) Target: 150,000 (2022)		
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⁴³ Improved roads are rehabilitated roads financed by a WBG-assisted project.

<i>Data Source: Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are women (percent) Baseline: 0 (2018) Target: 30 (2022) <i>Data Source Somali Urban Resilience Project monitoring reports and end of project survey</i> Of which are youth (percent) Baseline: 0 (2018) Target: 30 (2022) <i>Data Source: Somalia Urban Resilience Project monitoring reports and end of project survey</i>		
Focus Area 2: Restoring Economic Resilience and Opportunities WBG data show that Somalia is one of the poorest countries in the world, with poverty incidence of around 70 percent: restoring resilience and economic opportunities is therefore fundamental for peace as well as longer term poverty reduction. Currently, population growth of 2.9 percent outstrips economic growth of 2.5 percent, leading to systematic depletion of household wealth. In addition, recurrent drought, conflict and displacement are undermining traditional rural livelihoods and rendering many vulnerable to the next shock. Somalia's young population is increasingly urbanized; but insecurity and un-favorable business conditions – including high energy costs, unskilled labor force and little access to finance – create significant barriers to MSMEs and investment meaning many are left excluded and at risk. Somalia has been bottom of the World Bank's Doing Business rankings for two years in a row. Nevertheless, the business sector itself backs improved governance and regulation and Public Private Dialogue has yielded some initial steps towards an improved regulatory environment, as well as trust. Focus Area 2 aims to support two dynamics. Firstly, the WBG will spur policy and regulatory reform through PPD and will invest in reducing the cost of power, digital connectivity, finance and water to open opportunities within existing and new productive sectors. At the same time, the Bank will help lay foundations for a broader diversification of the economy, from a narrow dependence on the livestock sub-sector, and towards more sustainable and productive exploitation of natural resources, particularly for agriculture and fisheries.		
Objective 2.1: Improve the business environment and lowering barriers to entry Intervention Logic: The Doing Business Survey (DBS) reflects the existing gaps in public service delivery as well as limits of an economically-exclusive model of growth. In the current context, Somalia's economy will not be able to adequately attract capital nor expand economic opportunity without clearer definition and application of 'rules of the game'. Therefore, the WBG will leverage PPD to engage public and private actors in strengthening the economic foundations, provide economy wide support to investment reforms and develop enabling frameworks for industrial infrastructure. This will entail support towards legal and regulatory reform as well as the implementation of the Companies Act and establishment of the One Stop Shop for business registration. It will also entail trade policy and trade facilitation as well as reviewing options for economic / free trade zones. Given		

low capacity, priority will be given challenges to growth in catalytic sectors – ICT, trade, finance and energy. The work will involve collaboration between IFC and IDA technical teams through the SICRP and SCORE programs initially.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 2.1.1: Increased private sector investment in key economic sectors such as energy, livestock, fisheries and agriculture (US\$, million) Baseline: 0 (2017) Target: 30 (2022) Data source: IFC Project Completion Reports/Somalia Investment Promotion Agency/CBS	Business registry operational (yes/no): FGS Baseline: No (2018) Target: Yes (2022) Data source: Ministry of Commerce and Industry and SCORE Project document	Ongoing Operations: Somali Core Economic Institutions and Opportunities Program – SCORE (P155241) Somalia Investment Climate Reform Project I Proposed Operations: IFC: Somalia Skills Development program (603120) IFC: Somalia Investment Climate Reform Project II Somalia Capacity Enhancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP) (P168115) ASA: Somalia Economic Update
2.1.2: Businesses and investment licensing registered and operational under One Stop Shop (number)	Somaliland Baseline: No (2018) Target: Yes (2022) Data source: Ministry of Commerce and Industry and SCORE Project document	
FGS Baseline: 0 (2018) Target: 400 (2022) Data Source: IFC Project Completion Reports/Somalia Investment Promotion Agency	Payment switch and automated transfer system ATS) operational (yes/no) Baseline: No (2018) Target: Yes (2022) Data source: SCORE completion report	
Somaliland Baseline: 0 (2018) Target: 200 (2022) Data Source: IFC Project Completion Reports/Somalia Investment Promotion Agency	CBS core-banking system functional and linked to branches and state banks in Federal Member States (yes/no) Baseline: No (2018) Target: Yes (2022) Data source: SCORE completion report	
Objective 2.2: Access to finance to increase inclusion and digital development opportunities		
Intervention Logic: Weak access to finance is a binding constraint to investment and growth. Nevertheless, Somalia’s financial sector has demonstrated capacity to adapt and innovate, as evidenced by the successful remittance sector and the rapid integration of mobile and financial services. With appropriate support, Somalia’s financial sector could leap-frog to provide wide-ranging and mobile financial access to the population, building resilience as well as stimulating economic activity. Building on these strengths, the WBG will strengthen CBS systems for financial stability and integrity with critical market infrastructure (payment systems and ID) as well as building the supervision capability,		

<i>including links to regulatory frameworks for mobile operators under the National Communications Authority. It will also fast track the development of new financial products for entrepreneurs including. women, youth and displaced population. IFC will engage with targeted firms to provide advisory services to micro-finance institutions.</i>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 2.2.1: Loans advanced by participating financial institutions in key economic sectors; e.g. energy, fisheries, livestock, agriculture⁴⁴ (US\$ millions): Baseline: 0 (2018) Target: 15 (2022) Data source: <i>World Bank SCALED-UP project information system</i> Of which women owned MSMEs reached (percent) Baseline: 0 (2018) Target: 30 (2022) Data source: <i>World Bank SCALED-UP project information system</i> Of youth owned MSMEs reached (percent) Baseline: 0 (2018) Target: 10 (2022) Data source: <i>World Bank SCALED-UP project document</i> Indicator 2.2.2: Proportion of selected women with increased access to financial resources after participating in Village Savings and Loan Association Groups in Garowe⁴⁵ (percent) Baseline: 60 (2017) Target: 80 (2022)	New financial products (e.g. leasing finance, SME banking, agri-financing) launched (number): Baseline: 0 (2018) Target: 3 (2022) Data source: <i>IFC Project Supervision Reports/ Project Completion Report</i> Women SME beneficiaries of new financial products and services (number) Baseline: 0 (2018) Target: 50 (2022) Data source: <i>IFC Project Supervision Reports/ Project Completion Report</i> Proportion of selected women trained on business skills demonstrate basic financial and business skills in Garowe⁴⁷ (percent): Baseline: 0 (2018) Target: 80 (2022) Data source: <i>Village Savings and Loan Association (VSLA) Management Information System</i>	Ongoing Operations: <i>Somali Core Economic Institutions and Opportunities Program – SCORE (P155241) Somalia Information and Communication Technology Sector Phase II (P152358)</i> Proposed Operations: <i>IFC: Somalia Skills Development Program (603120)</i> <i>IFC: Financial Institutions Development Program (FIDEP) Somalia (602159)</i> <i>Somalia Capacity Enhancement, Livelihoods and Entrepreneurship, through Digital Uplift Program (SCALED-UP) (P168115)</i> Ongoing ASA: <i>A Public Private Partnership Approach to ID Systems in Somalia (P165029)</i> <i>IFC: Somalia Investment Climate Reform Program</i> <i>Knowledge 4 Results</i> Proposed ASA: <i>Financial Sector Assessment Program (Development Module) (FY 20/21)</i>

⁴⁴ Indicator is specific to World Bank Group-assisted project

⁴⁵ Part of GBV pilot project, if successful, will be scalable.

⁴⁷ Part of GBV pilot project; if successful, will be scalable.

<i>Data source: Village Savings and Loan Association (VSLA) Management Information System</i> Indicator 2.2.3: Active transactional accounts⁴⁶ opened with unique digital ID, including mobile money (number, million): Baseline: 0 (2018) Target: 1 (2022) <i>Data source: CBS</i> Indicator 2.2.4: Licenses and authorizations issued by the National Communications Authority for telecommunication services (number): Baseline: 0 (2018) Target: 5 (2022) <i>Data source: National Communications Authority Database</i>	Individuals registered using SIM card registration and/or digital ID (number, million) Baseline: 0 (2018) Target: 1 (2022) <i>Data source: National Communications Authority</i>	
Objective 2.3: Increase access to renewable energy Intervention Logic: Lack of access to energy is highlighted in the Somalia Country Diagnostic as a binding constraint to economic growth and resilience. Energy consumption per capita in Somalia is likely among the lowest in Sub-Saharan Africa. Charcoal, kerosene and electricity constitute the current energy mix for households in urban and peri-urban areas, while fuelwood constitutes an important source of energy for rural areas. Ten million people lack access to electricity in Somalia, with an estimated 33 percent access rate in urban areas and 4 percent in rural areas. Over 95 percent of the population uses solid biomass products. A national grid for the whole of the country does not exist, giving rise to a plethora of isolated mini-grids that are operated by private entities, and that are largely unregulated. These companies provide very expensive power in an unreliable and often not safe manner. However, the country has a potential for renewable sources of energy, including solar and wind. The WBG's support will leverage existing value chains for off-grid energy solutions and provide Risk Mitigation Grants to both local Somali financial institutions and regional off-grid energy lenders to buy down market and country risk on new loans to Somali solar distributors, while building government regulatory capacity.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Indicator 2.3.1: Proportion of people provided with new or improved electricity services (households)	Power sector master plan ⁴⁸ completed and disseminated (percent): Baseline: No (2018)	Ongoing Operations:

⁴⁶ Transaction accounts are financial products for receiving funds, keeping funds for safe keeping or savings, as well as making payments.

⁴⁸ The master plan will guide the introduction and establishment of modern cost-effective reliable electricity supply systems over a twenty-year planning period.

Baseline: 0 (2018) Target: 28,750 (2022) Data source: MTF Survey Indicator 2.3.2: Generation capacity of energy constructed or rehabilitated (including renewable energy): (percent) Baseline: 0 (2018) Target: 30 (2022) Data source: MFT Survey	Target: Yes (2022) Data source: Somali Electricity Access Project monitoring reports Private sector debt capital mobilized for solar home systems distributors (US\$ million)⁴⁹: Baseline: 0 (2018) Target: 2.35 (2022) Data source: Somali Electricity Access Project Survey	IFC: Somalia Investment Climate Reform Program Somali Core Economic Institutions and Opportunities Program – SCORE (P155241) Proposed Operations: Somali Electricity Access Project (P165497) Ongoing ASA: Somalia Power Sector Masterplan Development (P146618) Resource assessments of wind and solar Proposed ASA: Interconnection study between Somalia and Ethiopia Energy Sector Note Cost of electricity services study
Objective 2.4: Increase access to water through rural resilience and productivity Intervention Logic: About half of the Somali population is rural pursuing livelihoods based on livestock herding, crop cultivation, and/or fishing. Despite Somalia's large agricultural potential, the country is highly food insecure. Today, food aid and food imports exceed domestic production of grains, which is 60% below pre-war levels. The Drought Impact Needs Assessment (DINA) highlighted the extreme vulnerability of Somalia's economy to climate and market-related shocks. In order to build a more resilient economy and enhance food and nutrition security, the WBG will i) improve access to and management of water resources; ii) support environmental management (rangelands and forests); and iii) strengthen agricultural knowledge and innovation systems. Over the CPF period WBG projects and ASA will support an increase the percentage of demand for food met by local production by addressing structural bottlenecks in sector policy as well as introducing the core of an agricultural knowledge system to improve soil, water, rangelands management and animal health. Onward linkages will also be made to improve value-chains within existing productive sectors will be supported by interventions under CPF objectives 2.1 - 2.3) as well as development of the fisheries sector, both coastal fisheries and governance of off-shore licensing. Building on the DINA and RFF foundational work on a national disaster risk management strategy and localized interventions to mitigate the impact of droughts and floods. Although the focus will be agriculture, the WBG will continue to support government institutions to plan prioritized interventions in the fisheries and livestock sub-sectors, to help diversify the rural economy as a basis for longer-run resilience.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

⁴⁹ Indicator is specific to a WBG-assisted project.

Indicator 2.4.1 - People in rural areas provided with access to improved water sources for multiple uses: domestic, livestock and horticulture (number) Baseline: 1,300,000 (2017)⁵⁰ Target: 1,550,000 people (2022) <i>Data source: WHO/UNICEF JMP (2017), High Frequency Household and Project Surveys</i> Of which are women (number): Baseline: 700,000 (2017)⁵¹ Target: 840,000 (2022) <i>Data source: WHO/UNICEF JMP (2017), High Frequency Household and Project Surveys</i> Indicator 2.4.2 - Producers reached with agricultural assets or services and producers (number): Target: increase by 250,000 (2022)⁵² <i>Data source: Project databases</i> Of which are women (number) Target: increase by 125,000 (2022) <i>Data source: Project databases</i> Indicator 2.4.3: Rangelands managed by communities (hectares).⁵³ Target: increase by 100,000 (2022)⁵⁴ <i>Data source: Project databases; SWALIM</i> Indicator 2.4.4: Land brought under catchment management systems (hectares):⁵⁵ Target: increase by 5000 (2022) <i>Data source: Project databases; SWALIM</i>	Communities across Somalia supported in participatory planning, research/extension and management of natural resources (number) Target: increase by 100 (2022)⁵⁶ <i>Data source: Water Project database</i> Operational water user associations created and/or strengthened⁵⁷ (number) in selected areas: Target: increase by 100 (2022)⁵⁸ <i>Data source: Project databases</i> Community water points constructed or rehabilitated allowing livestock to access water for 10 months or more per year (number): Baseline: 1200 (2014)⁵⁹ Target: 1300 (2022) <i>Data source: SWALIM⁶⁰ and project databases</i> Producers adopting improved agricultural (cropping and livestock) technology (number): Target: increase by 100,000 (2022)⁶¹ <i>Data source: Project databases</i> Increased household food and nutrition security (percent): Target: 30 percent reduction from baseline (2022) <i>Data source: IPC, FSNAU and project databases</i>	Ongoing Operations <i>IFC: Financial Institutions Development Program (FIDEP) Somalia (602159)</i> Proposed Operations: <i>Water and Agriculture Project</i> <i>IFC Somalia Skills Development Program (603120)</i> <i>Livestock value chain Development Project</i> Ongoing ASA <i>Country Economic Memorandum (P159009)</i> <i>Somali High Frequency Poverty Monitoring (P164306)</i> Proposed ASA: <i>Community Waterpoints Pre-feasibility study</i> <i>Roadmap for Resilience and Growth of Somalia's Livestock Sector (P165481)</i> <i>Scope for intensifying horticultural production</i>
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⁵⁶ Baseline will be collected once project is approved

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- ⁵¹ There are likely to be higher numbers of women than men that benefit as men spend more time on the move with livestock
- ⁵² Baseline will be measured after project approval
- ⁵³ Baseline will be measured after project approval
- ⁵⁴ Baseline will be measured after project approval
- ⁵⁵ Baseline will be measured after project approval
- ⁵⁶ Baseline will be collected once project is approved
- ⁵⁷ Project is specific to World Bank-assisted project
- ⁵⁸ Baseline will be collected once project is approved
- ⁵⁹ Baseline is in 2014, based on available data
- ⁶⁰ Analysis of [SWALIM data](#) selecting for water points that were i) functional ii) permanent iii) community owned
- ⁶¹ Baseline will be measured after project approval

Annex 2. Somalia Portfolio (as of August 10, 2018)

Proj ID	Project Name	Date, Board App *	Rev Closing	Proj Age in Yrs	Net Comm Amt (\$m)	Tot Disb (\$m)	Tot Undisb Bal (\$m)	% Disb
P152358	*SO: ICT Sector Support - Phase II	06/08/2015	09/30/2019	3.1	9.50	6.68	2.82	70.3%
P152241	*Somali Core Economic Institutions SCORE	01/20/2016	06/30/2020	2.4	4.80	4.00	0.80	83.2%
P149971	Somalia Capacity Injection	08/11/2015	06/30/2020	2.9	16.00	12.57	3.43	78.6%
P151492	SO-Pub Financial Management Capacity Str	07/07/2015	06/30/2020	3.0	20.00	13.79	6.21	68.9%
P154875	Somalia Recurrent Cost	06/25/2015	06/30/2020	3.0	66.00	59.71	6.29	90.5%
P155123	Somaliland Civil Service Reform Project	06/30/2016	06/30/2021	2.0	5.00	2.55	2.45	51.1%
P150374	Somali Urban Investment Planning	02/04/2016		2.4	6.00	0.00	0.00	0.0%
P156257	Special Financing Facility for Local Dev	01/11/2016	08/31/2018	2.5	8.80	3.46	5.34	39.3%
8					136.10	102.77	27.33	75.5%
8					136.10	102.77	27.33	75.5%

* net commitments are inaccurate in the system. The CMU is working with TACT to resolve the issue.

Annex 3. IFC Advisory Portfolio (as of July 2018)

Project ID	Project Name	Primary Business Line	Total Funds(US\$)
600338	Somalia Investment Climate Reform Program (SICRP)	Finance Competitiveness & Innovation	3,994,258
601881	Somalia Trade and Investment Program	Finance Competitiveness & Innovation	5,000,000
602159	Financial Institutions Development Program (FIDEP) Somalia	Finance Competitiveness & Innovation	1,950,000

Annex 4. CPF Civil Society Consultation (Summary)

Given restricted physical access, civil society consultations were carried out through radio, social media and focus groups, enabling contact with new and remote population groups. Four 30-minute live radio shows were produced with the largest public radio station, and further aired on a major private radio station. The show was structured as a panel discussion, each show addressing four thematic areas of interest for the Bank in Somalia (Governance, Economic Growth, Urban Development and Crosscutting Issues). Parallel to the radio shows, several Twitter polls were hosted on the MPF handle (@mpfsomalia). Constituting the only quantitative data collection method, the questions and areas of discussions reflected the themes of the show, but with greater focus on functional challenges, federalism and public service delivery. For a final, more targeted consultation, the Bank partnered with a major tech incubator based in Mogadishu (iRise). iRise's position as a platform for equitable access to information for citizens and popularity among civil society groups provided an opportunity to understand how civil society can contribute to reform and development as agents of accountability.

Consultations highlighted the need for inclusive service delivery in a context where services are delivered mainly by non-state actors. The role of the state in facilitating the private sector to deliver more inclusive and more sustainable services was emphasized. A better-defined relationship between the Federal Government and Federal Member States (FMS) to realize these investments were viewed as the main catalyst for improved public service delivery, and trust in nascent governance structures.

It was generally recognized that the state has a critical role in creating 'a level playing field' for more inclusive private sector development and sustainable economic growth. The 'vibrant entrepreneurship' narrative often used to describe Somalia should be matched with capital to promote domestic production and employment opportunities for young people. Targeted audiences overwhelmingly viewed infrastructure support as the best method of addressing development challenges in Somalia.

The role of civil society is evolving in the presence of a recognized government. Particularly, civil society views itself as agents of accountability and education, raising awareness of citizen rights and government reforms. The role of alternative governance stakeholders should be clarified and scrutinized by civil society to ensure that their decision-making processes do not undermine government, and upholds the interests of citizens, as opposed to powerful interest groups.

Annex 5. The HIPC Process

The Heavily Indebted Poor Countries (HIPC) Initiative is a comprehensive approach to reducing the external public debt of qualifying countries. To benefit, eligible countries must pursue macroeconomic and structural reform programs and develop and implement a poverty reduction strategy. Countries graduating from the HIPC Initiative process also benefit from full cancellation of eligible debt from the World Bank's International Development Association (IDA), the IMF, the African Development Fund and the Inter-American Development Fund under the Multilateral Debt Relief Initiative (MDRI). HIPC eligibility is ring-fenced to countries that meet the two criteria below:⁶²

- i) Income criterion: to be IDA-only (i.e., not eligible for IBRD support) and eligible for support under the IMF's Poverty Reduction and Growth Facility.
- ii) Indebtedness criterion: to have a net present value (NPV) of debt-to-exports ratio as of end-2004 and end-2010 greater than 150 percent after the full application of traditional debt relief. Traditional debt relief refers to the application of Naples Terms by the Paris Club and comparable treatment by non-Paris club bilateral and commercial creditors.⁶³

Somalia was ring-fenced for HIPC eligibility in 2011. Countries eligible for assistance under HIPC pass through two milestones. The first is the "decision point," at which the World Bank and IMF formally determine whether the country is eligible for debt relief. The second one is the "completion point," at which all creditors are expected to provide their full share of HIPC debt relief on an irrevocable basis.

Key HIPC Milestones

Decision Point. A country qualifies for debt relief under the HIPC Initiative upon reaching the so-called "decision point." To reach its decision point, a country should establish a track record of macroeconomic reforms, have prepared an Interim Poverty Reduction Strategy Paper (I-PRSP), and cleared any outstanding arrears. Leading to decision point, staffs of the World Bank and IMF complete a loan by loan analysis to determine the amount of HIPC debt relief it will receive under the Initiative. This is equal to the amount needed to reduce the country's NPV of debt-to-exports ratio (as of the end of fiscal year prior to the decision point) to 150 percent. This overall amount of debt relief is apportioned across creditors on a proportional burden-sharing basis. As part of the decision point discussions, a country agrees on structural and social reforms to be implemented, known as the HIPC floating completion point triggers. Upon reaching decision point the country begins receiving interim debt relief on a voluntary basis.

Completion Point. For a country to reach its completion point it must maintain macroeconomic stability under the WB and IMF supported programs, implement a PRSP satisfactorily for one year, and implement the remaining floating completion point triggers agreed at decision point. In addition, at this point, countries become eligible to receive MDRI⁶⁴ debt relief. The interim period between a country's decision

⁶² For details on the HIPC Initiative ring-fencing see "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)--Status of Implementation and Proposals for the Future of the HIPC Initiative," November 2011.

⁶³ In addition, a country could be HIPC-eligible if its NPV of debt-to-revenue ratio after traditional debt relief is greater than 250 percent. To qualify under this second criterion, however, a country must also have ratios of exports of goods and services to GDP and fiscal revenue to GDP above 30 percent and 15 percent, respectively.

⁶⁴ Upon reaching HIPC initiative's completion, countries receive 100 percent debt cancellation on qualifying debt from IDA, IMF and African Development Fund (AfDF).

and completion points varies, according to how rapidly a country can implement its PRSP, time needed to meet the agreed completion point triggers and ability to maintain macroeconomic stability.

Annex 6. Mitigating the Risk of Sexual Exploitation & Abuse and Gender-Based Violence

In World Bank-Funded Projects in Somalia

Country Context

Gender-based violence (GBV) is a significant challenge in Somalia. Drivers of GBV in Somalia include pervasive insecurity, impunity, increased vulnerability and displacement—linked both to conflict and climate-related disasters—and deteriorating social and customary structures. Displaced women and girls are among the most vulnerable populations—to extreme poverty, marginalization and conflict and climate-related shocks. In collaboration with UN partners, the Bank supported conduct of a comprehensive GBV survey undertaken in 14 urban centers across Somalia and Somaliland. This study demonstrates the significant burden of partner and non-partner violence for both women and men across the life course, with 36 percent of women experiencing intimate partner violence (IPV) and 17 percent experiencing non-partner violence (NPV).⁶⁵ Key risk factors associated with experiences of violence include internal migration and displacement as linked to conflict or disaster, working outside of the home, poverty and the absence of sufficient resources to meet the basic family needs, lack of education, and witnessing parent/caregiver violence in childhood. Findings further highlight that children are vulnerable to physical and sexual violence in their home, in schools and in public, underscoring intergenerational dimensions of GBV.

Evidence emerging from this survey aligns with data from other sources. Service-based data collected using the GBV Information Management System (GBVIMS)⁹ reveals that over 14,000 cases of GBV were reported from January 2015 through June 2016. Of the total number of cases, over 50 percent were cases of physical assault, while incidence of rape and sexual assault ranged from 30-34 percent during this period. A significant share of these reported cases—roughly 20 percent—had been perpetrated against children under the age of 17 (roughly 12-13 percent between ages 12 and 17 and 7-8 percent from ages 11 and younger). In 2015 alone, child sexual abuse accounted for 16 percent of reported cases. Types of violence captured by the system include physical assault, rape, sexual assault, forced marriage, denial of resources, and psychological/emotional abuse. Persistent violations in Somalia also include intimate partner violence, abduction, forced prostitution, exploitation and human trafficking. Data from the GBVIMS⁶⁶, however, only reflect *reported* cases to service providers working directly with GBV survivors and therefore likely belie the extent of the challenge as most survivors are unlikely to seek formal support or care due to fear of stigmatization, rejection or re-victimization.

Current conditions linked to the ongoing drought, including the dramatic increase in rates of internal displacement rates compound existing risks, particularly affecting displaced women and children. Between April and June 2017, the Gender-Based Violence Information Management System (GBVIMS) reported a 9-percent increase in reported rates of GBV—including physical and sexual assault, as well as child sexual abuse—between the first and second quarter of 2017. Of these cases, over three-quarters of survivors are IDPs. While early and forced marriage are prevalent features in Somali society, a recent assessment conducted by the Protection Cluster further revealed that 59 per cent of respondents

⁶⁵ UN-WB Somalia GBV Study.

⁶⁶ The GBVIMS was established to harmonize data collection on GBV in humanitarian settings to provide a simple system through which associated organizations and agencies can collect, store and analyze data, and share incidence data in a safe and ethical manner. The system was established and rolled out in Somalia in 2011 and is currently used by 36 organizations in Somaliland, Puntland and Southern and Central Somalia. In reported cases, 98 percent were female.

indicated early marriage is more likely in the context of the current drought due to monetary incentives and the assumption that the husband will care for the child bride (United Nations Protection Cluster 2017).

Given the mix of drivers of violence as well as current understanding of prevalence and help-seeking behavior, Somalia is considered high-risk for incidence of GBV. Understanding how projects interact with and potentially exacerbate these risks is therefore critical to ensure Bank-supported projects adopt appropriate prevention and mitigation measures during project design and throughout implementation. This is all the more critical as Bank engagement in Somalia expands. The following sections detail key actions to take place at both the portfolio and project levels to address these risks.

Portfolio Level

Portfolio risk assessment

Portfolio-level risk assessment has already begun in Somalia based on data and surveys generating primary data and information. This has been supplemented by desk review and ongoing engagement with other partners. As the new CPF period begins, in order to understand better potential risks presented by investments in the Somalia portfolio, a full review of existing and pipeline operations is recommended to be conducted by an experienced GBV specialist with knowledge of and experience in Somalia.

This would involve consultations with several different stakeholders, including government, civil society, UN agencies, local and international NGOs and other international partners. These consultations would help further understand the level of risk exposure by increasing the understanding of prevailing risk conditions. This would include:

- Existence of business norms and codes of conduct in government, private sector, amongst different segments of society and at community level that address sexual harassment and clearly lay out consequences for those who engage in inappropriate behavior;
- Social behaviors and norms influencing discussion, perpetration of acts of violence and treatment of survivors at the community and household levels;
- Existence of legal frameworks and capacities governing SEA and GBV;
- Understanding help seeking behavior and reporting of different types of GBV in Somalia experienced by women and girls;
- Engagement of the wider community of actors in Somalia dealing with SEA and GBV risk – in Somalia this includes the GBV Working Group, including UN agencies such as UNICEF and UNFPA; and
- Prevention initiatives underway in Somalia and investments in strengthening response to GBV survivors. Gaps in prevention and response and data collection prevalence and service based.

Work is already underway at the project level as part of the Somalia Capacity Injection Project and can be extended to include a review of the wider portfolio. This review may also include recommendations for how to integrate or retrofit key prevention and mitigation measures to protect against incidence of sexual exploitation and abuse or to enable effective, appropriate response should incidence occur. New projects should undertake risk analysis, building on existing available knowledge on the Somalia context, with consideration with project features. Risk assessment should be conducted both by WBG teams and by client partners. A Risk Assessment tool to guide Task Teams during project design is has been developed and piloted in select country portfolios in the Africa Region. This tool will be applied to the specific projects within the Somalia portfolio; while the tool is currently adapted for infrastructure projects with civil works components (including e.g. construction, rehabilitation or upgrading), the tool may be adapted and

applied to projects in other sectors. Critically, this risk assessment work is not solely the responsibility of the Social Development Specialist affiliated with the Country Team but should be a central consideration of the CMU at portfolio level and the TTL and other members of the Task Team at project level. Again, if needed, a technical specialist should be engaged to support project preparation and design to address risks of SEA/GBV.⁶⁷ Additional resources may be made available to high-risk projects.

Risk assessment undertaken by the client should be integrated into broader environmental and social impact assessment work as part of standard safeguard requirements. ESIAAs should include review of specific GBV-related risks and should further identify mitigation measures to address those risks. Mitigation measures should subsequently be integrated into relevant safeguard instruments (e.g., ESMPs, C-ESMPs).

Training for Task Teams and operational staff

The Country Management Unit will work with the Senior Social Development Specialist to engage all task teams and operational staff working on Somalia in dedicated training. This will equip staff with an understanding of the operational risks (based on the portfolio risk assessment), with the capacities to engage in discussion on SEA and GBV in Somalia as well as the means to reflect SEA/GBV risk management in the design of projects. A broader sensitization and awareness training is currently under development by GSURR and the Gender Theme Group and will be rolled out in select country offices; Somalia (in partnership with the Kenya country team) will be nominated as a pilot country for preliminary roll-out of this training. The training will include a review of the GBV Good Practice Note, which provides concrete guidelines on how to manage GBV risks throughout the project cycle.⁶⁸

Discussion with Government and other stakeholders as part of CPF consultations to introduce GBV risk management as a new norm in WB projects

The consultations for the CPF present a timely opportunity to introduce SEA & GBV risk management into the discussions on norms and expectations governing WBG-funded projects. The consultations will be used to discuss why this is an important issue for the WBG, the expectations of different stakeholders and codes of conduct which will be introduced into the projects. It will also be an opportunity to gauge what further support government counterparts may need to be able to play their part in managing risks related to SEA and GBV. Preliminary discussion with the Minister for Women and Human Rights Development at the federal level is encouraging; the Minister has expressed a strong interest in this work and support for establishment of a government-wide sexual harassment, exploitation and abuse policy and is interested in collaborating with the Bank and any relevant partners to develop this policy.

The consultations will also be an opportunity to start to engage a wider group of stakeholders; civil society organizations, local and international NGOs, media, to start to sensitize them to this agenda.

Development of database of experts, international and local, who can support operations in Somalia, – training of consultants to ensure WB standards are understood

⁶⁷ The GBV Global Thematic group has a [validated list of GBV consultants](#) that can be used to hire consultants with extensive GBV experience.

⁶⁸ This note has been developed by a GBV resource group comprised of key teams in GSURR, the Gender Theme Group, Transport, OPCS and LEGEN.

Working with GSURR, the CMU will develop a database of SEA/GBV international and local experts who can provide guidance to task teams and operational staff. These experts will be made familiar with the recommendations of the Task Force's report, as well as new corporate guidelines outlined in the forthcoming GBV Good Practice note, and will be familiar with the operating environment in Somalia. These experts will support teams to conduct risk assessments and develop mitigating strategies as needed.

The CMU will also develop a database of experts who can support the design of grievance readdress mechanism, making use of relevant technologies but more importantly, adapted to the environment in Somalia.

Community mapping to identify available GBV response services and potential community advocates:

Project preparation should include mapping of existing service providers for survivors of GBV, both governmental, international agencies and international/local NGO/CBOs. This work should ideally be undertaken at the portfolio-level to provide perspective of available/reliable service providers and potential partners. At the same time, during project preparation there will likely be need for further mapping within the more specific project area to identify appropriate partners or potential gaps that may need to be filled. This more granular mapping would be conducted by the client, likely during wider social impact assessment activities (with guidance and support from Bank teams or technical experts). Overall mapping activities (at the portfolio level) should seek to identify key services recommended as part of a holistic response to GBV including (as available): psychosocial support, health (with the ability to provide post-exposure prophylactics [PEP] and emergency contraceptives to survivors of sexual violence), legal/police, safe house shelters and livelihood support. The mapping should also make note of existing referral pathways or opportunity to create referral pathways for survivors to facilitate and raise awareness of different services, no matter the entry point to the services. Community mapping activities should also include identification of potential community advocates and allies (e.g., women's groups or organizations with expertise in working on children's issues) with focus on GBV in proposed project geographical areas, potential community advocates and allies (e.g., women's groups or organizations with expertise in working on children's issues) with focus on GBV in proposed project geographical areas. Mapping of community actors and GBV prevention and response services has currently been integrated into the generic ToRs for the GBV Risk Portfolio Review exercise and can be included as part of that wider exercise. The mapping exercise may also be used to better understand help-seeking behavior in communities, barriers to access services and quality of services available.

The importance of proximity in managing SEA and GBV risk in highly insecure environments

Experience in managing risk at portfolio level as well as managing risk through project supervision in Somalia has demonstrated that proximity to the client as well as intensive, real-time dialogue with field-level stakeholders plays a crucial role in understanding and managing risk. This is particularly important in the case of Somalia where access is limited and teams rely on information from a number of sources. While access to the client is limited, the proximity of TTLs in Nairobi allows task teams to conduct missions more regularly and in response to emerging issues. This will be particularly important in address SEA/GBV risk. The Task Force Report and Action Plan for implementation both set targets for leveraging innovative communications tools for community dialogue and interaction. Given the extent of internet and phone penetration in Somalia, developing mechanisms for real-time information exchange and reporting through ICT presents another opportunity for direct interaction and engagement with project beneficiaries. Piloting of reporting mechanisms and citizen engagement tools in forthcoming projects should therefore be considered. Another critical point of contact on the ground will be any Third Party

Monitors engaged by the CMU or if needed by respective projects. Third Party Monitoring has been articulated as a critical measure to ensure proper supervision and monitoring of risks related to SEA/GBV. TPMs may include contracted firms, NGOs operating on the ground or other academic partners. Importantly, TPMs should demonstrate previous experience in working on GBV or should ensure sufficient technical capacity of select staff to undertake work related to GBV. Additionally, TPM activities will not monitor incidence of GBV per se, but will be used to monitor the implementation and effectiveness of identified risk prevention and/or mitigation measures.

Monitoring

Ensuring effective implementation of GBV requirements at the portfolio level will require systematic monitoring and assessment to identify potential gaps or challenges and to enable adjustment. The CMU will support periodic monitoring and review of key provisions of the GBV/SEA Risk Mitigation Strategy under the forthcoming CPF, likely every 12 months. Review of GBV/SEA risk mitigation and management efforts should also feature as part of the Country Portfolio Performance Review.

Project Level – recommended actions through the project cycle

Preparation and Design

Risk assessment at project level – during project design phase, it is recommended that task teams engage an expert who can conduct a risk assessment specific to the geographic location of the project and the nature of the project. The objective of the assessment would be to understand the risk exposure of the project and possible impacts of the project on the risk environment. This level of risk assessment will complement the Portfolio level assessment, given that the operating context from one location to another differs greatly in Somalia. Methodology on GBV risk assessment, including a risk tool, has been developed. Additional resources to inform analysis include the Violence Against Women and Girls Resource Guidance⁶⁹ and the IASC Guidelines for Integrating GBV in Humanitarian Operations.⁷⁰ Secondly, the risk profile in each sector may differ, although it should be noted that SEA/GBV risks are inherent in any project that changes the dynamics relating to power, resources and social interactions. Variations in risk—and appropriate mitigation measures—should be captured and reflected in the country context description, in the risk rating for environmental and social standards and in any safeguard instruments to be developed (e.g., ESIA, ESMPs), along with suggested mitigation measures.

Depending on the level of risk identified, key measures should be integrated into project design to prevent, mitigate or respond to risks. A table outlining Bank guidance for *advised or recommended* measures—contingent on risk level—is available in the forthcoming GBV Good Practice Note and provides the primary point of reference for Task Teams.

Develop community engagement strategy to include outreach on project risks, the GRM functions and the project’s objectives. Task teams should look to community members as dynamic risk management partners; community members are often the most knowledgeable about locally relevant risks and protective factors and are critical stakeholders in preventing and responding to SEA/GBV. It is also critical to ensure communities understand the risks projects present to local communities, expectations for contractor behavior and any mechanisms for reporting or redress should incidence occur. For those

⁶⁹ www.vawgresourceguide.org.

⁷⁰ <https://interagencystandingcommittee.org/gender-and-humanitarian-action/documents-public/guidelines-integrating-gender-based-violence>.

projects deemed particularly high risk of SEA/GBV, Task Teams should develop appropriate stakeholder engagement strategies to ensure communities understand key project risks before projects begin and what mechanisms for reporting, response or redress are available to them should something happen. Task Teams, in consultation with the GBV technical specialist, should also look to develop locally appropriate grievance redress mechanisms that includes measures to enable safe, ethical and confidential reporting on SEA/GBV incidence.

Engage with other partners to understand where existing dialogue, and therefore entry points, may exist. this would include scoping of actors that can provide services, e.g., health services, psycho-social care, community coping mechanisms. Given the different and scattered levels of engagement across the country, the presence of actors will vary greatly and most likely will be concentrated in urban environments, particularly in the three regions of Puntland, Somaliland and Benadir (Mogadishu). A key entry point will include the primary participating organizations under the GBV Working Group but may also include key resilience-related NGOs/CSOs under the range of resilience working groups (BRICS, SomRep), as well as key bilateral partners.

Leveraging the Project Operations Manual and other key instruments. In Somalia, rule of law, statutory and customary frameworks, and capacities to investigate and address SEA/GBV are limited, where they exist at all. In this void, the Project Operations Manual (POM) and other key project documents, including safeguard instruments (e.g., Environmental and Social Safeguard Management Plans, Contractor Management Plans), Standard Bidding Documents and other legal instruments that should be used as a platform for outlining roles, responsibilities and to clearly delineate accountabilities, within the sphere of influence of the project. The Task team should ensure that the POM reflects wider Bank requirements for inclusion of key SEA/GBV provisions in key documents including SBDs, ESMPS, and CMPS. Reference to key provisions should include clear codes of conduct, delineation of roles and responsibilities and key accountability frameworks on the part of the client, and possible responses and consequences to manifestations of SEA/GBV within projects. POMs should further articulate response measures to support any survivors should incidence occur including reference to referral pathways to provide holistic care. Any response measures should be survivor-centered and in line with global best practice for ethical and confidential care.

The project operations manual can also be used to describe codes of conduct expected of firms and individuals contract through the project and to outline expectations, for example, requirements for firms and individual to sign statements agreeing to abide by set standards. Finally, the POM can also include the opportunities presented by World Bank Financed project to prevent GBV/SEA through incorporating sector relevant, evidence-based activities that have documented positive impacts in reducing experiences of GBV. Examples of activities that can be added to projects and captured in the POM are provided in reference documents cited above in the Risk Assessment section.

Leveraging contract management and procurement requirements to address risks: There are ESHS performance enhancement provisions in the Bank's new Standard Procurement Documents (SPD) to be adopted on a case-by-case basis. The new SPD have provision for contract provisions for enforcing implementation of necessary ESHS enhancement actions—including those related to SEA/GBV—and contractors/consultants/providers are required to meet certain minimum standards and reputations to qualify for the contracts award. These tools should be streamlined and applied on a case-by-case bases depending on the assessed level of project risk. Project teams should ensure continuous monitoring of the contractor's performance on these provisions by ensure that provisions and identified mitigation

measures (e.g., sexual harassment policies and worker's codes of conduct) included in the contract to prevent SEA/GBV are being followed.

The Project Procurement Strategy for Development (PPSD) also provides an important opportunity to integrate considerations for SEA/GBV risk. The PSD should identify the contract-related social risk factors and the appropriate mitigation measures to be put into place.

Clear grievance redress mechanism, socialized amongst relevant stakeholders, leveraging those with presence and capacity on the ground, making use of relevant technology: Task teams should develop contextually appropriate Grievance Redress Mechanisms for their project and ensure that it is uniquely designed to the context of Somalia and the project. World Bank experience in the design and implementation of GRMs with specific provisions to manage SEA/GBV complaints is nascent and still evolving, and presents an important area of learning; teams should consult with the appropriate technical experts to develop measures to enable safe and confidential reporting on SEA/GBV. The CMU may want to conduct a review of GRMs with demonstrated effectiveness in Somalia to inform this process. Key provisions should include ensuring confidentiality and safety for individuals reporting grievances. Critically, however, it is important that projects do not collect data on GBV incidence through project GRMs unless a referral to service providers can be made, and GRM operators are trained on how to collect GBV cases confidentially⁷¹ and empathetically (with no judgement). Provided such requirements are met, data to be collected should focus on two key aspects related to the incident, including: i) nature of the complaint (what the complainant says in her/his own words); and ii) if, to the best of their knowledge, the perpetrator was associated with the project. Additional demographic data such as age and sex can be collected as well.

The GRM should have a clear delineation of accountabilities and responsibilities, outlining the roles and responsibilities along the process of responding to reports as well as business standards. PIU staff managing GRMs should also be trained to manage complaints linked to SEA/GBV and ideally should have a dedicated staff member with technical expertise in GBV mitigation and response. Upstream discussion with the client on GRM will help develop an understanding of division of responsibilities, expectations as well as consequences and sanctions.

Project teams should understand that the likelihood of cases of SEA/GBV being captured by a standard GRM is low as they fall outside traditional points for help seeking in a community. Developing and adapting a GRM to capture such sensitive information will require both efforts i) to understand under what conditions would survivors or witnesses be willing to report (and to whom); and ii) to sensitize and raise awareness among communities of the potential avenues for safe, confidential and ethical reporting of cases. Sensitization efforts should also frame the GRM as safe space and entry point for access to services for survivors and survivor-centered care. GRM can also monitor the implementation of the accountability and response framework in relation to project-related GBV/SEA cases.

Project inception

Building capacity of government to engage: Project launch should be used as opportunity to engage the client (both PIU and accountable ministry) on the risks of SEA/GBV in the project and again to discuss the measure to mitigate, monitor and respond. This should include consideration of SEA/GBV risk and GRM in project communications. This should also include engagement with the Procurement specialist to

⁷¹ Data on GBV incidents should not be shared without the consent of the survivor. When data are shared, all identifiable information should be removed to ensure confidentiality and anonymity.

ensure Procurement documents and processes mitigate against SEA/GBV risk. Targeted training should be provided to PIUs, alongside FM and Procurement training and should be embedded in training on Social safeguards.

Building the ability of communities to engage: Recognizing that projects, in their treatment of SEA/GBV risk, may be introducing new social norms into communities surrounding the projects, teams, through the PIUs, should consider outreach to local communities. This will support communities impacted by the project to understand what norms can be expected in the context of the project operations as well as raising the level of understanding on the use of the GRM.

Monitoring during implementation

Regular monitoring of SEA/GBV risks should occur throughout the life of a project. Monitoring key mitigation measures integrated into safeguard instruments such as ESMPs and CSMPs should be a regular part of the supervision process and should be flagged in key reviews, including ISRs, MTRs and ICRs (see below). For projects deemed 'Substantial' or 'High' risk of GBV/SEA, monitoring requirements should be built into Terms of Reference for Supervisory Engineers, TPMs (as mentioned above) or other monitoring actors, such as local NGOs and service providers. Regular engagement with communities in project areas, through appropriate citizen engagement tools should also take place and should be integrated into any community engagement plans. To the extent feasible, use of ICT, particularly mobile platforms, should be tested for effectiveness of reporting and feedback on this issue.

Focus on GBV risks in ISR, MTR and ICR. Task teams are advised to monitor SEA/GBV risk during supervision missions and at project close. The CMU will review ISR risk ratings and overall risk description to understand how the risk profile is changing/impacted by the project – the objective being to work with the task team to understand issues as they emerge and to support teams in addressing them.

As part of the monitoring process, indicators can be selected for inclusion within the project Results Framework. It is therefore important that the indicators are carefully selected early on.

- **GBV indicators.** Sample project results indicators may include:
 - Successful implementation of agreed GBV Action Plan (Y/N);
 - Number of training courses related to GBV delivered;
 - Percentage of workers that have signed Codes of Conduct; and/or,
 - Percentage of workers that have attended the Codes of Conduct training.
- **GRM indicators.** To measure the effectiveness of the GRM, the publication of the statistics on complaint resolution in accordance with IDA recommendations on [Citizen Engagement](#) should be included as part of the Results Framework. Commonly adopted indicators include:
 - Grievances registered related to delivery of project benefits that are addressed (%);
 - Grievances responded and/or resolved within the stipulated service standards (%);
 - Project-supported organization(s) publishing periodic reports on GRM and how issues were resolved [including resolution rates] (Yes/No); and/or,
 - Number of GBV grievances that have been referred to Services Providers.⁷²

⁷² This is not one of the recommended 'Citizen Engagement' indicators, but it is an important indicator from the GRM with regard to monitoring GBV levels on the project and identifying any changes to the project's GBV risk profile.

Responding to incidence of SEA/GBV

Global best practice highlights the critical need to ensure a survivor-centered approach when responding to incidence of SEA/GBV. It is essential to respond to the survivor's complaint by respecting the survivor's choices and to minimize the potential for re-traumatization and further violence against the survivor. This means that the survivor's rights, needs and wishes are prioritized in every decision related to the incident, and survivors must always be treated with dignity and respect. Every effort should be made to protect the safety of the survivor and any action should always be taken with the survivor's informed consent.

Current approaches for effective, survivor-centered response emphasizes working with GBV Services Provider(s) and community-based organizations that are able to support the project in addressing any case of GBV that may be project induced, while also working to proactively prevent project-induced GBV. In projects with moderate to high risk of SEA/GBV, the project should identify GBV service providers (for medical, psycho-social, legal/security, livelihood, and other forms of support) in the project area prior to project appraisal, and contract at least one to support survivors of SEA/GBV who come forward and/or to provide referrals to other available services. Selection of providers should be based in accordance with [international standards that articulate a minimum basic package of services](#), ideally including case management support, health services, psychosocial support, police support and security, access to legal services, and shelter, if needed. These providers may be drawn from the intended portfolio-level community mapping or by individual project preparation activities of a given project. Any contract with a service provider should detail clearly the services to be provided, and what associated costs may be financed by the project.

Critically, provision of support or referrals to services should be provided to **any** survivor reporting incidence of GBV/SEA, regardless of whether the perpetrator is associated with the project or not. Additionally, response to incidence should **not** be oriented around investigation or substantiation of incidence that may have occurred, but rather around ensuring support for the needs of survivors. Investigation of incidence should be pursued only at the wishes and request of survivors and in accordance with legal processes, to be handled by appropriate authorities. Project and Bank teams should not under any circumstance undertake an independent investigation of any incident of GBV, including SEA, through the project. Similarly, they should not under any circumstances seek out survivors of GBV and question them about incidents. Determination of appropriate actions should be guided by consultation with a GBV expert and in alignment with global best practice.

Annex 7. Map of Somalia

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