Reference No: P-SO-KZ0-001
Investment Sovereign Operation

THE AFRICAN DEVELOPMENT FUND

PROJECT APPRAISAL REPORT

STRENGTHENING ECONOMIC GOVERNANCE AND INFRASTRUCTURE DEVELOPMENT PROJECT (SEGID)

FEDERAL REPUBLIC OF SOMALIA

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AFRICAN DEVELOPMENT FUND

SOMALIA

STRENGTHENING ECONOMIC GOVERNANCE AND INFRASTRUCTURE DEVELOPMENT PROJECT (SEGID)

PIVP/ECVP/RDGE/PICU/AHHD DEPARTMENTS

May 2026

CURRENCY EQUIVALENTS Exchange rate effective 4/15/2026	
Currency Unit	Equivalent
1 Unit of Account	USD 1.35639
1 Unit of Account	SSH 775.17688
1 United States Dollar	SSH 571.50000

FISCAL YEAR

1 January – 31 December

WEIGHTS AND MEASURES

1 Metric ton	2,204.62 Pounds (lbs.)
1 Kilogram (kg)	2.20462 lbs
1 Meter (m)	3.28 Feet (ft)
1 Millimeter (mm)	0.03937 Inch (“)
1 Kilometer (km)	0.62 Mile
1 Hectare (ha)	2.471 Acres

ACRONYMS AND ABBREVIATIONS

ALSF	African Legal Support Facility
ADF	African Development Fund
AFDB	African Development Bank
AGO	Auditor General's Office
AU	African Union
BPM	Budget Preparation Module
BPP	Procurement Methods and Procedures
BPS	Borrower Procurement System
CFRA	Country Fiduciary Risk Assessment
CPIA	Country Performance and Institutional Assessment
CSP	Country Strategy Paper
CSS	Climate Safeguards System
DMU	Debt Management Unit
DPs	Development Partners
EA	Executing Agency
EAC	East African Community
EFGISP	Economic and Financial Governance Institutional Support Project
EGISP	Economic Governance Institutional Support Project
EITI	Extractive Industries Transparency Initiative
EU	European Union
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
FMS	Federal Member States
GDP	Gross Domestic product
HIPC	Highly Indebted Poor Countries
IACC	Independent Anti-Corruption Commission
I-CSP	Interim Country Strategy Paper
ICT	Information and Communications Technology
IIAG	Mo Ibrahim Index of African Governance
IMCC	Inter-Ministerial Concessions Committee
IMF	International Monetary Fund
IPR	Implementation Progress Report
ISEGP	Institutional Support for Economics Governance Project
ISP	institutional support project
ITAS	Integrated Tax Administration System
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments, and Agencies
MoF	Ministry of Finance
MoPMR	Ministry of Petroleum and Mineral Resources
MTFF	Medium-Term Fiscal Framework
MTRR	Medium-Term Revenue Roadmap
NACS	National Anti-Corruption Strategy
NDP	National Development Plan
NTP-I	National Transformation Plan-I
OAG	Office of the Auditor General
PBB	Program-Based Budget
PCN	Project Concept Note
PCR	Project Completion Report
PFM	Public Financial Management
PFMDM	Strengthening PFM and Debt Management Project
PIU	Project Implementation Unit
POS	Point of Sale
PSAs	Production Sharing Agreements
PSC	Project Steering Committee
RDGE	Bank's Regional Office in East Africa
SDGs	Sustainable Development Goals
SFMIS	Somalia Financial Management Information System
SOMCAS	Somalia Customs Automated System
SSA	Sub-Saharan Africa
TA	Technical Assistance
TOR	Terms of Reference
TSF	Transition State Facility
UA	Unit of Account
UK	United Kingdom
UNCAC	UN Convention Against Corruption
UNDP	United National Development Programme
WTO	World Trade Organization

PROJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	Strengthening Economic Governance and Infrastructure Development Project (SEGID)
Sector	Multi-sector
Grants Recipient	Federal Republic of Somalia
Project Instrument	ADF-16 (PBA) Grant
Executing Agency	The Ministry of Finance

COUNTRY AND STRATEGIC CONTEXT

<table>
<tr><td>Country Strategy Paper Period:</td><td>2025-2030 (CSP)</td></tr>
<tr><td>Country Strategy Paper Priorities supported by Project:</td><td>Priority Area 1: Sustainable and quality infrastructure for a resilient economy; and Priority Area 2: Institutional and human capacity strengthening for a stronger state and inclusive economy.</td></tr>
<tr><td>Government Program (PRSP, NDP or equivalent):</td><td>Somalia National Transformation Plan (NTP I), 2025–2029. NTP-I is centered around four key pillars: (i) Transformational Governance; (ii) Sustainable Economic Transformation; (iii) Social and Human Capital Transformation; and (iv) Environment and Climate Resilience.</td></tr>
<tr><td rowspan="3">Project classification:</td><td>High 5 Priority Areas:
Improve the Quality of Life of the People of Africa – Economic Governance</td></tr>
<tr><td>Sustainable Development Goals (SDGs):
SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
SDG 5: Achieve gender equality and empower all women and girls.
SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
SDG 13: Take urgent action to combat climate change and its impacts.</td></tr>
<tr><td>Selectivity priority:
<u>Improve the Quality of Life of the People of Africa</u>: Build institutional and human capacities (Economic governance).</td></tr>
<tr><td>Country Policy and Institutional Assessment:</td><td>Overall score for 2023 is: 2.3 (out of 6)<table>
<tr><th>Area</th><th>Score</th></tr>
<tr><td>Economic Management</td><td>2.83</td></tr>
<tr><td>Structural Policies</td><td>2.0</td></tr>
<tr><td>Social Inclusion/Equity</td><td>2.147</td></tr>
<tr><td>Governance</td><td>2.325</td></tr>
<tr><td>Infrastructure and Regional Integration</td><td>1.966</td></tr>
<tr><td>Overall Score</td><td>2.30</td></tr>
</table></td></tr>
<tr><td>Projects at Risk in the country portfolio:</td><td>One project at risk. However, 31% of the projects are red flagged, April 2026</td></tr>
<tr><td>Eligible allocation balance at time of PAR</td><td>UA 10 million, March 2025</td></tr>
</table>

PROJECT CATEGORISATION

Environmental and Social Risk Categorization	Category 2, SNSC Validated on 04 July 2025
Does the project involve involuntary resettlement?	No

Climate Safeguards Categorization:	Category 2 and Paris Aligned
Fragility Lens Assessment:	Yes
Gender Marker System Categorization:	Category 3

ADF KEY FINANCING INFORMATION

Source	Amount (millions)		Financing Instrument
	UA	**[Other currency]**	
African Development Fund	10 million	0.00	ADF-16 (PBA) Grant
Government Counterpart Contribution*:	1.3 million	0.00	In-Kind
Total Project Cost:	11.**3 million**	**0.00**	

** Counterpart funds will be provided 'in kind' in the form of construction's initial design, office space, utilities, and security services as required.*

PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

Project Development Objective:	To improve Somalia's institutional capacity for transparent, accountable, and inclusive economic governance by strengthening the Ministry of Finance's operational efficiency and resilient infrastructure.
Project Components:	**Component 1**: **Construction and operationalization of the Ministry of Finance Headquarters (UA 4,950,000)**
	Component 2: **Enhancing Domestic Resource Mobilization (UA 900,000)**
	Component 3: **Promoting Accountability, Transparency and Combating Corruption (UA 2,250,000)**
	Component 4: **Strengthening Capacity for Project Management (UA 1,200,000)**

PROJECT PROCESSING SCHEDULE

PCN Approval:	June 2025
Appraisal Mission:	July 2025
Planned Board Presentation:	May 2026
Effectiveness:	June 2026
Project Implementation Period:	June 2026 – May 2031
Project Closing Date:	30 September 2031

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1. STRATEGIC CONTEXT

A. Country Context, Strategy and Objectives

1. **Somalia has experienced recurrent insecurity and instability over the last 30 years**. Since 2012, the country has embarked on a renewed path towards stabilisation with efforts directed toward peace building. Presidential and Parliamentary elections were held in May 2022, with the next Federal Government of Somalia (FGS) elections due in May 2026, while Federal Member States (FMS) will independently hold Presidential elections by the end of 2025. Amendments to the first four chapters of the provisional constitution were approved in March 2024, granting the president authority to appoint and dismiss the prime minister after nearly a decade of review. However, secessionist pressures from Somaliland, Puntland, and Jubaland for greater political influence and control of natural resources remain a key challenge.

2. Somalia's macroeconomic performance in 2025 remained broadly stable despite persistent fragility, supported by resilient agricultural production, strong livestock exports, and sustained remittance inflows. Real GDP growth is estimated at around 3.5–4.0% in 2024 and remained broadly in the same range in 2025, reflecting continued recovery in the real economy but constrained by climate variability, security risks, and aid dependency. Inflation moderated further in 2025 to around 4–5%, driven by easing of global food and fuel prices and improved domestic supply conditions.

3. The fiscal position remained tightly constrained but broadly stable, with the fiscal deficit contained at below 1% of GDP in 2025, underpinned by continued domestic revenue mobilization and expenditure discipline supported by IMF-backed reforms. Continued efforts to strengthen tax administration and modernize customs are contributing to gradual improvements in revenue collection. Domestic revenue mobilization remained structurally low at around 3% of GDP, despite gradual improvements in tax administration and customs modernization. Total expenditure was estimated at about 7–8% of GDP, reflecting continued reliance on external grants for core service delivery and security-related spending.

4. **The proposed project's objective is well aligned with the strategic priorities of the newly launched National Transformation Plan (NTP-I), 2025–2029**, developed from the 9th National Development Plan (2020–2024), and anchored on four pillars: (i) transformational governance; (ii) economic transformation; (iii) social and human capital development; and (iv) climate resilience. It aims to drive socio-economic transformation through strategic, data-driven and collaborative efforts. Somalia's urbanisation and demand for public services require modern institutional infrastructure to support integrated government operations. Investments such as the Ministry of Finance headquarters will strengthen fiscal governance and coordination. The project supports NTP-I priorities on governance, public finance integrity, digital transformation and e-governance, contributes to a stable and democratic Somalia, supports the FGS Medium-Term Revenue Roadmap (2024–2027), and aligns with SDGs 5, 8, 9, 13 and 16.

5. The project is aligned with the Bank's Somalia Country Strategy Paper (CSP, 2025-2030) Priority Area 1: Sustainable and quality infrastructure for a resilient economy and Priority Area 2: strengthening financial and economic governance for a stronger state and inclusive economy. The project is in line with the African Development Fund (ADF-16) Strategic Operational Framework Paper pillar II on Governance, Capacity Building and Sustainable Debt Management. It is also consistent with: (i) the Bank Group's Ten-Year Strategy (2024-2033) with its operational priorities anchored on one of the High 5s, namely, "Improve the Quality of Life of the People of Africa"; (ii) the Bank Group's Gender Strategy (2021-2025, extended to 2026) Pillar 2: accelerating employability and job creation for women through skills enhancement; (iii) the Climate Change and Green Growth Strategic Framework (2021-2030) Pillar 4: Enabling environment through institutional and RMC capacity enhancement; (iv) the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026) Priority 1: Strengthening Institutional Capacity; (v) the Bank Group's East Africa Regional Integration Strategy Paper (2023-2027) - Priority Area 1- Improving regional infrastructure.

6. The project further supports the Bank's Four Cardinal Points through strengthened public financial management and revenue systems (Enhance Access to Capital), institutional strengthening and e-governance reforms (Reform and consolidate financial systems, institutions and talent), and improved efficiency of public service delivery supporting inclusive growth (Harness demographic transformation for economic development). It also strengthens infrastructure governance and public investment management, contributing to building climate-resilient infrastructure and value addition to natural resources.

B. **Sector and Institutional Context**

7. Somalia has undertaken critical economic governance reforms to reinforce the country's Public Financial Management (PFM) practices in line with its development priorities. These reforms were formulated based upon three PFM strategies (2013-2017), (2018-2020) and (2021-2024). Progress includes improved revenue collection, tighter expenditure control and budget execution, increased fiscal transparency, digitalization of public finance systems, and reduced dependence on external aid (Federal Government's 2024 Annual Financial Progress Report, 2025). Key reforms include: (1) the 2019 PFM Act and supporting regulations establishing a robust fiscal and legal framework; (2) strengthened core PFM processes (budget preparation, cash management, electronic payments, automatic bank reconciliation, accounting and payroll); (3) strengthened internal and external audit practices supported by the annually published audited FGS financial statements; and (4) introduction of the Somalia Financial Management Information System (SFMIS) in 2014. A new PFM Strategy and Action Plan (2026–2030) is under preparation with IMF support, building on the previous strategies.

8. Somalia's governance indicators are improving due to the reform efforts. The Mo Ibrahim Index score increased to 25.5/100 in 2024 from 23.2 in 2022 and an average of 22.2 in the 2019–2020 period, with improvements in 14 of 16 sub-categories, particularly human development (27.5) and security and rule of law (23.4), though weaknesses persist in security and safety. Similarly, the CPIA score rose from 1.08 in 2013 to 2.30 in 2023, reflecting progress in accountability and integrity, but challenges remain in transparency, corruption, crime, violence and insecurity.

9. **Despite progress, sustained reform efforts are needed to establish and strengthen institutions for transparent, accountable, and inclusive governance**. Somalia's PFM systems still present overall fiduciary risks of a substantial nature. Specifically, the systems for procurement present a high fiduciary risk, while the financial management systems for budgeting, treasury management, accounting and financial reporting, internal control, and external audit present a substantial risk. The strategic agenda for economic governance will involve completing and sustaining prior reforms initiated in the last 5 to 10 years, as well as building state capabilities to anticipate and manage new opportunities and risks. Both the Bank's 2024 Country Resilience and Fragility Assessment (CRFA) and the NTP-I identified five key areas for further improvement of the PFM architecture of Somalia: (i) enhancing strategic planning and allocation of resources; (ii) strengthening expenditure control mechanisms; (iii) enhancing fiscal transparency and access to budget information; (iv) strengthening debt management practices and sustainability analysis; and (v) enhancing oversight and audit mechanisms. These challenges are illustrated subsequently.

10. *Insufficient domestic revenue collection*. **Somalia's domestic revenue mobilization remains insufficient to address development and security needs, despite increasing from about 1% of GDP in 2013 to an estimated 3% of GDP in 2024,** reaching $369.4 million (from $69 million in 2013). The Government has introduced key reforms, including digitalisation of revenue systems (Technical Annex 1-7), operationalisation of the Somalia Customs Automated System (SOMCAS) in October 2023, introduction of a sales tax electronic system in August 2024 (automatically transmitting revenues to the Treasury Single Account), rollout of Point of Sale (POS) machines in Mogadishu, and enactment of a new Income Tax Law signed on May 16, 2025.

11. **Key challenges include insecurity, structural constraints, high informality, weak institutional and human capacity, lack of harmonization between federal and state tax systems, and limited**

access to regional markets. The Medium-Term Revenue Roadmap (2024–2027) provides a framework to strengthen tax policy, administration, and the legal framework, with a target of 4% of GDP in 2028. Somalia's narrow tax base and low compliance are driven by high informality, with heavy reliance on trade taxes (about two-thirds of revenue) and external grants (around half of the budget), which are expected to decline amid global uncertainty. There is currently no structured tax dispute resolution mechanism or tax tribunal. In response, the government has started registering micro and small businesses to improve compliance, making the automation of a simplified tax system critical to formalize the informal sector, while the rollout of a non-tax revenue portal will centralize MDA fees into the Treasury Single Account to improve cash management.

12. *Inadequate accountability and anti-corruption mechanisms*. **Somalia has made progress in advancing its anti-corruption reforms, underpinned by its commitments to international and regional conventions**. The country has implemented several reforms to bolster its anti-corruption framework, including the implementation of the 2019 Anti-Corruption Law, the establishment of the Independent Anti-Corruption Commission (IACC), and the ratification of AU and Arab conventions. The National Anti-Corruption Strategy (2020–2023) strengthened institutional integrity and transparency, and a new strategy (2025–2029) is under preparation with Bank support.

13. **However, inadequate accountability and pervasive corruption remain significant challenges, calling for sustained efforts to bolster the anti-corruption framework.** Despite implementation of the Anti-Corruption Strategy (2020–2023), Somalia's corruption and accountability indicators remain very low, ranking 179/180 in the 2024 Transparency International Corruption Perception Index with a score of 9/100. Risks are compounded by limited capacity in the Office of the Accountant General in treasury oversight, internal controls, and procurement. Priority actions include alignment with the UNCAC, strengthening the IACC through merit-based appointments, reinforcing legal and institutional frameworks, enhancing the Auditor General's Office, extending reforms to Federal Member States, and implementing the National Anti-Corruption Strategy (2025–2029). A World Bank assessment (August 2025) also found that only 10 AGO staff (6%) hold internationally recognised professional qualifications.

14. *Resource Allocation and Expenditure Control*. **Somalia's expenditure management procedures have improved significantly over the past decade, supported by the introduction of SFMIS**, which automates budget execution and enables commitment controls aligned with available budget and cash resources. SFMIS supports financial reporting (including in-year reports and annual statements) and annual audits and is integrated with the Central Bank of Somalia for electronic payments and automatic bank reconciliation. All federal Ministries, Departments, and Agencies (MDAs) are connected. While the cloud-based system has improved scalability and mitigated infrastructure constraints, reliance on external cloud infrastructure poses business continuity risks. The Government plans to establish a secure SFMIS data Centre and strengthen system resilience. It also plans to implement programme-based budgeting (PBB) for 41 MDAs in FY2026 and roll it out fully in 2027; 13 MDAs have already been trained, with the remainder scheduled for 2026.

15. *Limited Transparency and accountability within the extractive sector*. **Somalia is endowed with diverse resources, including oil, natural gas, and minerals (including significant sepiolite clay deposits, bauxite, copper, gold, iron and uranium)**. Since 2022, the Federal Government of Somalia (FGS) has awarded 16 Production Sharing Agreements (PSAs) to four contractors. The mining sector remains largely artisanal, contributing less than 1% to GDP (2020–2025). Reforms include: (1) the Petroleum Act (2020); (2) establishment of the National Petroleum Authority; (3) approval of the Model Oil and Gas PSA (November 2021) with support from the African Legal Support Facility (ALSF); (4) PFM regulations on natural resource revenue management (May 2022); (5) revised tender protocol approved by the Inter-Ministerial Concessions Committee (IMCC) (November 2022); and (6) the Extractive Industries Fiscal Regime Law (June 2023). A draft mining policy is pending approval.

16. **A comprehensive legal framework for the petroleum sector has been put in place to enhance accountability and transparency, yet strict implementation remains key**. Strengthening extractives

governance is essential to align with Somalia's Nationally Determined Contribution (NDC) and NTP while supporting economic diversification and resilience. According to the IMF (December 2024), transparency in the negotiation and signing of PSAs has been limited. Key gaps include the absence of a functional mining and petroleum cadastre, weak institutional capacity, limited geological data and outdated regulations. Ongoing reforms include: (i) establishing a modern cadastre system (Technical Annex 1-11); (ii) developing a mineral testing laboratory; (iii) strengthening oversight institutions; (iv) implementing Extractive Industries Transparency Initiative (EITI) standards; and (v) building institutional capacity.

17. *Operational Efficiency and Enabling Work Environment of the Ministry of Finance*. **Operational capacity and enabling work environment challenges constrain the Federal Government's efforts to coordinate economic management reforms, revenue mobilization and operational cost-cutting initiatives**. The MoF suffers from significant capacity deficiencies due to inadequate physical infrastructure and poor working environment, combined with the challenging internet-based information sharing network, limiting the Ministry's capacity to deliver quality public services. The current system's limitations include its inability to support secure and monitorable information exchange, lack of a central electronic archive for documents, inadequate secure access to MoF server databases, and absence of official email features. Exchange of information for official use between departments is often preceded with an official request between Heads of Departments and it is not often automatically provided, which tends to slow down work in addition to complicating relations between departments.

18. **Assessment of Local Construction Sector Capacity:** The Somali construction industry remains nascent and fragmented, characterized by a limited number of medium-scale contractors capable of delivering complex, multi-storey infrastructure projects. A rapid market assessment conducted during project preparation (July 2025) identified that while local firms possess adequate capacity for conventional masonry and finishing works, specialized skills in structural steel, advanced mechanical, electrical, and plumbing (MEP) systems, and green building technologies (e.g., EDGE certification) are scarce. The market is dominated by a small pool of international and diaspora-linked firms. Labor productivity is constrained by a largely informal workforce with limited formal technical training. These factors introduce risks related to bidder interest, cost escalation, and quality assurance. Consequently, the procurement strategy (see Annex 4-5) adopts Open Competitive Bidding – International (OCBI) for the main works contract, with a mandatory requirement for joint ventures or subcontracting with local firms to facilitate skills transfer and mitigate execution risks

19. Government's efforts towards improving economic management have been dented by the MoF headquarters' relocation from government-owned premises, which is likely to affect reform coordination, revenue mobilization and cost-cutting initiatives. The existing facilities do not meet safety standards for a country that has undergone fragility for many years. The building was constructed in 1982 and partially damaged during the 1991-2007 war. Because of this current state of the building, staff productivity decreased, and decision-making slowed down due to increased absenteeism of staff who fear for their lives just in case the entire building collapses. Taxpayers and other MoF clients also became aware of the state of the building, which ended up limiting their access to the building, thereby affecting not only tax compliance but also service delivery by the MoF. This challenging work environment directly impacts staff productivity, taxpayer confidence, and the continuity of core fiscal functions. The new headquarters is therefore framed as a mission-critical public operation necessary for protecting treasury and revenue operations. (Technical Annex 1-10).

C. Rationale for Bank Group's Involvement

20. **Why the Bank Group should intervene, and why the proposed project is needed**? The planned project is a response to a specific request from the FGS dated 18 October 2024. Since 2013, Somalia has been at the forefront of implementing comprehensive economic governance reforms despite a challenging security situation and limited revenue raising capacity, with the support of the Bank, the IMF, the World Bank, and other DPs. Yet, the preceding highlighted challenges remain, and efforts are needed to create

the conditions for greater transparency and accountability in the use of public resources. This support is essential to further address existing PFM related gaps, enhance budget formulation for better public expenditure management, and further enhance revenue mobilization efforts geared towards restoring peace and stability. The project intends to help in sustaining the FGS on-going reform efforts for ensuring sound management of natural resources that are required for inclusive growth and building economic resilience.

21. From an urban governance perspective, strengthening both the institutional systems ("soft" reforms) and operational infrastructure ("hard" enablers) of the Ministry of Finance is essential to sustain Somalia's fiscal reforms. Mogadishu's growing urban economy is expanding opportunities for domestic resource mobilization, particularly through municipal revenue systems. The Benadir Regional Administration has recently modernized elements of the city's property tax administration through digital registries, GIS-based property mapping supported by the Somalia Urban Resilience Project (SURP-II), and SMS-based tax notifications to property owners. These reforms illustrate the increasing importance of integrated digital systems and reliable institutional infrastructure to support tax administration and fiscal governance. Strengthening the Ministry of Finance's institutional capacity and operational infrastructure will therefore support better coordination of emerging urban revenue systems and reinforce Somalia's broader governance and economic resilience agenda.

22. **The Bank is a major development partner and has a comparative advantage in Somalia**. As a trusted partner, the Bank Group has been at the forefront of supporting the building of the PFM systems in Somalia. This is through a series of operations, namely, the Economic and Financial Governance Institutional Support Project (EFGISP I & II), the Strengthening of Institutions for Economic Policy Management and Infrastructure Development Project (SIEPMID), the Institutional Support to Financial Governance Project, the Strengthening PFM and Debt Management Project (PFMDM), and Institutional Support for Economics Governance Project (ISEGP). The Bank Support has enabled Somalia to reinforce its PFM systems and practices, thus enhancing fiscal discipline, transparency, and accountability and strengthening debt management in line with the country's development priorities. Through these interventions, the Bank has supported the authorities' efforts to: (i) enhance domestic revenue administration; (ii) strengthen basic PFM functions focusing on capital budgeting, accounting, internal controls, public procurement institutional framework, and external and internal audit functions; and (iii) improve public debt management (Technical Annex 1-9 highlights these achievements).

23. **The proposed intervention complements and builds synergies with the Bank's PFMDM, and ISEGP ongoing operations.** The proposed project will support reforms that consolidate gains achieved through the Bank's previous governance interventions (Technical Annex 1-9). These interventions aim to achieve fiscal consolidation, enhance public financial management, strengthen institutional capacity and anti-corruption frameworks, and enhance domestic resource mobilization. These are areas of structural reforms that have been identified as crucial to the country's economic governance transformation agenda and its ability to consolidate the path to a resilient recovery. Through past institutional and technical assistance operations, the Bank has built mutual trust with the authorities and will continue to build on this trust during the implementation of this project. By paying special attention to priority interventions aimed at building effective national and subnational institutions, the capacity of the FGS to manage the economy will improve further. It is expected that the supported reforms will unlock access to increased concessionary financing. Finally, promoting governance and management of the extractive sector will foster the government's ability to generate more revenues from its extractive industries for sustainable development.

D. Development Partners Coordination

24. A Financial Governance Committee (FGC), which is a high-level sector Donor Coordination Group, is in place where the Bank, IMF, World Bank, EU, and UK are represented. The FGC provides advisory support to the Government on strategic financial governance issues. There is also a PFM Donor Working Group for Somalia, where the Bank actively participates. The Bank has recruited a local consultant who

is based in Mogadishu, who handles government-donor relations, including attending all country-level meetings. The proposed project has been designed in collaboration with the IMF, World Bank, UNDP, European Union (EU), and the United Kingdom (UK). The World Bank approved in December 2022 a project (2022-2027) to strengthen accountability, transparency and institutional capacity in public resource management. The project supports the implementation of fundamental procurement and domestic revenue mobilization reforms to improve controls and strengthen inland revenue systems and tax administration capacity. The IMF supports Somalia through its Phase-II of the Somalia Country Fund for Capacity Development in Macroeconomic Policies and Statistics (2021-2025). The UK Public Resource Management in Somalia phase-two (PREMIS-2) support focuses on customs modernisation, public financial management and civil service reform in the FMS, and macroeconomic and fiscal policy in FGS. The EU provides technical assistance to the Office of the Auditor General and contributes to the IMF Trust Fund. The proposed project complements these DPs' interventions by supporting domestic resource mobilization; accountability, transparency and combating corruption; and natural resources management and transparency (Technical Annex 1-3).

2. PROJECT DESCRIPTION

A. Project Development Objective

25. The project development objective is to improve Somalia's institutional capacity for transparent, accountable, and inclusive economic governance by strengthening the Ministry of Finance's operational efficiency and resilient infrastructure. The project aims to support the NTP-I transformational governance pillar by strengthening the operational efficiency and working environment of MoF and laying the groundwork for sustainable public finance administration, enhancing domestic revenue generation, promoting transparency, accountability and combating corruption. It is worth noting that in Somalia, institutional development has been inherently affected by instability and conflict. Therefore, a mixed approach of a combination of both hard (construction) and soft (capacity development) interventions is required to create an enabling environment for resilient institutions (Technical Annex 3-2).

B. Theory of Change

26. Somalia's economic governance challenges undermine the government's ability to provide essential services across key public sectors like health, security, and education (Technical Annex 2-1). These challenges include insufficient domestic revenue collection, inadequate accountability and anti-corruption mechanisms, limited transparency and accountability within the extractive sector, and limited operational efficiency and effectiveness of the Ministry of Finance. They are further compounded by institutional fragmentation, the lack of secure, climate-resilient physical infrastructure to house critical financial systems, and exposure to climate and security shocks that disrupt public financial management operations and weaken fiscal continuity.

27. The project design has integrated key lessons learned from completed and ongoing projects financed by the Bank and other DPs in the country, as well as in similar transition and post-conflict Regional Member Countries. The proposed operation will implement carefully selected activities to address these challenges. These activities (described in section D) are grouped under three key components: (i) enhancing domestic resource mobilization, (ii) promoting accountability, transparency, and combating corruption; and (iii) strengthening the operational efficiency and working environment of the Ministry of Finance. Successful and timely implementation of these activities will produce outputs that include (i) revenue collection administration capacity strengthened; (ii) management of public resources improved; (iii) anti-corruption institutional capacity strengthened; and (iv) operational and enabling work environment of the Ministry of Finance improved including: (a) 2,500 SMEs registered in the automated tax collection system, including 500 women-owned SMEs; (b) rollout of a non-tax revenue portal across 10 MDAs; (c) establishment of 1 Tax Dispute Resolution and Tax Tribunal Unit; (d) rollout of programme-based and gender-responsive budgeting across 60 MDAs; (e) establishment of 1 Digital Petroleum and Mining Cadastre System; (f) establishment of 1 mineral testing laboratory; (g) operationalization of a ministry-wide internet-based information sharing network; and (h) reconstruction of 1 Ministry of Finance

Headquarters meeting operational and safety standards. Consolidating core Public Financial Management (PFM) functions within a secure and climate-resilient institutional facility will enhance coordination, safeguard critical fiscal data systems, and ensure operational continuity of key treasury, revenue, and oversight functions. The Headquarters will support the operationalization of the ministry-wide internet-based information sharing network and centralized deployment of digital revenue administration systems, including the automated tax collection system for 2,500 SMEs and the non-tax revenue portal across 10 MDAs. In the short and medium term, these outputs will enhance domestic resource mobilization, strengthen anti-corruption legal framework and PFM systems, promote transparency and Accountability of the extractive sector, and strengthen the operational efficiency and work environment of the Ministry of Finance. In the long term, this will result in increased collection of domestic revenue through inclusive economic governance. The integration of physical infrastructure with institutional reforms ensures that the new Headquarters serves as a functional platform to centralize oversight, house digital revenue systems, and provide the operational continuity necessary for governance reforms. The construction and operational phases are also expected to generate 4,800 cumulative job-months, including at least 2,400 youth and 960 women.

28. The success of the project depends on key assumptions including (i) the authorities will remain committed to change to realize the expected results/outcomes and sustain the reforms momentum going forward; (ii) regulations and laws developed are approved by the relevant bodies and their implementation mainstreamed; (iii) strong political support to change is needed to sustain reforms momentum; (iv) ability of the National ICT backbone to support the digitalisation effort at MoF and DRM; (v) the new Headquarters is completed and operationalized in a timely manner to provide secure, resilient infrastructure capable of safeguarding fiscal systems and ensuring continuity of public financial operations; and (vi) knowledge gathered through capacity building initiatives is effectively applied.

C. Project Type

29. This is an investment project financed by grant resources from the African Development Fund (ADF-16) and counterpart funding by the Federal Government of Somalia.

D. Project Components

30. The project design covers four components: (i) Construction and operationalization of the Ministry of Finance Headquarters; (ii) Enhancing Domestic Resource Mobilization; (iii) Promoting Accountability, Transparency and Combating Corruption; and (iv) Project management. The project will seek to enhance the institutional and operational effectiveness of selected institutions within government through developing legal frameworks, support implementation of new reforms (revenue mobilization strategy, anti-corruption strategy), supporting training and skills transfer, and providing technical assistance, ICT infrastructure, and equipment support. Detailed project components and activities are in Technical Annex 2-2.

Component 1: Construction and operationalization of the Ministry of Finance Headquarters

31. The objective of this component is to finance the design, construction, and operationalization of a new climate-resilient, secure, and energy-efficient Ministry of Finance (MoF) Headquarters in Mogadishu, while strengthening digital systems to enhance institutional coordination, safeguard fiscal operations, and improve operational efficiency. This component consists of two sub-components: (i) Sub-component 1.1: Construction and Operationalization of the Ministry of Finance Headquarters; and (ii) Sub-component 1.2: Digitalisation of the Ministry of Finance functions.

Sub-component 1.1: Construction and Operationalization of the Ministry of Finance Headquarters

32. This sub-component will finance the design, construction, and operationalization of a climate-resilient, secure, and energy-efficient Ministry of Finance headquarters in Mogadishu, serving as a central hub for public financial governance by consolidating PFM functions and strengthening coordination, continuity, and data protection.

33. The facility will include secure digital infrastructure to support tax administration, treasury, debt management, and financial oversight, while improving the citizen-state interface and working conditions for key units such as internal audit. It will also host a climate-controlled server room for the SFMIS mini data center and ensure accessibility for all users, including persons with disabilities.

34. The project will cover demolition of the existing building and construction of a modern EDGE-certified seven-storey facility with integrated sustainability, energy and water efficiency, renewable energy, climate resilience, and enhanced security features. Operationalization support, covering space planning, facilities management, health and safety standards, and institutional protocols, will ensure effective use and long-term sustainability, in line with the approved Concept Design Report (April 2025).

35. ***Status of Technical Studies***: The Concept Design Report (April 2025) has been completed and approved. Detailed architectural and engineering designs, BOQs, and final ESIA documents are at an advanced stage and will be finalized and validated by the supervision consultancy (Annexes 5–8) following Board approval. Advance contracting for this consultancy is permitted to expedite implementation.

Sub-component 1.2: Digitalisation of the Ministry of Finance functions

36. This will support the MoF transition from paper-based systems to a digitalized internet-based information sharing network to improve communication and operational efficiency. MoF operations are facing significant challenges due to outdated communication and information management practices. The project will support the digitalization of MoF's network infrastructure, data center, and collaboration systems in line with the Public Finance Management Digitalization Regulation 2025. The proposed information-sharing network will allow staff to share information, access, and use the internet seamlessly and in a cost-effective manner.

Component 2: Enhancing Domestic Resource Mobilization

37. The objective of this component is to enhance tax revenue performance to support development financing and fiscal sustainability. Reforms will focus on modernizing revenue collection and administration systems and strengthening institutional capacity. The project will support tax revenue mobilization by automating the simplified tax collection system for micro and small businesses to improve compliance. To strengthen non-tax revenue collection and reporting and manage fiscal costs, it will support the rollout of an automated non-tax revenue management system and portal across MDAs, including training. It will also support the establishment of a tax dispute resolution mechanism and tax tribunal in line with the Revenue Administration Act 2019.

Component 3: Promoting Accountability, Transparency, and Combating Corruption

38. The objective of this component is to support enhancing the PFM system, strengthening the capacity and resilience of key oversight institutions, and improving governance of the extractive sector to enhance revenue generation. This component consists of two sub-components: (i) Sub-component 3.1: strengthening institutional capacity and anti-corruption legal frameworks; and (ii) Sub-component 3.2: promoting governance and management of the extractive sector.

Sub-component 3.1: Strengthening anti-corruption legal framework and PFM systems

39. The objective is to strengthen budget preparation, institutional resilience, accountability, and the anti-corruption legal framework in line with NTP-I. The project will support: (i) implementation of the National Anti-Corruption Strategy (2025–2029), including deliverables, institutional mechanisms, and capacity building; (ii) deployment of key legal frameworks to strengthen oversight, financial governance, and public trust; and (iii) enhanced accountability in public resource management through strengthened internal and external audit functions, establishment of an SFMIS mini data center for business continuity, and rollout of program-based and gender-responsive budgeting with related capacity building.

Sub-component 3.2: Promoting transparency and Accountability in the extractive sector

40. This sub-component aims to strengthen transparency and accountability in managing mineral and petroleum resources by improving sector capacity and governance. The project will support the establishment of a transparent mining and petroleum cadastre system to improve licensing, permitting, and oversight. It will also support alignment with EITI standards through a readiness assessment of legal, institutional, and data gaps, and the development of an interactive open-data portal consolidating EITI data, audits, environmental assessments, and licensing information. Additionally, it will finance a mineral testing laboratory to support small-scale miners, enable in-country analysis, improve valuation, and reduce costs, delays, and risks of illicit financial flows.

Component 4: Project Management

41. This component will support project implementation through strengthening the capacity of the Project Implementation Unit (PIU) and financing project management functions. It is structured into two sub-components: (i) Sub-component 4.1: Strengthening PIU capacity; and (ii) Sub-component 4.2: Project management.

Sub-component 4.1: Strengthening PIU capacity

42. This sub-component will support the PIU within the Ministry of Finance to effectively manage project implementation. It will finance technical staff, targeted training, and operational support to strengthen procurement, financial management, contract management, safeguards, and monitoring and evaluation functions. It will also support capacity transfer to ensure continuity of project management functions within the Ministry.

Sub-component 4.2: Project management

43. This sub-component will finance the day-to-day management of the project, including coordination, implementation, monitoring, reporting, procurement processes, financial management, and external audits. It will also support the functioning of the Project Steering Committee to ensure oversight and alignment with project objectives.

E. Project Cost and Financing Arrangements

44. The total Project cost is estimated at UA 11.3 million, including contingencies but net of taxes and duties. The total Bank Group contribution is UA 10.0 million from ADF-16 grant PBA. The Government counterpart contribution, estimated at 12% of the total project cost, will be in-kind, in the form of construction's initial design, Project's Steering Committee time, security personnel, utilities, and office space. The estimates include price and physical contingencies of 2%[1] and 5%, respectively.

F. Project's Target Area and Population Beneficiaries and other Stakeholders

45. The direct beneficiaries are the Ministry of Finance (Revenue Directorate, Budget Directorate, Office of the Accountant General, Internal Audit, and IT Department), the Office of the Auditor General, the Ministry of Justice and Constitutional Affairs, and the Ministry of Petroleum and Mineral Resources. The project will indirectly benefit all Somali citizens by strengthening institutional capacity for transparent, accountable, and inclusive governance, increasing resources for public services, development investments, recovery, and poverty reduction. It will promote accountability, combat corruption, reinforce oversight, restore public confidence, and support ethical public service. The project scope was defined through consultations with key stakeholders, including the MoF Director General and beneficiary departments, as well as discussions with the World Bank, UNDP, EU, and UK to align objectives, streamline efforts, and identify collaboration areas.

G. Bank Group Experience and Lessons Reflected in Design

46. The project design has benefited from key lessons learned from completed and ongoing Governance projects financed by the Bank and other DPs in Somalia, namely, EFGISP, SIEPMID, PFMDM, and

ISEGP (Technical Annex 2-4). During project design, the key considerations underlying the choice of the components and scope of the project include: (i) activities identified in the project are demand driven, aligned with the national priorities and Government ownership to ensure sustainability; (ii) consolidating gains achieved under previous projects; and (iii) rolling out PFM reforms beyond the Ministry of Finance to other ministries. Other lessons from project completion reports include: (i) the need to improve the quality-at-entry through early preparation of all related Terms of Reference and advance procurement to allow for an early start of the project; (ii) the need to ensure adequate M&E capacity to track project's outcomes/outputs indicators and to ensure activities are implemented in the desired timeframe; and (iii) the need to utilize the existing PIU to avoid any start up delays and address weak implementation capacity. Sufficient human capacity will be provided to strengthen the existing PIU to ensure a successful and timely project implementation (see paragraph 55).

3. FEASIBILITY

A. Financial and Economic Analysis

47. The project combines infrastructure investment with institutional capacity strengthening, and therefore, a conventional economic rate of return analysis is not fully applicable (Technical Annex 3-1). The project's benefits will largely be realized through strengthened public financial management systems, enhanced domestic resource mobilization, improved transparency in the extractive sector, and a reinforced anti-corruption framework.

48. A key infrastructure component is the construction of a new Ministry of Finance (MoF) Headquarters in Mogadishu, which will consolidate currently dispersed departments into a single purpose-built facility. This is expected to generate operational efficiencies through avoided office leasing costs, reduced communication and coordination expenses, and improved institutional effectiveness. The construction phase will also contribute to local employment and increased demand for local construction materials, supporting short-term economic activity.

49. A comparative assessment of leasing versus constructing a dedicated MoF headquarters indicates significant long-term financial benefits, including avoided rental costs, operational efficiencies, construction-related employment, and increased investor confidence. The analysis estimates a financial Net Present Value (NPV) of USD 36.3 million and a Financial Internal Rate of Return (IRR) of 26.4% at a 10% cost of capital, indicating that the investment is financially viable (Technical Annex 3-1). Given the hybrid nature of the operation combining institutional capacity strengthening with a discrete infrastructure investment—the economic justification adopts a differentiated approach. For governance and capacity-building components, benefits are largely non-monetizable and are therefore assessed through qualitative economic justification. For the Ministry of Finance headquarters component, a targeted financial cost–benefit analysis was undertaken to assess long-term operational efficiency gains, avoided rental costs, productivity improvements, and asset lifecycle savings. The analysis applies a conservative discount rate of 10 percent, assumes phased occupancy from Year 3, and excludes non-quantifiable governance spillovers. Sensitivity analysis confirms robustness under variations in occupancy and operating cost assumptions (see Technical Annex 3-1)."

50. While reliable data remain limited, Somalia is estimated to lose over USD 500 million annually to illicit financial flows. Somalia ranked 179th out of 180 countries in the 2024 Corruption Perceptions Index published by Transparency International. Strengthening MoF's operational capacity and infrastructure is therefore expected to contribute to improved financial oversight and governance over time.

Additional Positive Effects

51. The proposed intervention has several financial and/or non-financial additional positive effects beyond those stated as the proposed project purpose. The Bank's support finances the development of critical state functions across PFM domain that are fundamental in Somalia's state-building process. This, eventually, will create important synergies with other Bank operations and the initiatives by other Development partners in areas of public financial management, public investment management, etc., with long-lasting positive effects. One of the key additional positive effects emanates from human development initiatives through capacity building enhancement of the social contract between the citizens and the state.

This is important for a country like Somalia that is emerging from prolonged civil conflict.

B. Environmental and Social Safeguards

52. *Environmental and Social Risk Categorisation*: According to Somalia's Environmental Management Protection and Management Act 2024, the Environmental and Social Impact Assessment (ESIA) Regulations (2024) and AfDB Integrated Safeguards System (ISS), the project is anticipated to pose low to moderate environmental and social risks and impacts, resulting from the proposed safe demolition of the existing structure and the construction of the Ministry of Finance headquarters. In this regard, the project's E&S risk classification is confirmed as Category 2, validated on the ISTS and SAP on July 14th, 2025.

53. *Applicable Environmental and Social safeguards instruments and their readiness*: The Recipient prepared 1 Environmental and Social Impact Assessments (ESIA), which was reviewed and cleared by the Bank on 30th July 2025. The ESIA was disclosed in-country by the Borrower on 25/08/2025, and on the Bank's website on 22/09/2025. The Financing Agreement ESMP was also prepared, cleared, and disclosed by the Borrower on 22/09/2025, and by the Bank on 22/09/2025.

54. *Stakeholder Engagements &Public Consultations*: The Bank verified that robust and meaningful public consultations were undertaken during the preparation of the E&S instruments, which contain a list of participants consulted, consultation dates, and venues, including issues and responses emanating from the stakeholders consulted. A stand-alone Stakeholder Engagement Plan (SEP) was prepared, cleared, and disclosed by the Borrower on 22/09/2025, and by the Bank on 22/09/2025.

55. *Main environmental and social risks and impacts:* The key E&S impacts include: (i) vegetation loss (approximately 0.1ha) generation of both hazardous and non-hazardous construction waste while the E&S risks include (i) occupational health and safety of workers operating construction machinery and equipment; (ii) traffic incidents from motorized equipment and (iii) gender-based violence/sexual harassment risks.

56. *Environmental & Social Management measures*: The mitigation measures of the potential negative environmental and social impacts and risks from each of the major activities are outlined in the ESMP and include (i) preparation and implementation of Construction ESMP by contractor; (ii) development and implementing of the following management plans i.e. occupation health and safety procedures; waste management plan, dust management plan; revegetation plan; labour management plan; stakeholder engagement plan; grievance redress mechanism; GBV/SEA/SH plan; and (iii) capacity building on E&S aspects.

57. *Total Cost of ESMP*: The cost of implementing ESMP is USD 190,740, which will be part of the overall project budget as reflected in Technical Annex 2.3. These costs relate to (i) the implementation of measures resulting from specific instruments; (ii) carrying out Annual E&S Performance Audits; (iii) the operation of Grievance Redress Mechanisms and the strengthening of the capacities of actors.

Involuntary resettlement: The implementation of the project will not result in any loss of physical assets, no disruption of economic activities, and no temporary loss of agricultural or commercial income because the projects will be constructed on land owned legally by the Ministry of Finance and is not encroached or having any encumbrances.

Capacities for implementing E&S measures: The MoF will be the lead Executing Agency (EA) responsible for project implementation and coordination and will execute its responsibilities through the existing federal Project Implementation Unit (PIU) of the ISEGP Project which has been in place for the past 7 years. The PIU will recruit an environment and social safeguards consultant to oversee the implementation of E&S risk management measures during project implementation. Even though the MoF has managed two on-going Bank financed Governance operations, it has limited capacity in E&S implementation as these projects implemented so far have been category 3 with no E&S risks, impacts and challenges. Hence a PIU staffed with environmental and social specialist is to be established under this project to effectively manage and implement the E&S aspects related to the project operation

58. *E&S Compliance*: In addition to implementing all disclosed E&S plans, including measures for unforeseen risks, the Borrower will prepare quarterly E&S implementation reports and submit an annual E&S performance audit by an independent expert no later than the end of Q1 of the following year. All reports will be shared with the Bank and stakeholders. A project-level GRM will be established at the start of implementation, communicated to stakeholders, and maintained throughout the project. In case of an OHS incident, the Borrower will notify the Bank within 48 hours, share the national authority's investigation report, and, if required, submit a root-cause analysis by an independent expert for Bank clearance prior to implementing corrective actions. These obligations are included in the financing agreement and ESMP. The project is compliant and ready for Board consideration, as confirmed by the ESCON (Annex I).

Climate Change and Green Growth

59. The project has been screened for climate risks using the Bank's Climate Safeguards System (CSS) and is classified as Category 2, meaning it is moderately vulnerable to the impacts of climate change. The project faces some climate change risks as it primarily focuses on building institutional and human capacities and activities to strengthen public financial management, and it also includes a component on infrastructure construction. The proposed construction of the MoF building aims to adopt green building standards, to minimise heat exposure and to ensure efficient energy and water use through the adoption of energy and water conservation technologies. Potential risks arise from climatic extremes including increased precipitation, high temperatures, and windstorms. Appropriate design measures have been incorporated into the building design, such as heat minimisation measures, appropriate drainage infrastructure, and energy and water efficiency measures. This transaction has been assessed using the Joint MDB Methodology on Paris Alignment for Direct Financing and is considered aligned because the main activities are not inconsistent with the goals of the Paris Agreement. Implementation of the project's activities does not pose any climate risks, and no significant GHG emissions are expected.

C. Other Cross-cutting Priorities

Poverty reduction and Inclusiveness

60. Somalia remains highly vulnerable, with widespread poverty and an estimated 55 percent of the population living below the national poverty line, a predominantly young population, and large numbers of internally displaced persons (IDPs). Weak domestic revenue mobilization and public financial management constrain the Government's ability to finance inclusive development, invest in human capital, and respond effectively to shocks.

61. The Project will contribute to poverty reduction and inclusiveness by strengthening domestic resource mobilization, improving transparency and accountability, and enhancing institutional efficiency. Increased fiscal space and more efficient public spending are expected to improve service delivery in priority sectors such as health, education, water, and social protection, which disproportionately benefit poor and vulnerable populations. Short-term employment will be generated during implementation. Potential social risks will be mitigated through appropriate safeguards measures and inclusive stakeholder engagement.

Youth, Jobs and Skills Considerations

62. The Project contributes to employment creation and skills development in a context where the youth represent approximately 70 percent of the population and face high unemployment. During implementation, approximately 4,800 direct jobs are expected to be created, with at least 50 percent benefiting the youth, primarily through construction and project-related activities. Beyond direct employment, the Project will also strengthen human capital through capacity building and digitalization interventions in key economic governance institutions, enhancing technical and digital skills of public servants, including young professionals. In the medium term, improved economic governance is expected to support job creation by fostering a more transparent and efficient business environment, enabling private sector development, MSME growth, and broader employment opportunities.

Opportunities for Building Resilience

63. In alignment with the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa 2022-2026, the Bank has sustained engagement with Somalia through its state- and institutional-building reforms and activities. The SEGID will be executed through the Federal Ministry of Finance and directly supports Somalia's cross-cutting priorities on institutional building and social/human development (as contained in NTP-I). Through its four-component structure, SEGID aims to strengthen Somalia's governance by improving domestic revenue mobilisation, public expenditure and debt management, and capacity building, thereby fostering economic resilience. The tangible contributions of the SEGID operation at the local and regional levels, contributing to Somalia's path to resilience, will (a) increase the tax-to-GDP ratio, (b) reduce the external debt-to-GDP ratio, and (c) improve PFM effectiveness, as measured by IIAG. These outcomes translate to greater economic governance and resilience, increased public revenues, improved government spending efficiency, enhanced government credibility and international financial engagement (e.g., access to concessional funding post HIPC completion), leading to job creation, poverty reduction, and social cohesion for vulnerable groups. At the regional and international levels, a robust PFM will facilitate trade across borders and foster economic integration within the wider Horn of Africa region. Trade with other countries and economic corridors becomes seamless as trust and accountability in the country's PFM sector are heightened. Similarly, with fiscal discipline and reduced corruption, foreign direct investment will be attracted to further integrate Somalia into regional economic frameworks such as the African Continental Free Trade Area (AfCFTA). (Technical Annex 3-2).

Gender Equality and Women's Empowerment Promotion

64. This project is a GEN III on the Bank's Gender Marker System (GMS. Gender inequality remains a significant obstacle to inclusive growth, with stark disparities pronounced in socioeconomic outcomes in Somalia. The country ranks 4th last on the UNDP Gender Inequality Index; largely due to restrictions on women's access to resources such as capital, property, and education. The project is expected to support improved gender responsive revenue management, auditing and accountability capabilities of Somalia to sustainably improve its financial governance systems. The project will roll out program-based budgeting and gender-responsive budgeting, and related capacity building to effectively link budget allocations to results and services. The project will contribute to women's empowerment and closing of the identified gender gaps through the design of gender responsive guidelines on revenue diversification, effectiveness, and efficiency in the internal audit and oversight functions of the FGS PFM. The project has ensured gender-responsive infrastructure features, including (i) separate male and female prayer rooms and their ancillary functions, (ii) culturally appropriate and separated sanitation facilities, (iii) access ramps and lifts to assist staff and clients, including those with disabilities or reduced mobility, and (iv) thorough lighting and safety features. At least 20% of the public service officers trained will be female, in line with the constitutional commitment to ensure 30% of women in public service jobs. There will be gender-sensitive indicators to track the improvement of public sector officials in skills and competencies related to revenue generation, enhanced knowledge and information in internal audit and oversight functions. The Gender Action Plan and corresponding budget are detailed in the Technical Annexes (Annex 3-3).

4. IMPLEMENTATION

A. Institutional and Implementation Arrangements

65. The MoF will be the lead Executing Agency (EA) responsible for project implementation and coordination as well as the main beneficiary institution. The project's implementation will be carried out by the existing Federal Project Implementation Unit (PIU) of the ISEGP Project under the MoF, working in close collaboration with the relevant beneficiary departments. The PIU will be responsible for project implementation, including annual planning, procurement, financial management, monitoring and evaluation, and results reporting. Based on its accumulated experience and demonstrated competence in the management of Bank Group-funded projects over time including two ongoing Bank Group-financed Governance operations, the PIU is in a good position to effectively manage this operation. The existing

PIU is currently composed of a Project Coordinator, Project Accountant, Procurement Expert, a Monitoring and Evaluation Specialist, and Administrative Officer. The existing ISEGP Project Steering Committee (PSC) - operating under the chair of the MoF, and comprising the Director General of MoF, senior officials of the beneficiary departments, and PIU coordinator - will provide strategic and policy guidance, approve annual work plans and budgets, and provide oversight as well for this project. The PSC will be strengthened by the Ministry of Public Works, Reconstruction & Housing (MPWR&H)[3].

66. To ensure effective project delivery, the existing PIU will be additionally staffed including: (i) a communication officer to assist in reporting/documenting and communicating project's results/achievements; (ii) an Environmental and Social Safeguards Officer to oversee the implementation of E&S risk management measures during project implementation; (iii) The MoF has assigned a qualified Civil Engineer to assume primary responsibility for Quality Assurance and ensure that all construction activities strictly comply with approved designs, technical specifications, and established engineering standards. In addition, the technical oversight of the civil works will involve a qualified consultancy firm to support the PIU in preparing designs, tender documents, and in project supervision of the works. The project will also provide sufficient human capacity to the existing PIU through capacity-building.

B. Procurement

67. Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the Procurement Policy for Bank Group Funded Operations, dated October 2015 and following the provisions that will be stated in the Financing Agreement. Specifically, procurement will be carried out following the Bank Procurement Methods and Procedures (BPMP). Given that the Borrower's Procurement System is in its infancy, its use on Bank-financed projects is globally rated as high risk and hence the use of BPS on the project will not be applicable.

68. Procurement risks and capacity development: the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the EAs, including the Ministry of Finance, was undertaken for the project, and the output has informed the decisions on the procurement regimes, i.e., Bank PMPs, being used for all transactions under the project. The appropriate mitigation measures and costs have been included in the procurement capacity development action plan (CDAP) under the project. Further details on procurement arrangements are indicated in Technical Annex 4-5. The need for Advance Contracting was discussed and agreed with the Government to allow for an early start of the project's procurement process. The Bank has approved the arrangements, and the procurement preparation is ongoing.

C. Financial Management, Disbursement, and Audit

69. The assessment of the Federal Ministry of Finance (MoF) FM systems concluded that the overall risk is substantial due to an incomplete PFM legal framework and operational systems, limited FM capacity, a weak internal audit function, challenges in foreign transfers linked to correspondent banks causing delays, and limited independence and capacity of the Supreme Audit Institution. The mitigation measures outlined in Technical Annex 4.6, once implemented, are expected to ensure FM arrangements meet the Bank's minimum standards.

70. In line with the use of country systems, the fiduciary responsibility for the project will rest with the Director General (DG) and Accounting Officer of the Federal MoF. The existing Project Implementation Unit (PIU) in the MoF will execute the FM functions under the overall oversight of the Accountant General. The PIU has proven experience in the Bank's FM Policies and Procedures gained from the management of several Bank-funded operations.

71. The FM functions shall be executed in accordance with the Fiduciary Procedures Manual (FPM), Comprehensive Operating Procedures Manual (COPM) as well as the Bank's Policies and Procedures. The PIU will ensure that separate records and ledger accounts in respect of the project are maintained by components and disbursement categories in respect of the project transactions on the Somalia Financial Management and Information System (SFMIS) platform and that project resources are used for the

intended purposes only. The office of the Accountant General (AG) and Auditor General (OAG) will be central counterparts in the management and oversight of FM arrangements and the implementation of risk mitigation measures. The PIU will prepare the interim financial reports (IFR) on a quarterly basis, which shall be shared with the Bank within 45 days following the end of the quarter. The simplified format of the IFRs shall be agreed with the project team during the project launch. In addition, annual financial statements shall be prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis.

72. The project will utilise the Bank's Special Account and the direct payment methods, as provided for in the Bank's Disbursement Handbook. Prior to the use of the Special Account method of disbursement, the FGS will open a special account in USD, at the Central Bank of Somalia to facilitate disbursements. The SA method has been satisfactorily used, as there have not been any ineligible expenditures incurred through the SA and there are no significant long-outstanding advances to the SA in projects managed by the PIU. The Project funds will be tax-exempt, and the Executing Agency will secure the necessary tax exemptions or use Government Counterpart funding when making tax payments. The Bank will issue a Disbursement Letter, which will provide specific guidelines on key disbursement procedures and practices that will apply to the project.

73. The Project shall be subject to independent annual external audits, using competitively recruited private auditors based on the Bank's audit terms of reference. The audited project financial statements, complete with a Management Letter, will be submitted to the Bank within six (6) months following the end of each financial year. The cost of such audits will be borne by the project.

74. The Project Audits for the financial year ended 31 December 2024 have been completed and received an unqualified (clean) opinion from the independent external auditor. In addition, there are no outstanding project audit reports from prior financial years, confirming the Project Implementation Unit's satisfactory compliance with financial reporting and audit submission requirements.

D. Monitoring and Evaluation

75. The project will be implemented over 4 years, given its scope and implementation capacity. The Results Framework will be the main tool for monitoring and evaluation. The existing PIU has a strong M&E system, supported by a dedicated M&E specialist who will regularly collect data in line with the M&E Plan and Theory of Change to track performance indicators. The Bank will conduct virtual and, where security permits, field supervision missions every six months to monitor progress and address implementation challenges. Under RDGE leadership, a Midterm Review will be carried out in year two and a Project Completion Report at the end of the project to assess outputs and outcomes and draw lessons for future operations.

76. The project's Monitoring and Evaluation function is supported through dedicated budget allocations within Component 4 (Project Management). These resources will cover the M&E Specialist's remuneration (Package 4.04), data collection for baseline and end-line surveys, validation exercises, results reporting, and the operational costs of the monitoring system. These costs, totalling approximately 2.5% of the project budget, are commensurate with the complexity of the results framework and the challenging data environment in Somalia.

E. Governance

77. Governance arrangements have been put in place to manage the implementation, monitoring, review and audit of the project. Governance of the project will be enhanced through The existing Project Steering Committee (PSC) - operating under the chair of the Minister of Finance, and comprising the Director General of MoF, the Director General of the Ministry of Public Works and Reconstruction (to provide technical oversight on the construction component), senior officials of the beneficiary departments, and PIU coordinator. The risks to project governance may arise in procurement decisions, use of project assets and selection of persons to attend overseas training and capacity building. Risks will be mitigated through the preparation of detailed annual work plans, procurement plans and training plans that provide

information on processes for contractors and participant selection criteria. Fiduciary clinics and training will be provided to all project PIU staff to ensure that they are fully aware of the Bank's requirements and regulations. The Bank's RDGE will enable adequate and timely support to implementation through regular desk and field supervisions, as well as dialogue with authorities and other DPs.

F. Sustainability

78. **Operation and Maintenance (O&M) Arrangements**: The Government has committed to ensuring the long-term sustainability of project assets through the following:

(i) **Physical Infrastructure (MoF Headquarters):** The Ministry of Finance will establish a dedicated Facilities Management Unit (FMU) staffed by trained personnel. O&M costs (utilities, cleaning, security, minor repairs, and lifecycle maintenance) will be included as a permanent line item in the MoF's annual recurrent budget. Based on the lifecycle cost analysis (Technical Annex 3-1), the Government has committed to allocating approximately USD 180,000 per annum starting in FY2027 (the first full year of operation) to cover these costs. Major structural maintenance will be funded through a sinking fund provision.

(ii) **Digital Systems (SFMIS Mini Data Center & Collaboration Platform):** The Office of the Accountant General (OAG) will be responsible for ICT asset management. The project includes a 12-month post-implementation support period (Annex 5-4). Thereafter, the Government will finance: (a) annual software licensing fees (estimated USD 45,000/year); (b) a maintenance retainer for the systems integrator (estimated USD 30,000/year); and (c) a dedicated ICT operational budget for hardware refresh cycles (5-year cycle, USD 150,000). These commitments are reflected in the Medium-Term Expenditure Framework (MTEF) 2026-2029.

(iii) **Capacity Retention:** To address staff turnover risks, the project adopts a Training-of-Trainers (ToT) model and has developed comprehensive operational manuals to ensure institutional memory is retained even with personnel changes.

G. Risk Management

79. Somalia faces significant risks that may affect project implementation (Technical Annex 4-2). First, high political instability and insecurity could deter international experts and create challenges for contractors, addressed through use of local consultants and Somali diaspora, mandatory joint ventures or subcontracting with qualified local firms, inclusion of security response protocols in contractors' Health and Safety Plans, and coordination with UNDSS and local security authorities. Second, macroeconomic imbalances, global dynamics and potential underperformance in domestic revenue mobilization could affect reform commitment and the long-term financing of O&M for digital systems and infrastructure, mitigated through ongoing DP engagement under the IMF-supported SMP and ECF arrangement, with Government commitment also reflected in IMF-monitored targets. Third, limited technical and institutional capacity may delay implementation, addressed through capacity reinforcement and retention of experienced PIU staff. Finally, fiduciary risk remains high due to weak PFM systems and will be mitigated through application of Bank procedures and extensive use of direct payment modalities where feasible.

H. Knowledge Building

80. Through this project, the Bank will bring solid expertise, knowledge transfer, and best practices to support Somalia's economic governance reform agenda. Knowledge will be acquired through short- and long-term technical assistance, as well as formal and on-the-job training delivered locally and regionally, including hands-on support from technical advisors to strengthen day-to-day operations and ensure clear skills transfer. The project will finance technical experts to develop guidance manuals, improve revenue forecasting and budget preparation, and design reporting tools for internal control and related functions. It will also support knowledge building through structured capacity development and training, while the Bank will capture and disseminate lessons learned through supervision missions, progress reports, and the project completion report.

5. LEGAL INSTRUMENTS AND AUTHORITY

A. Legal Instrument

81. The legal instrument for the Project will be an ADF Protocol of Agreement between the Federal Republic of Somalia (the "Recipient") and the African Development Fund (the "Fund") for an amount not exceeding of UA 10.0 million (the "Grant Agreement").

B. Conditions Associated with Fund's Intervention

82. **Condition Precedent to Entry into Force of the Grant Agreement:** The Grant Agreements shall enter into force on the date of signature by the Recipient and the Fund.

83. **Conditions Precedent to First Disbursement of the Grant**: The obligation of the Fund to make the first disbursement of the Grants shall be conditional upon the entry into force of the Grant Agreement and the fulfilment by the Recipient, in form and substance satisfactory to the Fund, of the following condition:

(a) Submission of a letter from the Ministry of Finance of the Recipient confirming the extension of the mandate of the existing Project Implementation Unit (PIU) for the ongoing Institutional Support for Economics Governance Project (ISEGP) to implement this Project, with mandate, staffing, and resources satisfactory to the Fund.

84. **Other Conditions:**

(a) The Recipient shall, within three (3) months of the first disbursement of the Grant provide proof of provision of office space, utilities, and security services acceptable to the Fund, as part of its in-kind contribution towards the costs of the Project; and

(b) No later than one (1) month after Entry into Force of the Grant Agreement or such later date as may be approved by the Fund, the Recipient shall provide proof of the extension of the mandate of the existing Project Steering Committee for the ongoing ISEGP project to cover this Project, with mandate, staffing and resources satisfactory to the Fund.

(c) Submission of evidence of the recruitment, designation or appointment of Environmental and Social Safeguards Officer with qualifications and terms of reference acceptable to the Fund as part of the project's PIU.

85. **Undertakings.** (a) The Recipient shall, and shall cause the Executing Agency, all its contractors, sub-contractors and agents to:

i. Execute the Project in accordance with the environmental and social safeguards documents agreed between the Bank and the Borrower and reflected in the ESMP.
ii. Refrain from taking any action which would prevent or interfere with the implementation of the environmental and social safeguards measures, including any amendment, suspension, waiver, and/or voidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Bank.

(b) The Recipient shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and agents not to commence implementation of any works on any section of a given lot under the Project, unless all PAPs in such lot have been compensated and/or resettled in accordance with the RAP and/ or the agreed works and compensation schedule.

86. **Compliance with Bank Group Policies**. This Project complies with all applicable Bank Group policies.

African Development Bank Group Independent Recourse Mechanism

87. Communities and individuals who believe that they are adversely affected by an African Development Bank Group (AfDB) supported project may submit complaints to existing project-level grievance redress mechanisms or the AfDB's Independent Recourse Mechanism (IRM). The IRM ensures

project affected communities and individuals may submit their complaint to the AfDB's Independent Recourse Mechanism, which determines whether harm occurred, or could occur, as a result of AfDB non-compliance with its policies and procedures. To submit a complaint or request further information please contact: IRM@afdb.org or visit the IRM website www.irm.afdb.org. Complaints may be submitted at any time after concerns have been brought directly to the AfDB's attention, and Bank Management has been given an opportunity to respond before reaching out to the IRM.

6. RECOMMENDATION

88. Management recommends that the Board of Directors approve the proposed ADF Grant not exceeding an amount of UA 10.0 million to the Federal Republic of Somalia for the purposes and subject to the conditions stipulated in this report.

7. RESULTS FRAMEWORK

RESULTS FRAMEWORK					
A PROJECT INFORMATION					
▌PROJECT NAME AND SAP CODE: Strengthening Economic Governance and Infrastructure Development Project (SEGID) SAP CODE: P-SO-KZ0-001			▌COUNTRY/REGION: Somalia/ East		
▌PROJECT DEVELOPMENT OBJECTIVE: To improve Somalia's institutional capacity for transparent, accountable, and inclusive economic governance by strengthening the Ministry of Finance's operational efficiency and resilient infrastructure.					
▌ALIGNMENT INDICATOR (S): (i) Primary deficit % of GDP; (ii) Bank's CPIA score on Governance Cluster; and (iii) CPI – Corruption Perception Index					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	**RMF/A DOA INDICA**	**UNIT OF MEASUREMENT**	**BASELINE (2025)**	**TARGET AT COMPLETION (2031)**	**MEANS OF VERIFICATION**
▌OUTCOME STATEMENT 1: Revenue generation and resources mobilization enhanced					
OUTCOME INDICATOR 1.1: Tax-to-GDP ratio (%).	☐	Percentage	2.2 (2024)	3.0 (2031)	Ministry of Finance's Annual budget performance documents; and International Monetary Fund (IMF),
▌OUTCOME STATEMENT 2: Accountability and Transparency improved					
OUTCOME INDICATOR 2.1: Accountability and transparency in public sector improved (Mo Ibrahim	☐	Score	20.1/100 (2024)	25/100 (2031)	Mo Ibrahim Index of African Governance (IIAG) Report
▌OUTCOME STATEMENT 3: Operational efficiency of the Ministry of Finance improved					
OUTCOME INDICATOR 3.1: Staff satisfaction and safety perception, and operational continuity of core fiscal	☐	Percentage	0, (2025)	80, 2031	MOF's annual staff survey and functional audit.
▌OUTPUT STATEMENT 1: Revenue collection administration capacity strengthened					
OUTPUT INDICATOR 1.1: SMEs with Automated and simplified tax collection forms operationalized (disaggregate by women-led SMEs)	☐	Number	0 (2025)	2500 SMEs registered in the system, (500 owned by women) (2031)	MOF's Annual Performance Reports
OUTPUT INDICATOR 1.2: Ministry Departments and Agencies (MDAs) with a new non-tax revenue portal rolled out.	☐	Number	0 (2025)	10 (2031)	MOF's Annual Performance Reports and Project's implementation reports (IPR)
OUTPUT INDICATOR 1.3: Tax Dispute resolution and tax tribunal Unit	☐	Number	0, 2025	1 (2031)	MOF's Annual Performance Reports and Project's
▌OUTPUT STATEMENT 2: Managing public resources and combatting corruption capacity strengthened Capacity in Institutional resilience and anti-corruption legal framework improved					
OUTPUT INDICATOR 2.1: Officers of Auditor General and Internal Audit	☐	Number	0, 2025	20, (2031) 10 youth (4 women),	Auditor General and Internal Auditor Annual Performance
OUTPUT INDICATOR 2.2: key anti-corruption legal frameworks/Acts developed and approved by the	☐	Number	0, 2025	4, 2031	Somalia Official Gazette and Ministry of Justice and Constitutional Annual
OUTPUT INDICATOR 2.3: Ministries, Departments, and Agencies (MDAs) with Program-based budgeting and	☐	Number	13, 2025	60, 2031	MOF's Annual Performance Reports
▌OUTPUT STATEMENT 3: Enhanced transparency and accountability in the extractive sector					
OUTPUT INDICATOR 3.1: Digital Petroleum and Mining Cadastre System for transparency in concession administration established and	☐	Number	(0) (2025)	(1), 2030	The Ministry of Petroleum and Mineral Resources Annual Performance Reports
OUTPUT INDICATOR 3.2: Mineral testing laboratory established and	☐	Number	(0), 2025	(1), 2031	The Ministry of Petroleum and Mineral Resources
OUTPUT INDICATOR 3.3 Somalia been compliant with EITI standards	☐	YES/NO	NO, 2025	YES, 2031	The Ministry of Petroleum and Mineral Resources
▌OUTPUT STATEMENT 4: Operational and enabling work environment of the Ministry of Finance improved					

OUTPUT INDICATOR 4.1: Ministry-wide internet-based information sharing network is developed and	☐	Number	(0), 2025	(1), 2030	MOF's Annual Performance Reports
OUTPUT INDICATOR 4.2: Ministry of Finance Headquarters reconstructed with current safety and efficiency standards and meeting operational	☐	Number	(0) (2025)	1 (2031)	MOF's Annual Performance Reports
OUTPUT INDICATOR 4.3: Direct jobs created during construction and operational phases of the Ministry of Finance headquarters	☐	Number	(0) (2025)	4,800 cumulative job-months (2031), comprising at least 2,400 youth (under 35 years) and 960 women	Ministry of Finance Annual Performance Reports, contractor payroll records, and project implementation reports (IPR)

8. ANNEXES

Annex I: Environmental and Social Compliance Note (ESCON)

A. Basic Information[4]		
Project Title: Strengthening Economic Governance And Infrastructure Development Project (SEGID)	**Project SAP: P-SO-KZ0-001**	
Country: Somalia	**Region: RDGE**	**Lending Instrument**: **Project Finance Loan/Grant**
Project Sector Unit*:* Multi Sector	**Task Team Leader(s): Mosllem A. ALAMIR/ Nadege BALIMA**	
Appraisal dates:04/07/2025	**Estimated Approval Date**: May 6, 2026	
Environmental Safeguards Officer: **Tito KODIAGA/ Diana OCHIENG**		
Social Safeguards Officer: **XXX**		
Environmental and Social Category: **Category 2**	**Operation type**: **Public Sector Operation**	**Financial Intermediary**: **No**
Categorization date: *July 14, 2025*	**Categorization in ISTS: July 14, 2025**	**Categorization in SAP: July 14, 2024**
Is this project processed under rapid responses to crises and emergencies?	**No**	
Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?	**No**	

B. Disclosure and Compliance Monitoring **B.1 Mandatory disclosure**	
Environmental Assessment/Audit/System/Others: [2]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*August 25, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***August 25, 2025***
Date of disclosure by the Bank	***September 22, 2025***
Resettlement Action Plan (RAP)[5]: [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Stakeholder Engagement Plan (SEP): [1]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*September 22, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***September 22, 2025***
Date of disclosure by the Bank	***September 22, 2025***
Pest or Vector Management Plan (PMP/VMP): [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Vulnerable Peoples Plan (VPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Riparian Communities Participation Plan (RCPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Emergency Preparedness & Response Plan (EPRP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Hazardous/Medical Waste Management Plan (HWMP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*

Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Riparian notification:	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Environmental and Social Management Plan (ESMP) of the financing agreement[6] (1)	
Was the document disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*September 22, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***September 22, 2025***
Date of disclosure by the Bank	***September 22, 2025***
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: N/A	

B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	**Yes**
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**Yes**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[7]	**NA.**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**Yes**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	**Yes**

Project Title: Strengthening Economic Governance And Infrastructure Development Project (SEGID)		**Project SAP: P-SO-KZ0-001**
Country: Somalia	**Region: RDGE**	**Lending Instrument**: **Project Finance Loan/Grant**
Project Sector Unit*:* Multi Sector	**Task Team Leader(s): Mosllem A. ALAMIR/ Nadege BALIMA**	
Appraisal dates:04/07/2025	**Estimated Approval Date**: May 6, 2026	
Environmental Safeguards Officer: **Tito KODIAGA/ Diana OCHIENG**		
Social Safeguards Officer: **XXX**		
Environmental and Social Category: **Category 2**	**Operation type**: **Public Sector Operation**	**Financial Intermediary**: **No**
Categorization date: *July 14, 2025*	**Categorization in ISTS: July 14, 2025**	**Categorization in SAP: July 14, 2024**
Is this project processed under rapid responses to crises and emergencies?		**No**
Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?		**No**

C. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others: [2]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*August 25, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***August 25, 2025***
Date of disclosure by the Bank	***September 22, 2025***
Resettlement Action Plan (RAP)[8]: [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Stakeholder Engagement Plan (SEP): [1]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*September 22, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***September 22, 2025***
Date of disclosure by the Bank	***September 22, 2025***

[7] *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower that it is a public-owned land.*

Pest or Vector Management Plan (PMP/VMP): [*specify including number*]	
Was/Were the document (s) disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Vulnerable Peoples Plan (VPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Riparian Communities Participation Plan (RCPP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Emergency Preparedness & Response Plan (EPRP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Hazardous/Medical Waste Management Plan (HWMP): [*specify including number*]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Riparian notification:	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	*Click to Set the date*
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Environmental and Social Management Plan (ESMP) of the financing agreement[9] (1)	
Was the document disclosed ***prior to appraisal?***	**Yes**
Date of "in-country" disclosure by the borrower/client	*September 22, 2025*
Date of receipt, by the Bank, of the authorization to disclose	***September 22, 2025***
Date of disclosure by the Bank	***September 22, 2025***
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: N/A	

B.2. Compliance monitoring indicators	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	**Yes**
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**Yes**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[10]	**NA.**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**Yes**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	**Yes**

ance

Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval?	**Yes**

[10] *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture/photo of the area/site/landscape to evidence that it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower that it is a public-owned land.*

Prepared by	*Name*	*Signature*	*Date*
Environmental Safeguards Officer:	**Tito KODIAGA/Diana OCHIENG**		September 25, 2025
Social Safeguards Officer:	**XXXXX**		*Click to set the date*
Task Team Leader:	**Mosllem A. ALAMIR/Ashley Philoe**		September 25, 2025
Submitted by			
Sector Director:	**Abdoulaye COULIBALY**		October 02, 2025
Cleared by			
Director SNSC:	**Maman-Sani ISSA**		October 02, 2025