



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 27-Jul-2018 | Report No: PIDISDSA23971



BASIC INFORMATION

A. Basic Project Data

Country Somalia	Project ID P166206	Project Name Domestic Revenue Mobilization and Public Financial Management Capacity Strengthening Project	Parent Project ID (if any) P151492
Parent Project Name Second Public Financial Management Capacity Strengthening Project	Region AFRICA	Estimated Appraisal Date 26-Jul-2018	Estimated Board Date 13-Sep-2018
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Federal Republic of Somalia	Implementing Agency Ministry of Finance, Puntland, Ministry of Finance of Somaliland Hargeisa, Ministry of Finance Federal Government

Proposed Development Objective(s) Parent

The Project Development Objective is to establish and strengthen institutional capacity for the management of public funds in Central Finance Agencies and targeted sectors.

Proposed Development Objective(s) Additional Financing

To strengthen systems of domestic revenue mobilization, expenditure control and accountability in the Federal Government, Puntland State of Somalia, and Somaliland.

Components

Component 4: Public financial management reform oversight, coordination and management

Component 1: Strengthening Tax Policy and Inland Revenue Administration Systems

Component 2: Strengthening Systems for the Public Funds Management Transparency and Accountability

Component 3: Rapid Response Facility



PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	20.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	20.00
IDA Grant	20.00

Non-World Bank Group Financing

Trust Funds	10.00
Somalia Multi-Partner Fund	10.00

Environmental Assessment Category

B-Partial Assessment

‘Have the Safeguards oversight and clearance function been transferred to the Practice Manager?’ No

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

1. Somalia has achieved significant progress in laying the foundations for stability and development; however, political and institutional gains must have tangible benefits for people if Somalia’s transition is to hold. The Country Partnership Framework (CPF) for the period FY19-FY22 will increase citizens’ access to services and help restore economic resilience – laying the foundations for longer-term poverty reduction and inclusive growth. The CPF is based on an analytical framework elaborated in the recently-concluded Systematic Country Diagnostic as well as the outcome of country level dialogue between the World Bank Group, its Somali partners and the international community.

2. Recent political and institutional gains reflect a country making a positive transition from acute fragility and protracted emergency. Agreement on a new federal structure, two peaceful transitions of power, nascent resource sharing deals and a willingness to tackle vested interests - all signal a collective willingness



to move forward. To secure the new political settlement, Somalia's emerging federal institutions are working to generate dividends for people, by enabling access to basic services and that offer economic opportunities for a fast-growing population.

3. Nevertheless, Somalia's long period of fragility has given rise to a dual development trap reflecting systemic distrust, and acute vulnerability to repeated shocks. The Systematic Country Diagnostic for Somalia illustrates how radical depletion of human, natural and produced capital assets left nearly 70 percent of Somalis in poverty, 14 percent displaced and the maternal mortality rate at 734 for every 100,000 births. As the Somalia Risk and Resilience Assessment notes, this development trap manifests itself in several ways. In the public sector, functional assignments of authority between the Federal Government of Somalia (FGS) and Federal Member States (FMS) around revenue generation and policy making are still contested. This exacerbates a vicious cycle whereby weak domestic revenue exacerbate the FGS' inability to restore basic services, which have been fragmented and privatized by conflict. This in turn increases ordinary Somalis' mistrust of the state. Overcoming the dual development trap requires the restoration of citizens' trust in institutions by increasing access to services, strengthening systems for raising revenue and spending it wisely, and building resilience to increasingly frequent climatic shocks. The CPF therefore proposes to support government priorities in two Focus Areas: (i) building institutions to deliver services and (ii) restoring economic resilience and opportunities.

4. With debt arrears outstanding, Somalia is ineligible for assistance from International Development Association (IDA) and other International Finance Institutions (IFIs) – but the Bank Group's re-engagement in 2012 funded by the Multi Partner Fund (MPF) has helped stabilize institutions and initiate IFI normalization. With support of eight key donors, the MPF has enabled the World Bank Group to support the strengthening of federal institutions and establishment of basic economic regulatory foundations. The MPF will remain the core financing vehicle for the CPF – but will be complemented in FY19 by IDA Pre-Arrears Clearance grants of \$140 million targeting the key milestones to reach Decision Point under the Heavily Indebted Poor Country (HIPC) Initiative. Provided its reform momentum continues, Decision Point is feasible within the CPF period, allowing Somalia access to concessional resources from IDA and other IFIs, together with investment of private capital from the International Finance Corporation (IFC).

Sectoral and Institutional Context

5. Addressing the multi-faceted governance challenges in Somalia requires the adoption of approaches, which are: highly innovative; flexible; and balance between short medium and long-term reform strategies and manages high transaction costs with multiple clients. The *Troika*¹ of World Bank Governance-focused projects provides a foundation that is premised on the 2011 Recurrent Cost & Reform Financing (RCRF) with a focus on strengthening legitimate institutions and governance as a sine-qua-non-to the provision of security, justice and jobs for citizens – all of which are central to breaking the cycles of violence and setting the path towards economic development.

¹ The *Troika* of Governance-focused projects include: The Capacity Injection project (CIP) with the objective of strengthening the staffing and institutional capacity of selected line ministries and central agencies; (ii) the Recurrent Cost and Reform Financing Project, aimed providing credible and sustainable payroll and to establish the foundation for efficient budget execution and payment systems for the non-security sectors; and (iii) the PFM Capacity Strengthening Project which focused on improving the institutional capacity of central finance agencies



6. This Additional Financing supports DRM and PFM. With regards to DRM, the Government’s strong commitment to strengthening its institutional capacity for mobilizing and managing public funds is potentially a game changer, and already yielding promising results. Domestic revenue collection has increased markedly from US\$76 million in 2013 to US\$143 million in 2017. At 4% of GDP, tax revenues are, however, not adequate to support Somalia’s reconstruction and development agenda, and the FGS remains dependent on development partners to finance capital expenditures. Access to Pre-Arrears Clearance grant (PACG) is a major step and intends to accelerate reforms required for International Development Association (IDA) arrears clearance, and to help restore resilience. Ultimately, the FGS hopes to normalize its relations with IDA and other international financial institutions through the Heavily Indebted Poor Countries (HIPC) process. This is being undertaken in coordination with the International Monetary Fund (IMF) Staff Monitored Program.

7. With regard to PFM, substantial progress has been made to improve budget execution—the variance between actual and originally budgeted primary expenditure has reduced from a baseline measure of 45% in December 2013 to 31% in December 2017. Yet, expenditure management remains weak, as reforms critical to minimizing arrears buildup and enhancing fiscal discipline remain outstanding. At the same time, there has been little progress on achieving targets to reduce the time to submit audit reports to Parliament. While the project has delivered very useful and relevant analytical work throughout implementation, there is need to ensure that technical assistance reform recommendations are translated into tangible actions that can spur growth in DRM and strengthen PFM.

C. Proposed Development Objective:

Original PDO

8. **The PDO of the original project is ‘to establish and strengthen institutional capacity for the management of public funds in central finance agencies and targeted sectors.’**

Current PDO

9. **The current Project Development Objective is ‘To strengthen systems of domestic revenue mobilization, expenditure control and accountability in the Federal Government, Puntland State of Somalia, and Somaliland’.**



10. The performance of the current project is satisfactory, and it has achieved tangible results.
 - The Somalia Financial Management Information System (SFMIS) configuration has enabled the Federal Government of Somalia (FGS) Office of the Accountant General (OAG) to improve its day to day treasury functions substantially. Also, it has improved transparency in revenue collection and has set the foundations for the implementation of the cash management & Treasury Single Account (TSA). Furthermore, the payment module has been extended to the Central Bank to allow integration. For the first time the FGS recorded the 2017-18 budget in the system, resulting in the generation of the budget utilization and revenue performance reports as well as unaudited Interim Financial Report (IFRs) for Bank financed projects.
 - The Supreme Audit Institution (SAI) - FGS Office of the Auditor General - capacity assessment is at advanced stages. In addition, a framework for collaboration with the media and non-state actors—which is a crucial element towards promoting outreach for the work of the Public Accounts Committee (PAC)—has been finalized. Strategic plans have been prepared by the Offices of Auditor General of FGS and of Puntland .
 - The Public Financial Management Professionalization activities are successfully completed for the FGS, PSG, and Somaliland. As a result, 53% registered students passed the certificate level PFM examination, and 59% passed the procurement stream certificate level examination. The PSG has followed up with immersion of the participants.
 - Domestic resource mobilization technical assistance (TA) support has made improvements in the efficiency and effectiveness of tax administration with the broader expectation of enhanced domestic revenue collection.

D. Project Description

11. The proposed AF and restructuring entail the following changes:
 - a. Modification of the PDO to reflect the expanded scope of the project and new emphasis on DRM;
 - b. Introduction of a new US\$12.3 million component to scale up project activities aimed at strengthening tax policy and inland revenue administration, which is potentially a ‘game changer’ as inland revenue, which has great revenue generation potential, has little support if at all;
 - c. Consolidation of the PFM related activities into one component of US\$12.7 million;
 - d. An additional allocation of US\$3.0 million to extend project management and coordination support in accordance with the new AF activities and extended timeline;
 - e. Redesigning the Just-in-Time (JIT) Bank Executed support (Component 6) into Rapid Response Facility (RRF) US\$2.0 million;
 - f. Adjustments to the Results Framework and Monitoring to reflect the changes in the project’s design; and
 - g. Extension of the project closing date from June 2020 to June 2022 to allow for successful implementation of the project’s original and new activities.



Component 1: Strengthening Tax Policy and Inland Revenue Administration systems (US\$12,300,000)

12. The objective of this proposed new component is to strengthen tax policy and selected² inland revenue³ systems and capacity. To this end, the component will support the following sub-components:

13. **Sub-component 1.1: Improving organizational capacity for tax policy (US\$750,000).** This includes: (i) establishing the tax policy unit (TPU) in the Ministry of Finance by supporting activities to crowd in support for the TPU, definition of structure and job specifications, definition of linkages to the Attorney General's office and support in establishing legal or regulatory frameworks for access to tax payer and other data; and (ii) support TPU in development of a credible and fair revenue policy, evidence based research, revenue forecasting, and tax gap analysis capacity.

14. **Sub-component 1.2: Improving systems for inland revenue administration (US\$10,250,000).** This sub-component includes: (i) Operationalizing large tax payer office; (ii) Business process mapping and redesigning; (iii) Modernizing and automation⁴; and (iv) Capacity building.

15. **Sub-component 1.3: Tax payer education and facilitation to promote voluntary compliance (US\$1,000,000).** This sub-component will include development and implementation of: (i) taxpayer orientation/ socialization program; (ii) taxpayer service charter; (iii) facilitation and grievance redressal help-desk; (iv) proactive disclosure of revenue performance reports; (v) tax forums; (vi) training curriculum; and (vii) utilizing the Somalia Revenue Academy to equip the wider public with tax compliance skillsets and knowledge.

16. **Sub-component 1.4: Supporting the Revenue Bill consultations and bridging operationalization upon enactment (US\$300,000).** This sub-component includes: (a) support for FGS-led Revenue Bill⁵ consultation process with the FMS; (b) support to selected FMS (to be determined) to implement the enacted revenue law, in addition to Puntland and Somaliland that are already in the project scope; and (c) analytical work on revenue assignment and unbundling issues following the revenue bill consultation, and to help operationalization upon the enactment.

Component 2: Strengthening Systems for the Public Funds Management Transparency and Accountability (US\$12,700,000)

17. This component consolidates the PFM activities into one component to focus on: (i) the

² The Federal Government of Somalia has prioritized specific tax instruments including: Sales Tax; Excise Duty; Personal and Corporate Income Tax; Rental Income Tax; Road Tax; Stamp Duty; Registration fee / levies, turnover tax. A draft Revenue Bill has been developed and is being processed to reform policy and administration of the above specific instruments.

³ This scope of the support is limited to Inland Revenue, and based on the division of labor amongst development partners. Support to Customs reforms is being supported under a program mainly financed by DFID. However, the Bank will deliver ASA & TA activities to complement DFID support. Using the Rapid Response Facility, the project is structured to take advantage and plug any emerging gaps in improvements to the Customs performance. This should help sustain dialogue around a major revenue stream for Somalia. Structural benchmarks under consideration by IMF include the following areas with accompanying TA to be provided by the Fund: sales tax for domestic products/services (e.g. telecoms, utilities), turnover tax for large taxpayers, submission of National Revenue Bill to parliament, fisheries licensing implementation, large and medium taxpayer office implementation.

⁴ Support for automation shall be at Federal Government of Somalia and later rolled out to Puntland *if* Puntland adopts the revenue bill.

⁵ The bill development is being supported by the IMF Staff Monitored Program (SMP).



implementation of critical treasury management, control, budget execution, and accounting and reporting reforms; (ii) deepening reforms targeted at enhancing transparency and accountability in the use of public funds through strengthening key integrity pillars including supreme audit institutions (SAIs), external oversight capacities, internal control systems, and the overall fiduciary environment; and (iii) expanding the reach of the government's PFM professionalization program. The consolidated Component 2 will have three sub-components, as follows:

18. **Sub-component 2.1: Strengthening systems of treasury management, budget execution, accounting and financial reporting (US\$6,550,000).** The objective of this sub-component (originally Component 2) under the repositioned Component 2 is to institute essential controls needed to promote fiscal discipline, transparency, and accountability. At the FGS level, the additional resources will be used to ensure integrity of the Somalia Financial Management Information Systems (SFMIS) by supporting the quality assurance of the SFMIS and throughout the system's implementation and post-implementation phases, including Primary Data Center (PDC); Disaster Recovery Center (DRC) that assure the timely recovery of data in case of any mishap. The proposed AF will also support sustainable management of the SFMIS through targeted institutional capacity development programs.

19. In Puntland, additional resources will provide hands-on technical assistance support to the Office of the Accountant General in areas such as financial reporting and expenditure management and control. Given the criticality of the Puntland Financial Management Information System (PL-FMIS) to improved transparency, the AF will also support a systems audit to review potential gaps and data integrity issues that could endanger sustainability of the solution. The AF will also support capacity development activities targeted at improving expenditure management and control, including implementation of government cash management policy.

20. In Somaliland, the additional resources will be deployed to specifically support Somaliland undertake the following: (i) financial management technical assistance to the Office of the Accountant General (OAG) focused on expenditure controls, cash management, accounting and reporting; (ii) implementation of business process reengineering, including change management; (iii) implementation of Somaliland Financial Management Information System (SL-FMIS) quality assurance, system security, business continuity, and disaster recovery strategies; (iv) implementation of a cash management policy and establishment of a Cash Management Unit at the OAG, amongst others.

21. Important to note is that the Central Bank of Somalia (CBS) is currently managing Subcomponent 2.5 of the original project which includes Financial Accounting Control and Transactional System" (FACTS) and Automated Transfer System (ATS+) with inbuilt i) real-time gross settlement (RTGS) ii) automated clearinghouse (ACH) and iii) instant funds transfer (IFT) functions. This subcomponent was not considered as part of the PFM Reform Action Plan. With this understanding, the scope of support under the AF will be limited to the completion of ongoing FACTS activities. Subsequent support to the CBS for the implementation of balance of FACTS and ATS+ activities will be financed through the ongoing Somali Core Economic Institutions and Opportunities Program (P152241).

22. **Sub-component 2.2: Strengthening the integrity systems (US\$4,050,000).** The objective of this sub-component (originally Component 3) is to ensure publication of timely and quality audit reports; improvement in the percentage of expenditures represented by the government entities audited as part of total public expenditures; and better follow up by Parliament of audit recommendations. The AF will kick-off by supporting



delayed SAI institutional strengthening activities to fast track the audit of projects and Government-wide Annual Financial Statements.

23. Separately, the sub-component will introduce “Centralized Multi-Partner Trust Funded (MPF)-project audit” to support the project’s annual and interim audits, and will extend periodic performance monitoring across areas of limited/remote access (including emerging states). These new activities are motivated by the lessons learnt from the twinning arrangement between the Office of the Auditor General and audit firms providing TA in the audit of MPF/Single-Partner Fund (SPF)-funded projects. In implementing this activity of the subcomponent, the relevant cost-benefit analyses will be undertaken to evaluate the pros and cons of engaging individual practicing auditors compared to firms. The AF will seek to formulate strategic linkages with regional Professional Association Organizations. In line with the design of the original project, the AF will support establishment of a national Institute of Certified Public Accountants of Somalia (ICPAS) and its membership to Pan Africa Federation of Accountants and International Federation of Accountants. These activities were not undertaken initially because of the resource constraints. Government officials working across key PFM institutions and registered as CIPFA students will be encouraged to register under appropriate ICPAS membership classification.
24. Lastly, the sub-component will also introduce an activity: Modernization of the Internal Audit function. Internal Audit is an essential component of a well-functioning internal control system, and over time it is expected to play an important role in evaluating the effectiveness of control systems within the Government’s strategic operations. As part of the ongoing business process review, pre-audit of vouchers should be the direct responsibility of the expenditure or payment section. Given the importance of Internal Audit, the AF will be supporting the operationalization of internal audit functions across the three regions (FGS, PSS and SL). Initially, the Internal Audit function will be focused in undertaking risk based systems audit, including projects activities at the FGS and States level.
25. **Sub-component 2.3: Professionalization of PFM staff (US\$2,100,000).** The objective of this sub-component (originally Component 4) is to expand the support for the government’s professionalization of PFM staff program. The AF will help train more cadres and work with the FGS and the FMS to ensure these qualified candidates are posted to the right functions and grades in the governments civil services. The project will gather gender data relating to this training to ensure a fair balance is accorded to all gender. This component will also explore the need of supporting some of the outstanding candidates, who may want to further their education to gain a fuller professional qualification. The Puntland government has requested that the implementation of PFM staff Professionalization activities in Puntland financed under the MPF (TFOA0388) be managed directly by the Puntland Ministry of Finance. This request is supported by the commitment of the PSS which is evidenced by the considerable number of qualifying CIPFA and International Training Centre of the International Labor Organization graduates absorbed within the Puntland Civil Service especially its PFM institutions, as well as the development of a PFM Academy within the Puntland State University. This approach is aligned with the World Bank’s Capacity Development Strategy that encourages the use of domestic institutions as a sustainability strategy. The implementation of this sub-component therefore is aligned with the Capacity Injection Project and its support to the establishment of the Puntland School of Public Administration.

Component 3: Rapid Response Facility (US\$2,000,000).



26. The objective of the RRF is just in time support, responding to the authorities' request for flexible window in view of the evolving implementation environment, within the project to respond to these emerging DRM and PFM priorities in a timely manner. This request has necessitated the introduction of a "Rapid Response Facility," access to which will be based on a set of transparent criteria and the project results achieved through DRM and PFM institutions of government without recourse to reallocation of project proceeds or project restructuring as the case may be. The RRF will support the three governments—FGS, PSG, and Somaliland - and finance: (i) consultants; (ii) services; and (iii) consultations, workshop and focus-group discussions; and (iv) work on case to case prior review basis. Currently, the FGS has identified construction of the Ministry of Finance (MoF), second phase, estimated at US\$ 1,400,000. The first phase of the MoF is supported by the Swedish Embassy that is 99 percent complete supported by the United Nations Office for Project Services (UNOPS). The project will endeavor to build the capacity of the respective PIUs in environmental and social safeguards through training in order to ensure compliance with the policies triggered under this project.

Component 4: Public financial management reform oversight, coordination and management (US\$3,000,000).

27. The AF proposes to reposition the original Component 5 and augment its financing to extend project management and coordination support for the three governments—FGS, PSG, and Somaliland - in accordance with the new activities and extended timeline.

E. Implementation

Institutional and Implementation Arrangements

28. Existing implementation arrangements of the ongoing PFMCS project will be maintained, and strengthened under the proposed AF. This arrangement leverages lessons learnt from similar reforms in FCSs with a deliberate attempt to use country systems instead of creating parallel Project Implementation Unit (PIU). A Public Financial Management Reform Coordinating Unit (PFM RCU) in the Ministry of Finance and Planning will anchor the reform and capacity building efforts. A Government PFM Reform Coordinator will be responsible for day-to-day coordination of the reform activities and serve as the key interlocutor for the component implementation team (CIT) and ensuring proper sequencing of activities expected to be funded by various donors. Similarly, DRM RCU, reporting to the Director General Inland Revenue will anchor the institutional capacity and systems DRM reform, led by the DRM Reforms Officer, who will be supported by the DRM FM Officer, DRM Procurement Officer, DRM Communication Officer, and the DRM Monitoring and Evaluation Officer. These additional resources will support the Coordinator with the scaled-up DRM scope. The Technical Assistants will be shadowed by government counterparts in the CIT for skills transfer. The CIT leaders will be the core civil servants to be determined depending on functional aspects of the component and will be directly responsible for day-to-day management of implementation and accountable for the reform outcomes. The Director-General, Ministry of Finance or the equivalent accounting / responsible officer of government, will use the convening power of the ministry to provide strategic guidance for the reforms.

29. The PFM Reform Oversight Committee (ROC) chaired by the Prime Minister represents at managerial level the key stakeholders. The ROC has authority because they are the decision makers and responsible for



the commitment of human and financial resources needed to implement the strategy successfully. The ROC will report to the Office of the President that set the political tone for the broad governance reform agenda and manage any resistance to the reforms. The TSC members comprising of Heads of the various PFM institutions and line ministries representing key front-line service delivery will be accountable for the success of projects to implement the reform strategy. Their responsibilities will be in addition to their normal work, it is important that they direct the project by ‘management by exceptions’, keeping regularly informed by the Component Implementation Teams but only asking for joint decision making at key points in the project.

30. Details of Financial Management arrangements; flow of funds and banking arrangements; accounting and internal control arrangements; financial reporting; and external auditing are provided in the project paper of this additional financing.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will be carried out with Somalia counterpart institutions in the Federal Government, Puntland State and Somaliland. The Ministry of Finance building, the only physical element of this project, is located within the Villa Somalia complex. The Ministry of Finance building has a ground floor plus three floors within an existing footprint.

G. Environmental and Social Safeguards Specialists on the Team

Tracy Hart, Environmental Safeguards Specialist
Verena Phipps-Ebeler, Social Safeguards Specialist
Richard Everett, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	

Indigenous Peoples OP/BP 4.10	No
Involuntary Resettlement OP/BP 4.12	No
Safety of Dams OP/BP 4.37	No
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The environmental category of this project is “B”, with OP 4.01 Environmental Assessment applicable, due to the construction completion (Phase 2) of the Ministry of Finance building in Mogadishu, as referenced in Component 3. The negative impacts of this construction are expected to be site-specific, reversible and can be readily mitigated. Phase 1 funding, previously provided by SIDA outside the scope of this project, provided for demolition of the previous Ministry of Finance building on the same footprint as well as construction of the structural base and frame of the new building. Impacts are known, as the building is currently under construction, and include the following: (i) risk to construction workers, including risks of falls; (ii) risk to adjacent properties and their inhabitants; (iii) risks associated with construction debris management, including removal and disposal; (iv) construction-related noise, air pollution, and traffic; and (v) increased demand for water and wastewater services, both during construction and operation. UNOPS has been contracted to manage the Phase 1 and Phase 2 construction. It has subcontracted to an engineering firm with worker health and safety and environmental management covenants.

Safeguards requirements have been deferred, as provided for under paragraph 12(a) of the IPF Bank Policy, as the project being prepared under condensed procedures. A Terms of Reference for an Environmental Audit of Phase 1 and an Environmental Management Plan (EMP) for Phase 2 has been prepared during project appraisal. The Phase 2 EMP, to include and build upon the Phase 1 Audit, will be prepared, reviewed, cleared, and disclosed both in the World Bank external website as well as in-country prior to disbursement of funds related to construction completion. The EMP will provide provisions for UNOPS supervision of and reporting on construction contractor compliance with both UNOPS and Bank environmental and social safeguards policies. Other than construction completion of the Ministry of Finance building, there are currently no other identified environmental impacts associated with DRM & PFM AF. If the RRF proceeds to finance another activity where environmental and/or social safeguards policies are applicable, relevant safeguards documentation specific to that activity must be prepared, disclosed, and implemented.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The Ministry of Finance building is in a densely populated commercial district of Mogadishu. As the building has been constructed on the footprint of the previous Ministry of Finance building, most impacts have already been absorbed during construction of the first Ministry of Finance building. There are minor indirect impacts associated with increased demand for water and wastewater services, to be provided through an on-site fresh water tank and fresh water articulation system as well as a septic tank system.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
The building has been constructed on the site of the previous building in order to minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The government of Somalia has contracted to UNOPS management of Ministry of Finance building in order to assure that international standards for building construction and worker health and safety are met. Bid evaluation for awarding the construction subcontract included the following proposal schedule technical review criteria: (i) assets, including personal protection equipment and metallic scaffolding; (ii) insurances, including workers' compensation and employer's liability insurance; (iii) subcontractors' health and safeguards management manual, plan, and integration of own health and security management system with UNOPS health and safety requirements.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The key stakeholders for the DRMPFMCSP are the government employees as well as Federal Government of Somalia citizens, who will benefit from the strengthening of the federal government tax base as well as increased efficiency of the use of public funds. With respect to the construction completion of the Ministry of Finance building to be funded as part of Component 3, the key stakeholders are Ministry of Finance employees.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other		
Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors

"In country" Disclosure

The review of this Safeguards has been Deferred.

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)



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