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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL GRANT

IN THE AMOUNT OF SDR 49 MILLION
(US\$65 MILLION EQUIVALENT)

AND A PROPOSED GRANT

IN THE AMOUNT OF US\$4 MILLION

FROM THE SOMALIA MULTI-PARTNER FUND

TO THE

FEDERAL REPUBLIC OF SOMALIA

FOR THE

SOMALIA RECURRENT COST AND REFORM FINANCING PROJECT - PHASE III

April 9, 2024

Governance Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 29, 2024)

Currency Unit = Somali Shillings

US\$1 = SDR 0.75

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AM	Accountability Mechanism
BRA	Benadir Regional Administration
CEC	Community Education Committee
CoA	Chart of Accounts
COAPM	Comprehensive Operations, Accounting Procedures Manual
CPF	Country Partnership Framework
DA	Designated Account
DRM	Domestic Revenue Mobilization
E&S	Environment and Social
EAFS	External Assistance Fiduciary Sections
ECF	Extended Credit Facility
EEP	Eligible Expenditure Program
ESMF	Environment and Social Management Framework
ESMP	Environment and Social Management Plan
FCV	Fragility, Conflict and Violence
FGS	Federal Republic of Somalia
FHS	Female Health Supervisors
FHW	Female Health Workers
FM	Financial Management
FMFF	Finance Ministers' Fiscal Forum
FMS	Federal Member State
GBV	Gender-based Violence
GHG	Greenhouse Gas
GRC	Grievance Redress Committee
GM	Grievance Mechanism
GRS	Grievance Redress Service
HEIS	Hands-on Enhanced Implementation Support
HIPC	Heavily Indebted Poor Countries
HMIS	Health Management and Information System
HRMIS	Human Resources Management Information System
HTP	Health Technical Partner
ICT	Information and Communications Technology
IDA	International Development Association
IDP	Internally Displaced Persons
IFI	International Financial Institutions
IFR	Interim Financial Report
IGFF	Inter-governmental Fiscal Forum
IMF	International Monetary Fund
IPF	Investment Project Financing
ITAS	Integrated Tax Administration Automation System
IP	Implementation Progress
ISR	Implementation Status and Results Report
IVA	Independent Verification Agent

MA	Monitoring Agent
MDA	Ministries, Departments, and Agencies
MoF	Ministry of Finance
MoH	Ministry of Health
NCSC	National Civil Service Commission
NDCs	Nationally Determined Contributions
NDP	National Development Plan
NSRC	Non-Salary Recurrent Costs
OAG	Office of the Accountant General
OAug	Office of the Auditor General
OBI	Open Budget Index
PBC	Performance-Based Condition
PEC	Participation Eligibility Criteria
PDO	Project Development Objective
PFM	Public Finance Management
PIU	Project Implementation Unit
POM	Project Operations Manual
PP	Procurement Plan
PPSD	Project Procurement Strategy for Development
PREMIS II	Public Resource Management in Somalia Project – Phase II
PSM	Public Sector Management
RCRF	Recurrent Cost and Reform Financing
SEAH	Sexual Exploitation Abuse and/or Harassment
SERP	Somalia Enhancing Public Resource Management Project
SFMIS	Somalia Financial Management Information System
SMPF	Somalia Multi-Partner Fund
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
UCoA	Unified Chart of Accounts
VA	Verification Agent

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BASIC INFORMATION – PARENT (Somalia Recurrent Cost & Reform Financing Project - Phase 3 - P173731)

Country	Product Line	Team Leader(s)		
Somalia	IBRD/IDA	Alma Nurshaikhova		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P173731	Investment Project Financing	EAEG1 (9748)	AECE2 (6542)	Governance

Implementing Agency: Federal Member State Galmudug, Federal Member State Southwest, Federal Member State Jubaland, Federal Member State Hirshabelle, Ministry of Finance, Federal Government of Somalia, Federal Member state Puntland

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
11-Jun-2020	31-Dec-2025		Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Development Objective(s)

To support the Federal Government of Somalia and Eligible Federal Member States to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

Ratings (from Parent ISR)

	Implementation					Latest ISR
	26-Apr-2021	01-Nov-2021	30-May-2022	15-Dec-2022	11-Jul-2023	09-Jan-2024
Progress towards achievement of PDO	MS	MS	MS	MS	MS	MS
Overall Implementation Progress (IP)	MS	MS	S	S	S	S
Overall ESS Performance	MS	MS	S	MU	MU	MU
Overall Risk	H	H	H	H	H	S
Financial Management	MS	MS	MS	MS	MS	MS
Project Management	S	S	S	S	S	S
Procurement	MS	MS	MS	S	S	S
Monitoring and Evaluation	MS	MS	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Second Additional Financing for Somalia Recurrent Cost and Reform Financing Phase III - P181407)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P181407	Second Additional Financing for Somalia	Restructuring, Scale Up	No



	Recurrent Cost and Reform Financing Phase III		
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	30-Apr-2024	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
30-Apr-2027	No		
Is this a regionally tagged project?			
No			

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div style="width: 0%;"></div>	%
IDA	130.00	92.86	36.32	<div style="width: 72%;"></div>	72 %
Grants	15.00	5.00	10.00	<div style="width: 33%;"></div>	33 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Second Additional Financing for Somalia Recurrent Cost and Reform Financing Phase III - P181407)

FINANCING DATA (US\$, Millions)



SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	145.00	69.00	214.00
Total Financing	145.00	69.00	214.00
of which IBRD/IDA	130.00	65.00	195.00
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing

World Bank Group Financing

International Development Association (IDA)	65.00
IDA Grant	65.00

Non-World Bank Group Financing

Trust Funds	4.00
Somalia Multi-Partner Fund	4.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Somalia	0.00	65.00	0.00	0.00	65.00
National Performance-Based Allocations (PBA)	0.00	65.00	0.00	0.00	65.00
Total	0.00	65.00	0.00	0.00	65.00

COMPLIANCE

Policy

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

[] Yes [] No

Does the project require any other Policy waiver(s)?



[] Yes [✓] No

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

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

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

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Education

Health, Nutrition & Population

Climate Change and Disaster Screening

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



PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Alma Nurshaikhova	Team Leader (ADM Responsible)		EAEG1
Jana Kunicova	Team Leader		IDD02
Francis Akolu Muthuiya	Procurement Specialist (ADM Responsible)	Procurement	EAERU
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Violet Tsindori Amani	Team Member	Program Assistant	AEMSO
Vishal Ashvin Patel	Team Member		EAEG1

Extended Team

Name	Title	Organization	Location
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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide a second additional grant in the amount of SDR 49 million (US\$65 million equivalent) to the Federal Republic of Somalia (FGS) for the Recurrent Cost and Reform Financing Project Phase III (RCRF III - P173731).** The project will also be co-financed by a grant provided under the Somalia Multi-Partner Fund (SMPF) in the amount of US\$4 million (SMPF Grant No.TF0B8760). The additional financing (AF) will be used to scale up support to (i) the reform financing through adding new and revising existing performance-based conditions (PBCs); (ii) recurrent cost financing for the Federal Member States (FMS) and community health service delivery for additional 12 months; (iii) the intergovernmental coordination, local governance, and citizen engagement activities, and (iv) fill the financing gap of US\$15 million that was originally envisaged to be funded through the SMPF.¹

2. **In addition, the RCRF III project will be restructured to revise the results framework and extend the closing date from December 31, 2025, to December 31, 2026,** as requested by the FGS Ministry of Finance letter dated August 5, 2023. This will be the second extension of the closing date.

3. **The RCRF III project is part of a series of RCRF projects that first became effective in August 2014.** The first phase of the RCRF (P148428), a one-year project, tested the systems for on-budget recurrent cost financing and was fully financed by SMPF. RCRF Phase II (P154875), financed through both International Development Association (IDA) and SMPF grants, supported the implementation of Somalia's Eighth National Development Plan (2017–2020) and helped Somalia reach the Heavily Indebted and Poor Countries (HIPC) initiative Decision Point in March 2020. RCRF II, closed on June 30, 2022, with a Highly Satisfactory rating as confirmed by the Independent Evaluation Group. The RCRF III project, a US\$68 million IDA grant (D658-SO), approved by the World Bank on June 11, 2020, and subsequent first additional financing (AF1) in the amount of US\$62 million IDA and US\$30 million SMPF approved on July 5, 2022, has a closing date of December 31, 2025. This is the second additional financing (AF2) to the phase 3 of the project.

4. **The AF2 complies with World Bank procedures.** The parent project is currently rated as Moderately Satisfactory (MS) for progress toward achievement of the project development objective (PDO) and Satisfactory for implementation progress (IP). The legal covenants are met under the parent project,² and there is moderately satisfactory compliance with financial management (FM) arrangements. The World Bank has used a third-party monitoring agent (MA) to perform independent verification of the expenditures upon which payments are made. The Environment and Social (E&S) performance has been Moderately Unsatisfactory (MU), due to the delay in replacing the Senior Social/Gender-Based Violence (GBV) specialist and implementation of sexual exploitation, abuse, and/or harassment (SEAH) prevention and response plan, as well as lack of trust and functionality of the grievance mechanisms (GM) and deficiencies in reporting. The project has agreed on an action plan to upgrade the rating to at least Moderately Satisfactory as detailed in Annex 1.

¹ The first additional financing (AF1) to RCRF III approved on July 5, 2022, was appraised for the total amount of US\$92 million, of which US\$62 million were International Development Association (IDA) financing and US\$30 million was expected to be financed by SMPF against Category 1 and 2 of eligible expenditures. To date, US\$15 million was committed from SMPF, while the gap of US\$15 million is proposed to be filled through IDA. US\$4 million additional SMPF grant will be used to finance Category 3 of eligible expenditures (PBCs) and comes on top of the originally appraised amount.

² The parent project's requirement for the FGS to select and engage verification consultant(s) to assist the Office of the Auditor General (OAuG) with the preparation of the PBC verification reports is implemented.



B. Project Status

5. **The RCRF III PDO is to support the FGS and eligible Federal Member States (FMS)³ to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.** The PDO has been rated Moderately Satisfactory from the project inception, and the IP has been rated Satisfactory. The parent project is compliant with key loan covenants and financial management reporting and audit requirements. All project components are being implemented satisfactorily as described below.

6. **Component 1, “Recurrent cost finance to reform resource management systems” (US\$41.2 million), has continued to enable the predictable presence and strengthening of the state apparatus during the critical state-building process.** This component provides up to US\$19.7 million of input-based or “baseline” financing of the FGS civil service wage bill at the sliding scale.⁴ The share of civil servants’ salaries financed by the government increased from 80 percent in 2020 to 84.6 percent in 2023.⁵ In 2023, ten of 12 months’ payments for FGS civil service salaries, or 83 percent, were made on time. In addition to input-based financing, RCRF III project provides US\$21.5 million through performance-based conditions (PBC) that support a critical reform agenda on domestic revenue mobilization (DRM), payroll management, inter-governmental relations, and public administration reform. Good progress was made in the review of payment processes, implementation of the Unified Chart of Accounts (UCoA), reaching an agreement on the fiscal transfer formula, adoption of the Pay and Grading Policy, implementation of the biometrics system, publishing an annual status report on women in civil service, and agreeing on the action plan on wage bill management.

7. Out of 18 PBCs in the amount of US\$13.5 million due to date, seven PBCs were met and US\$5.5 million disbursed, while additional seven PBCs (US\$5.5 million) are pending verification. Despite original delays in the procurement of the Independent Verification Agent (IVA) and subsequent delays in the verification, the consultant is now on board and has conducted the first round of verification with the second round due by April 30, 2024. The four pending PBCs on the pension reform, procurement and the implementation of Integrated Tax Administration System (ITAS) and strengthening payment processes for operational expenditures are lagging behind, but the reform effort is expected to intensify with the recent launch of the Somalia Enhancing Public Resource Management Project (SERP, P177298).

8. **Component 2, “Strengthen inter-governmental fiscal relations” (US\$27.4 million), contributes to improved inter-governmental relations and reaching agreements on fiscal federalism structures and resource sharing.** Good progress has been made on implementing of the UCoA, which was used to prepare the 2023 budget. The Finance Minister’s Fiscal Forum (FMFF) adopted the grants fiscal transfer formula in January 2023, which includes a performance component. After FMS complete their self-assessment on the performance parameters of the formula, the supplementary 2024 budget will be prepared to reflect the inter-governmental allocation to the FMS based on the transfer formula. The component also allows the FMS to achieve agreed PBCs to access up to a total of US\$16.8 million fostering improved governance and service delivery at the FMS level.

³ Although not internationally recognized, Somaliland declared independence in 1991, does not participate in the federal system and has therefore also not been part of the RCRF series. While the engagement for development work has been different in Somaliland from the beginning, it does not exclude the potential inclusion of Somaliland in future RCRF phases.

⁴ The sliding scale of FGS civil service financing was introduced by the predecessor RCRF II project, whereby RCRF share of FGS civil service wage bill financing through an advance-replenishment model fell from 100 percent in 2015 to 15 percent in 2023.

⁵ The 2023 target was 86 percent, while that of 2025 is 90 percent.



9. Out of 11 PBCs costed at US\$13.2 million that are due to date, six PBCs were achieved and US\$9.1 million has been disbursed to FMS to finance health and education service delivery at the community level.⁶ Additional two PBCs estimated at US\$1 million are pending verification. After a short learning curve, FMS are now familiar with the PBC instrument and are committed to reforms implementation and ready to absorb higher number of PBCs subject to ensuring the timeliness of the verification and immediate disbursement upon the confirmation of results. The exception is the Puntland State of Somalia (PSS), which suspended cooperation with FGS in December 2022 and did not partake in the inter-governmental dialogue, the core of the RCRF supported PBC reforms.

10. The local governance sub-component initiated an inter-governmental dialogue on building country systems for transfers from FMS to district councils. FGS and FMS ministries of finance, interior and reconciliation, health and education came together in February 2024 to discuss the institutional framework, regulatory requirements, and eligibility criteria for local transfers. The system of FMS transfers to local governments is set to be piloted by December 2024 paving the way of bringing local governments financing on to government systems.

11. **Component 3, “Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS” (US\$77.3 million), scales-up transfers to FMS for increased pro-poor budget allocations for service delivery in health and education.** The component has continued helping to reestablish the state as a provider of basic services, notably building basic education and health services delivery through country systems after decades of off-system, off-budget donor financing of services. About 1,300 female health workers (FHW) are active in all FMS and Benadir Regional Administration (BRA) with a plan to expand the number to 3,000 and extend support to newly liberated areas in Galmudug and South-West States of Somalia. In the education sector, systems of salary payments to teachers and non-teaching education administration staff were established with a total of 4,467 teachers supported with salaries covering a total of 1,736 schools. School supervision exercises are conducted on a regular basis, establishing a baseline, and supporting the development of school improvement plans. The school supervision approach is undergoing revisions with the support of the Education for Human Capital Project (P172434), whereby every school is to be physically supervised once in three years, a self-assessment methodology developed and to be piloted in 2024, and quality assurance framework to be further refined. These changes require reassessment of the project’s PDO indicator on school supervision. The component also supports inter-governmental coordination to support defining and operationalizing functional assignments in the education and health sectors.

12. **Component 4, “Citizen engagement and feedback” (US\$4.1 million), supports transparency and citizen feedback mechanisms.** Building on a significant increase in the last Open Budget Index (OBI) rating, the FGS has continued its efforts on increasing the transparency of the budget preparation process, improving oversight, and increasing capacity of budget stakeholders. The Information and Communication Technologies (ICT) based Citizen Engagement Center reached out to 19,581 unique beneficiaries with feedback collected and acted upon since the start of the project. The pilot mass media and behavior campaigns⁷ focused on budget transparency, grievance redress, and health and education behavior change generating over 200,000 views on social media with over 1,000 comments.

13. **Component 5, “Project management” (US\$10.43 million), supports the coordination, administration, communication, management, procurement, monitoring and evaluation (M&E), audit, and dissemination of**

⁶ Puntland State of Somalia achieved PBC on health service delivery, but did not achieve the education service delivery PBCs, due to its non-participation in the intergovernmental dialogue in the education sector.

⁷ The campaigns entailed talk shows, billboards, animations, social media campaigns, public events, etc.



project activities. It finances dedicated staff to cover project coordination and management, administration, M&E, financial management, procurement, social and environmental specialist, and communications.

C. Rationale for Additional Financing and Restructuring

14. **The FGS has requested this AF2 to both scale up and extend the project by 12 months** as well as to fill the financing gap of US\$15 million. Specifically, the AF2 is requested to help FGS and FMS prepare for a transition after reaching HIPC Completion Point and phasing out of the recurrent cost financing.⁸

15. **Recurrent costs in the form of employment compensation continue to constitute almost half of Somalia's growing public expenditures.** Domestic revenues grow at a much slower pace than public expenditures and are not sufficient to finance the expanding state apparatus. With the support from the World Bank, International Monetary Fund (IMF) and other development partners, FGS is implementing several reforms that will contribute to the fiscal sustainability of the public wage bill. On the revenue side, these include automatization of customs and inland revenue, tax policy harmonization efforts, and agreements on the revenue sharing arrangements between FGS and FMS. On the expenditure side, the reforms are targeted at improving the fiscal sustainability of the growing public sector wage bill including the implementation of a pay and grading system, formalization of the non-formal public sector employees and their transition to the pay and grading scheme⁹, and implementation of the pension reform.

16. **Implementation of the above reforms will support fiscal sustainability of the wage bill but will require additional time and support.** Building on the results and lessons learned from the previous phases, the AF2 approach is to support a gradual transition from an “input-based” to “performance-based” financing to: (i) deepen fiscal sustainability reforms; (ii) increase the focus on wage bill sustainability at both the federal and sub-national levels; (iii) enhance transparency and accountability of public expenditures; and (iv) transition out of recurrent cost financing. The proposed approach reflects an evolution of recurrent cost financing in Somalia, and if successful, it will help in a smooth phasing out of recurrent cost support and help Somalia to prepare for changes in IDA financing terms.

17. **FMS continue to rely on RCRF support for recurrent cost financing, which currently finances 100 percent of formalized civil servants in Jubbaland, Galmudug, Hirshabelle, and Southwest States of Somalia.** These FMS rely heavily on inter-governmental transfers to finance its civil service due to extremely low levels of DRM. However, the formalized civil servants' wage bill comprises between 20 to 40 percent of the overall non-security wage bill in these states, and only 15 percent in the Puntland State of Somalia. The increasing levels of the non-formalized wage bill may indicate that FMS, unlike ten years ago when the first phase of RCRF was launched, now have a fiscal space to finance its non-security public sector. At the same time the absence of agreed procedures to govern this non-formalized civil service cadre and limited access to information on the financing sources is alarming and may pose substantial risks to the fiscal sustainability of the wage bill. Therefore, there is an emerging scope for introducing performance-based financing of civil service in FMS with greater focus on

⁸ Somalia reached the HIPC Completion Point, qualifying for a US\$4.5 billion debt relief, by the decision of the IDA Executive Board on December 12, 2023, and the IMF Executive Board on December 13, 2023. The RCRF project series has supported several reforms in PFM, DRM, and service delivery leading to the HIPC decision and completion points. While at the recent IDA20 Mid Term Review, Somalia negotiated to continue accessing grant terms financing for the remainder of IDA20, in a post-HIPC post-IDA20 environment, Somalia will need to ramp up its efforts in strengthening its macroeconomic framework to raise domestic revenues, prioritize public expenditures that promote growth and reduce poverty, and ensure that debt levels remain sustainable (World Bank 2023) Somalia Systematic Country Diagnostic Update FY23, P500140).

⁹ There were around 5,500 temporary workers excluding teachers and health workers as of January 2024.



strengthened public finance management (PFM) systems, transparency, and wage bill management for fiscal sustainability.

18. **The AF2 will contribute to the Somalia Country Partnership Framework (CPF) for the FY 2024–2028** discussed by the World Bank Board on February 29, 2024 (Report No. 187254-SO), and specifically its Cross-cutting Foundational High-Level Objective “Macroeconomic Stability and Governance Foundations”. RCRF III and the AF2 will also incentivize the reforms supported through the Somalia Turnaround Allocation, a series of Development Policy Operations, and SERP. The AF2 is also instrumental in helping Somalia sustain the reform progress post-HIPC by strengthening core government systems and increasing financing for public services, including strengthening DRM, and improving inter-governmental fiscal relations. In this respect it is closely aligned with the IMF’s new Extended Credit Facility (ECF) Arrangements approved on December 19, 2023. The AF2 will continue to closely coordinate with Somalia Improving Health Services Project - Damal Caafimaad (P172031) and Somalia Education for Human Capital Project (P172434) and prepare for gradual phasing-out of RCRF-financed service delivery support.

19. **Somalia is ranked as the most climate-vulnerable country in the world¹⁰ as it faces a wide range of climate risks, including acute climate-induced disasters such as droughts and floods, whose frequency and severity are likely to increase with climate change.**¹¹ Droughts, floods, and heat stress induce vector-borne and gastrointestinal diseases, damage infrastructure, destroy farmland and livelihoods, disrupt learning in schools, and displace thousands of people with particularly severe impacts on rural populations and the poor.¹² The most recent drought, consisting of five consecutive years of below average rainfall caused by climate change, has displaced 2.1 million people since 2021.¹³ Compounding the crisis have been the October to December 2023 seasonal rains and floods across Somalia which alone have displaced an additional one million people and resulted in suspected cases of cholera heightening the risk of an outbreak.¹⁴ 8.3 million Somalis were expected to face acute food insecurity as of June 2023, including 727,000 facing extreme hunger.¹⁵ The AF2 includes climate considerations aimed at reducing Somalia’s vulnerabilities to climate-induced threats.¹⁶

20. **The project is consistent with Somalia’s climate commitments and aligned with the goals of the Paris Agreement on both mitigation and adaptation.** The project is informed by the World Bank’s Somalia Climate Risk Review (2023), which serves as a foundation for Somalia’s Country Climate and Development Report (P501734, under preparation) and CPF for FY2024-2028. Somalia’s Nationally Determined Contributions (NDCs) include "disaster preparedness and management" and "water resources management and public health" as two of the eight priority areas for adaptation. Somalia’s National Development Plan calls for strengthening Somali institutions’ capacity for effective environmental governance and disaster management. Somalia’s National Adaptation Plan (NAP) (2022) prioritizes adaptation in an integrated and coordinated manner that promotes good governance and institution building. The AF2 responds to Somalia's identified climate risks and priorities by: (i) strengthening local governance mechanisms for disaster preparedness and management financing; (ii)

¹⁰ Notre Dame Global Adaptation Initiative (ND-GAIN)

¹¹ World Bank (2023) Somalia Climate Risk Review.

¹² World Bank (2023) Somalia Climate Risk Review.

¹³ UNOCHA (2023), The Horn of Africa Drought Situation Appeal (January – December 2023) Available at: <https://reliefweb.int/report/ethiopia/horn-africa-drought-situation-appeal-january-december-2023>

¹⁴ UNOCHA (2023), Somalia Situation Report. Available at: <https://reliefweb.int/report/somalia/somalia-situation-report-4-dec-2023>

¹⁵ UNOCHA (2023), The Horn of Africa Drought Situation Appeal (January – December 2023) Available at: <https://reliefweb.int/report/ethiopia/horn-africa-drought-situation-appeal-january-december-2023>

¹⁶ For the detailed description of proposed activities, see paragraph 29.

supporting an inter-governmental dialogue on environmental taxation; and (iii) improving climate resilience of health and education service delivery.

21. **The RCRF III project is gender tagged and the AF2 will continue to address gender gaps that exist in public sector recruitment, education, and health service delivery.** In the FGS, women make up 29 percent of the total formalized civil service workforce and 19 percent of the three highest grade levels.¹⁷ Among teacher cadre, 18 percent of teachers were female in 2023 compared to 33 percent in Sub-Saharan Africa in 2019 (the latest available data).¹⁸ Low women's representation in high-level decision-making positions and service delivery positions is primarily due to inequitable recruitment and promotion practices, social norms and attitudes about women's work, and a lack of professional development and networking opportunities for female civil servants.

II. DESCRIPTION OF ADDITIONAL FINANCING

A. Key changes

22. **The PDO of the project remains unchanged.**

23. **The AF2 approach is threefold:** (i) to support FGS to fully transition from input-based advance replenishment model (“baseline” financing) to performance-based financing of the recurrent costs; (ii) to introduce performance-based financing of FMS salaries while reducing their baseline financing; and (iii) to increase the share of FMS financing. Participation eligibility criteria (PEC)¹⁹ will continue to be leveraged for incentivizing the transparency of financial reporting. The AF2 will benefit about 11,000 civil servants receiving timely salaries; 3,000 FHWs visiting at least 15,000 pregnant women and 45,000 children; and at least 20,000 of project beneficiaries (civil servants, FHWs, teachers, service recipients) reached through digital citizen engagement systems. Table 1 depicts the shift in the approach.

Table 1. RCRF financing modes

	Original design			Additional Financing		
	Baseline financing (advance): Based on PECs	Performance-based financing (reimbursement): Conditional on PBCs	Input-based IPF (procurement)	Baseline financing (advance): Based on PECs	Performance-based financing (reimbursement): Conditional on PBCs	Input-based IPF (procurement)
FGS Salaries	✓	✓			✓	
FMS Salaries	✓			✓	✓	
Service delivery	✓	✓	✓	✓	✓	✓
Technical Assistance			✓			✓
<i>% of financing</i>	~45%	~25%	~30%	~25%	~50%	~25%

24. **The AF2 design takes into account the key lessons on performance-based financing under the RCRF series.** Specifically, PBCs proved to be an effective mechanism for elevating policy dialogue and focus on key reforms in FGS and FMS. While there is still a time lag in PBC achievement, there is strong government

¹⁷ Somalia National Civil Service Commission (2023), Report on the Status of Women in Senior Leadership Positions. (<https://ncsc.org.so/reports>)

¹⁸ World Development Indicators (<https://data.worldbank.org/>)

¹⁹ The Participation Eligibility Criteria (PEC) are a set of measures that both FGS and the FMS must meet to continue benefiting from each project subcomponent. PEC were established to promote basic system strengthening, including intergovernmental relations, fiscal transparency, and basic payroll and PFM controls. PEC may be revised as part of the RCRF annual and mid-year reviews.

commitment for the reform implementation. Granular PBCs with several intermediate steps between the policy adoption and its implementation proved to be an effective approach that sustains the reform momentum. Timely and quality achievement of PBCs require intensified implementation support and technical assistance, which will be provided through SERP, Bank-executed PFM support, and close collaboration with education and health Global Practices. The verification mechanism is established albeit the timeliness is still an issue, which will require close attention and reconsideration of the approach, where PBCs are immediately verified upon their completion.²⁰ Performance-based health and education sector financing at the subnational level strengthens the ownership of government-led service delivery and builds lasting capacity for implementation beyond the project duration. The proposed expansion of the eligible expenditure program (EEP) to include government-financed teachers and potentially non-formalized wage bill in FMS will increase transparency and integrity of the expenditures as they will be monitored by the third-party MA.

25. **Key changes by component are summarized in Table 2 followed by the detailed description of changes.**

Table 2. Overview of the RCRFIII AF2 (US\$ million)

	Key changes	RCRF III Appraised amount	AF2	Total
Component 1: Recurrent cost finance to reform resource management systems		41.2	16.2	57.4
1.1 Financing eligible civil service salaries in FGS: Baseline	Zero financing after January 1, 2026.	19.7	0	19.7
1.2 Financing eligible civil service salaries in FGS: Reform benchmarks (PBCs)	Existing PBCs are revised and new PBCs added to support implementation and sustainability of reforms in the areas of domestic revenue administration; payment and budgeting processes; inter-governmental fiscal framework; public administration; wage bill management, budget transparency (see PBC Matrix in Section VIII)	21.5	16.2	37.7
Component 2: Strengthen inter-governmental fiscal relations		27.4	16.5	43.9
2.1 Supporting inter-governmental forums and Secretariat	Continue financing the intensified inter-governmental dialogue on fiscal federalism and functional assignments in health and education	2.8	2	4.8
2.2 Reform benchmarks for improved governance and service delivery at FMS-level (PBCs)	Existing PBCs are revised and new PBCs added to finance FMS civil service salaries, health and education service delivery. EEP to include FGS ad FMS non-security payroll and teacher incentives.	16.8	11.3	28.1
2.3 Strengthening resource management systems	Continue financing FMS External Assistance Fiduciary Section (EAFS) and social specialist teams	6.1	1.2	7.3
2.4 Local governance	Establishment and piloting transfers from FMS to local governments and capacity building for local governments and communities for participatory budgeting	1.7	2	3.7
Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS		77.3	17.0	94.3
3.1 Financing core government functions	Introduce a declining scale of input-based financing of civil service salaries in FMS. Expand to include financing of non-teacher cadre.	30.6	4.8	35.4

²⁰ See Component 5 description on proposed changes to the verification protocol.

	Key changes	RCRF III Appraised amount	AF2	Total
3.2 Financing education service delivery	Scale down of the component as RCRF teachers to be integrated into the Government teacher cadre, while education service delivery activities to be financed through PBC 8. AF will finance key project management positions at the FGS MOECHE and school supervision activities.	19.5	1.0	20.5
3.3 Financing health service delivery	Continue financing of FHW incentives and expand FHW program to the newly liberated areas, aligning with Damal Caafimaad	27.2	11.2	38.4
Component 4: Citizen engagement and feedback		4.1	1.6	5.7
4.1 Budget transparency efforts	Scale-up of activities	1.2	0.6	1.8
4.2 Support mapping, citizen feedback, and corrective measures at the local level	Scale-up of activities	2.0	1.0	3.0
4.3 Impact evaluation to citizen feedback in education and health	As an impact evaluation has not been conducted, initiate impact evaluation activity to enable course-correction actions before the closing date.	0.9	0	0.9
Component 5: Project management		10	2.6	12.7
5.1 FGS project management costs	Continue support on a declining scale	5.5	0.9	6.5
5.2 FMS project management costs	Continue support on a declining scale	3.5	0.9	4.4
5.3 Independent verification agent (IVA) support for PBCs	IVA to be contracted through AF	1.0	0.8	1.8
Total		160	54	214
Financing gap		-15		
RCRF III AF2 IDA			65	
RCRF III AF2 SMPF			4	
Total financing		145	69	214

26. **Component 1 has financed FGS civil service salaries through baseline financing on a declining scale and performance-based financing through PBCs.** The AF2 will finance only the performance-based portion of the FGS civil service payroll while the government share of the “baseline” FGS civil service salaries financing (excluding PBCs) will reach 100 percent starting January 2026. Performance-based financing of FGS civil service will comprise around 20 percent of FGS civil service salaries by the end of CY2026. Selected PBCs are revised, and new ones added with the following considerations: (i) fiscal sustainability is prioritized across all PBCs; (ii) the cost of several PBCs was increased to add more value to the reform and provide greater incentives; (iii) one PBC on budget transparency and additional results under original PBC areas were added in 2025-2026 to incentivize sustained implementation beyond the adoption of respective policies and regulations; (iv) the target timelines for selected reforms were extended while intermediate milestones added to reflect current status, realistic timelines and allow for better reform sequencing; (v) four PBC results that were either missed or there was no meaningful progress since the start of the project are proposed for deletion and the amounts to be reallocated to the new refined PBCs in the same reform area; and (vi) the description and verification protocols of existing PBCs refined to reflect the status of reforms implementation, build on lessons, and to align with the implementation support under the SERP, which became effective on October 30, 2023.



27. **Component 2 will scale up the support to the inter-governmental platforms with the objective of strengthening fiscal federalism structures and contribute to the operationalization of inter-governmental agreements following the intensification of the federalism dialogue at the national level.** The component will support the Inter-Governmental Education Coordination Forum. Furthermore, additional results under original three PBC areas are added to test the viability of performance-based financing of the FMS civil service, teachers and FHW payroll and introducing the declining scale of “baseline” financing. The FMS PBCs will need to balance the ambition of the reform with its viability to ensure predictable and uninterrupted financing of FMS payroll. Therefore, the verification processes will be refined and detailed in the Project Operations Manual (POM), which will be an effectiveness condition, to allow for timely and predictable disbursements in January-February each year.²¹ The EEP will be expanded to include FGS and FMS (including Puntland) civil service wage bill, teacher and FHW salaries, as well as FMS non-security permanent employees and regular staff who are not civil servants.²² Inter-governmental transfers from FMS to selected local governments will continue to be piloted with the primary goal of strengthening PFM systems and building capacity for participatory and accountable local government transfers for service delivery and climate change mitigation and adaptation. A grant manual agreement will be signed between FGS and FMS and a service delivery agreement signed between FMS and local governments to specify *inter alia* eligible activities, selection criteria, accountability, reporting, inclusivity, community engagement, and E&S requirements.

28. **Component 3 will introduce a declining scale for the “baseline” (input-based) recurrent financing for FMS with the target of at least 45 percent of FMS civil service salaries financed from FMS own revenue and reimbursed through PBCs.** Non-salary recurrent costs will continue to be financed from advance replenishment to ensure the adherence to the agreed reform roadmap and compliance to the PFM regulations through third-party monitoring. AF2 will scale up financing to the Marwo Caafimaad (FHW) program with the focus on the newly liberated areas in close coordination with the Improving Healthcare Services in Somalia Project (“Damal Caafimaad”, P172031). While the target number of FHW remain at 3,000, AF2 will support additional year of salaries to FHW as well as additional costs related to the expansion to the newly liberated areas, which lack basic infrastructure. Input-based support to education sector is expected to scale down after the RCRF-financed teachers have transitioned to Government-financed teacher cadre.

29. **Component 4 will have a strengthened focus on citizen engagement, open budget, accountability, transparency, and inclusivity.** As initial activities laid the foundations for citizen engagement by improving transparency and collecting citizen feedback, the new activities will focus on closing the feedback loop, citizen participation and trust building, and encouraging government accountability. The AF2 will consolidate around successful pilots and incrementally expand them with the above objectives in mind. For the call center, this will entail personalization of messaging, integration of social media, promoting open data, and decentralization of its activities. For the mass media, behavior change, and feedback campaign, this will entail rolling out the pilot to a wider geographic scope with a greater focus on collecting actionable feedback and showing how it is used. Finally, on budget transparency, this will entail strengthening and institutionalizing pilot budget hearings held by parliament and budget consultations held by the MoF along with publication of feedback received and government response. Activities will be closely coordinated with SERP.

30. **Component 5 will continue providing support to project management and coordination.** The component will also extend the services of an IVA or consultants to validate FGS and FMS level PBC achievements. As the

²¹ See Component 5 description below.

²² While RCRF finances 100 percent of FMS (except Puntland) non-security formalized civil service payroll, its share of FMS non-security wage bill on average comprises 24 percent. In addition to formalized civil service, FMS non-security wage bill includes permanent employees/regular staff, contract employees, remuneration to political appointees, wage worker, etc.



current IVA contract is about to end, the Project has already initiated the procurement of an individual verification consultant as well as the contracting of an IVA TA firm to ensure timely verification of the next round of PBCs. The new TORs include flexibility as regards the timeline for the verification cycles moving away from a biannual verification cycle to on-demand verification available throughout the year.

31. **There are several changes made to the results framework.** The methodology of the PDO-level indicator on school supervision is revised so that the self-assessment is measured in nominal terms rather than in percentage terms in line with a newly approved school supervision plan. Targets for the selected PDO-level and intermediate results indicators are extended to reflect an additional year of implementation. The share of FGS civil servants' salaries financed by the government (baseline salaries excluding performance-based financing) is proposed to reach 100 percent by December 2026. Intermediate results indicators linked to PBCs are revised to align with the updated and more ambitious PBC results. A more ambitious target for the indicator on citizen engagement is set with the number of beneficiaries reached increased from 9,000 to 20,000. The methodology and target for the indicator on closing the feedback loop were refined to distinguish between two different categories of feedback - grievance mechanisms and service delivery feedback.²³ Finally, a health service delivery indicator linked to PBC is replaced with the number of pregnant women and children under five visited by FHW to align with the World Bank Corporate Scorecard.

B. Crosscutting Activities

32. **The project contributes to advancing Somalia's climate goals.** The AF2 will finance salaries of FGS and FMS Ministries of Environment and Climate Change prioritizing technical positions that deal with climate mitigation and adaptation measures (subcomponents 1.2 – US\$0.2 million and subcomponent 3.1 - US\$0.1 million). It will also provide technical assistance (TA) on mechanisms and fiscal transfers at the local governance level to enable emergency financing in response to climate-related and other disasters, including TA on decentralizing decision-making for a more effective and efficient response and recovery process following severe floods and cyclones (subcomponent 2.4 – US\$1 million). The project will further finance at least one inter-governmental fiscal federalism forum a year to enable discussions on financing climate response and introducing environmental taxation to de-incentivize activities that lead to deforestation (subcomponent 2.1 – US\$0.2 million).

33. **Digital data reporting and self-assessments will replace the need for physical supervision visits,** which can be interrupted by climate-related disasters, as well as reduce travel time at least by half contributing to lower greenhouse gas (GHG) emissions (subcomponents 3.2 and 3.3 – US\$0.5 million). The AF2 will finance the procurement of at least 1,000 solar chargers (costing US\$55 each) by FHWs, which should contribute to lower GHG emissions. Under subcomponent 3.3 (US\$2.3 million), emergency response protocols will be developed and put in place for FHWs program operation and FHWs will be trained to provide emergency response including through rapid information exchange, support to the most vulnerable communities affected by climate change, and prevention and treatment of climate-induced diseases. Increased budget allocations through PBC 7 will, in addition, allow the health sector to allocate at least 5 percent as contingency financing for emergency health response to climate-induced disasters exacerbated by climate change (subcomponent 2.2 – US\$0.24 million).

²³ Currently, the baseline for GM feedback is at 76 percent, but it is expected to improve and reach 90 percent by December 2026. SD related feedback is based on messages related to implementation support, health, and governance outcomes that are sent to civil servants and beneficiaries to gauge their level of satisfaction, their use of government services and to understand if they are adhering to recommended behavior change and other outcomes. For these SD related campaigns, the target is to achieve a 50% progress toward closing the feedback loop by December 2026



34. **The AF2 will promote the inclusion of women in governance structures, service delivery, and citizen engagement.** Specifically, the AF2 will: (i) enhance the role of women in leadership positions in civil service through a dedicated PBC;²⁴ (ii) enable financing to continue support to 3,000 FHWs during the extended project period, in addition to deploying 500 FHWs in newly liberated areas; (iii) continue incentivizing female participation in the teacher cadre and their transition onto the government-financed regular teacher payroll; and (iv) support gender-sensitive citizen engagement activities, such as outreach to FHW service recipients, especially pregnant women and mothers, through the call center and mobilization of women’s groups at the community level for interactions on health issues including in the newly liberated areas. As a result of these actions, the share of women in the teaching cadre will increase from 14 percent to 20 percent; and the number of FHWs providing services on the ground will increase from 1,300 to 3000, including 500 FHWs in newly liberated areas. Notably, a PDO-level indicator and two intermediate results indicators are gender-focus, i.e., FHWs selected according to guidelines, trained, and actively providing services; number of total unique beneficiaries connected through citizen engagement ICT systems, disaggregated by target beneficiary group, including women; share of teachers reporting timely payment of salaries through citizen engagement mechanisms, disaggregated by gender, and the share of FHWs complying with the monthly requirements of reporting with the prescribed digital tools. Women-only consultations will be necessary in the identification of activities on local governance under component 2.4 which will need to be facilitated by female Environmental and Social Specialist /GBV focal points or other education/health staff at the FMS level.

III. KEY RISKS

35. **The overall risk rating for AF2 is Substantial.** The key residual risks and proposed mitigation measures are outlined below.

36. **Political and governance risks are High.** Somalia remains a high-risk environment for institution building and development financing. The risk of political instability remains high and could slow or derail reforms over the course of the project. Political contestation, ongoing constitutional review process, and the outcomes of the ongoing Al-Shabab offensive are further risks. Tensions between the FGS and the Puntland State of Somalia in respect to the constitutional process and power sharing arrangements have reached its peak in March 2024 with the recent constitutional amendments passed by the Parliament and Puntland’s declared withdrawal from the federation. Since late 2022, Puntland State of Somalia has not sent its representatives to the inter-governmental forums, while FGS and the rest of the FMS continued to advance discussions by reaching several inter-governmental agreements without Puntland. Puntland’s position may pose a risk to the achievement of several inter-governmental PBCs, which at the same time can also be used as a risk mitigation measure. Delays in Puntland’s compliance with PEC, have caused and may continue to cause disruptions in FGS transfers to the State and delays in teacher and health worker salaries. The principal mitigation measures for these risks include substantial consultation with, and engagement of, multiple categories of stakeholders beyond politically appointed leaders and establishment of a consultative process in which project management engages on a regular basis during preparation and implementation to ensure visibility and generate expectations for the project’s outcomes. Support to the Inter-governmental Fiscal Federalism Forum and sectoral inter-governmental coordination platforms (in health and education) have proved instrumental in reaching agreements at technical levels and preparing the ground for high-level policy dialogue.

²⁴ This is covered under PBC 5 which specifies that a target of 21 percent ratio of women in senior leadership positions is achieved. This will be complimented by technical assistance provided by SERP.



37. **The macroeconomic risk is High.** The macroeconomic risk remains high due to limited, yet increasing, capacity of the government to respond to external shocks on the nascent formal economy. Successive droughts and heavy rains have taken a large toll on the country, aggravating the humanitarian challenges. There is no fiscal space to allocate domestic resources to respond to shocks. The FGS is in a challenging fiscal situation, and in the absence of external support, may run out of resources to pay for core government expenditures, which could result in the accumulation of arrears and heightened social tensions. Economic activity is likely to continue to be exposed to significant risks related to insecurity in Mogadishu and large parts of Somalia. Supporting improvements in domestic revenue administration, strengthened wage bill controls, close alignment with DPO and the IMF's ECF program will help mitigate the risk.

38. **Sector strategies and policies risk are Substantial.** The project builds on a positive trajectory of reform to date, demonstrating government leadership and a trust-based relationship between the government and the World Bank. However, there is significant heterogeneity between strategies and policies across the FGS and FMSs, and this fragmentation is a potential risk. A key risk mitigation measure is the highly consultative processes that will be followed during implementation, as it will be important to maintain a strong dialogue with the FGS, FMSs, and donors throughout project implementation. Co-financing by the SMPF grant will further reinforce the engagement with key development partners at policy and sectoral level, including through the SMPF Consultative Group meetings, coordination, and updates.

39. **Technical design of project risk is Substantial.** The AF2 proposes to restructure and scale up activities of a complex reform agenda across key institutions and governments. Somalia's administrative and sectoral institutions, however, have limited ability to rapidly absorb resources. In addition, the required intra- and inter-governmental coordination is weak. In this regard, the restructuring and scale-up of project components will build on lessons learned from RCRF III and previous phases and will introduce changes to activities and new components gradually to ensure government ownership and incremental capacity building tailored to the context. Extensive implementation support and TA through SERP will mitigate the complexity of risks.

40. **The institutional capacity for implementation and sustainability risks are Substantial.** Risks related to the government's capacity to implement activities, considering the institutional capacity of the implementing agencies, implementation arrangements, and M&E arrangements, are Substantial. The RCRF III project has been addressing this by building additional capacity in key ministries, as well as by augmenting existing capacity with external support. The AF2 will further enhance these efforts and will continue to strengthen public sector systems and invest in education and health activities to support the development of human capital in the long term.

41. **The fiduciary risk is Substantial.** Financial management and procurement capacity challenges exist that are likely to affect the project. These include: (i) lack of key financial management and procurement competencies and over-reliance on consultants; (ii) nascent internal controls; (iii) weak capacity of bidders and limited service providers and the resulting collusion among bidders due to limited competition; (iv) fraud and corruption; (v) lack of enforcement of the public regulatory framework. The mitigation measures include mainstreaming the project accounting systems and capacity through the EAFS in the Accountant General's office (OAG), payment processing through Somalia Financial Management Information System (SFMIS), annual internal audit of project activities, annual external audit through the OAuG and existing third-party monitoring arrangements, intensive implementation support, technical assistance through SERP, and capacity building training of project teams. On the procurement side, the mitigation measures include (a) ensuring that the PIU always has in place a dedicated procurement specialist with relevant qualification and experience acceptable to the World Bank as well as ensuring that the POM includes a well-documented step-by-step procurement management process; (b) the World Bank training the project staff on the Procurement Regulations; (c) creating

awareness among the government, private sector, and other stakeholders on the key issues regarding integrity in procurement and FM; (d) supporting procurement reforms through SERP; (e) incorporate Hands-On Enhanced Implementation Support (HEIS) during project implementation where applicable; (f) encouraging international firms to have joint ventures with local firms due to insecurity; and (h) involving the probity adviser, where appropriate.

42. **Environmental and Social risk is Substantial.** While Environmental risk is Moderate, the Social risk is Substantial due to the vulnerability of FHWs to poor employment practices, GBV/SEAH, as well as overall project-wide low trust in GM. The risk is to be mitigated through training on labor management practices, recruitment of a Senior Social Specialist with GBV related skills; management of GBV and SEAH risks in recruitment/retention of female workers; development of an SEAH prevention and response action plan; and strengthening of the GM with appropriate structures, procedures and channels to enable safe, confidential and ethical reporting of GBV/SEAH and other incidents.

43. **Other: Security risk is Substantial.** Terrorist activity pose a risk to human security, project implementation, and project sustainability. Insecurity can create limitations on access to the operating environment, which in turn poses additional project risks, creating challenges for project implementation and monitoring. FHWs serving in newly liberated areas, Al-Shabab-controlled or nearby areas, are prone to security risks in their catchment areas. As part of the risk mitigation approach, a project-level security risk management consultant is being recruited to support in the implementation of the security risk management plan.

IV. APPRAISAL SUMMARY

A. Economic and Financial Analysis

44. **The AF2 has a strong economic rationale with important direct and indirect benefits.** Anticipated benefits include strengthened inter-governmental fiscal relations, improvements in education and health outcomes, and a strengthened social contract between citizens and the state. Incentives through FGS reform benchmarks aim at generating further improvements in DRM, wage bill management, and public administration. Benefits are corroborated by empirical evidence from the literature estimating high cost-effectiveness of post-conflict interventions in areas such as dialogue, institutional reform in core state functions, and redistributive policies, all of which are key areas of the AF2.

45. **Given the paucity of economic data and the uncertainty in determining costs and benefits, a qualitative approach was chosen to conduct the economic analysis for this project.** The following table outline the economic rationale of the investment and present the anticipated direct and indirect benefits of the different project interventions.

Table 3. Anticipated RCRF III AF2 direct and indirect benefits by intervention component

Intervention area	Anticipated Direct Benefits	Anticipated Indirect Benefits
Component 1: Recurrent cost finance to reform resource management systems		
FGS level PBCs	<ul style="list-style-type: none"> Reduced FGS civil service wage bill pressures Strengthened payroll processes, such as timely, reliable, and streamlined salary payments, input controls, and exceptions handling improvements to public finance systems. to strengthen payment processes for operational expenditures, domestic revenue systems capacity, and wage bill management. Transition of FGS from recurrent cost financing in the post-HIPC scenario 	<ul style="list-style-type: none"> Increased legitimacy of state institutions Preparation to financing under new IDA terms Improved resilience against shocks

Intervention area	Anticipated Direct Benefits	Anticipated Indirect Benefits
Component 2: Strengthen inter-governmental fiscal relations		
Inter-governmental transfers and dialogue	<ul style="list-style-type: none"> Improved inter-governmental communication and coordination platforms and processes Strengthened inter-governmental fiscal framework Trust-building Increased FMS financial capacities 	<ul style="list-style-type: none"> Strengthened political settlement Increased confidence in all levels of government
FMS level PBCs	<ul style="list-style-type: none"> Strengthened budget transparency Transparency and fiscal sustainability of wage bill Health and education service delivery at FMS level 	<ul style="list-style-type: none"> Fiscal sustainability of wage bill Higher trust of development partners in FMS PFM systems leading to greater funding through government systems Increased legitimacy of state institutions
Local governance	<ul style="list-style-type: none"> Platform established for greater intra-FMS dialogue with municipal/district governments on functional and fiscal decentralization Strengthened municipal/district governments' PFM and citizen engagement capacities at FMS level Building the systems to enable FMS transfers to local governments and bringing service delivery and decision-making closer to communities Building citizen engagement structures for decision-making on budget spending at local level 	<ul style="list-style-type: none"> Increased citizen trust in local governments and the state overall Increased legitimacy of state institutions More effective service delivery at local level, including in climate adaptation Improved resilience against shocks at the local level
Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS		
Declining scale of FMS civil service salary baseline financing	<ul style="list-style-type: none"> Building foundations for the transition from recurrent cost financing in FMS Strengthening PFM and payroll accountability Increasing the transparency of FMS wage bill 	<ul style="list-style-type: none"> Preparation to financing under new IDA terms
Expand FHW coverage and technical capacity building, including contract management capacity in the MoHs	<ul style="list-style-type: none"> Increased service delivery capacities Reduced female under-representation in health service delivery Improved management and quality of health services State presence in newly liberated areas 	<ul style="list-style-type: none"> Higher human capital accumulation, which in turn can increase innovation, investment, income, and long-term economic growth²⁵ Strengthened trust in government in stabilization districts
Component 4: Citizen engagement and feedback		
Design and use tools to advance transparency and generate citizen feedback mechanisms	<ul style="list-style-type: none"> Improved communication between citizen and state, which in turn can increase government responsiveness and reduces inefficient spending Increased budget transparency, which forms the foundation for building public trust in state institutions 	<ul style="list-style-type: none"> Strengthened social contract between citizens and state Better understanding of communities about public spending can increase local revenue collection²⁶

²⁵ See World Bank (2019), World Development Report 2018: Learning to Realize Education's Promise; World Bank (2019), World Development Report 2019: The Changing Nature of Work.

²⁶ See Village Community Support Projects (PACVG) (2015); World Bank / Grandvoinet & Chasara (2019), *Engaging Citizens in Countries Affected by Fragility, Conflict, and Violence* (World Bank).



B. Technical

46. **The AF2 design builds on lessons learned from RCRF II and III and on an extensive body of recent analytical work conducted in Somalia).** Through PBC-based financing, the project design ensures that financing is linked to reform progress. Reform incentives are offered in the form of variable levels of financing for the FGS civil service wage bill conditional upon achieving the reform benchmarks in the core areas, namely: revenue, PFM and payment processes, inter-governmental fiscal relations, public administration, wage bill management, budget transparency. The project's technical design considers the country's weak capacity and the right balance between rapid results, i.e., payment of salaries of non-security staff for the establishment of public services, and medium-term objectives to ensure sustainability. An internal control framework to institute controls in payments of salaries and non-salary recurrent cost expenditures in the civil service is included in the design. The technical features of the project design have been examined by World Bank staff over the course of project implementation and are considered sound and robust. This combined approach, which focuses on service delivery with strong fiduciary controls, is also important for building trust in Somalia's institutions with citizens and international partners. Third-party monitoring of FGS and FMS civil service payroll, non-salary recurrent costs, FHW and teacher salaries will ensure the integrity of transactions. The expanded EEP will include FMS non-civil service payroll and will be monitored by the MA, which will allow to identify systemic issues in payroll management beyond the RCRF financing.

47. **The AF2 is aligned with the goals of the Paris Agreement on both adaptation and mitigation.** In line with the Paris Alignment Method for Investment Project Financing, (i) risks from climate hazards are not likely to have a material impact on the project per the application of the World Bank Climate Change and Disaster Risk Screening Tool and (ii) the project is not at a material risk of having a negative impact on Somalia's low-carbon development pathways. Therefore, the project is assessed to have low risk on adaptation or mitigation. The project is consistent with the adaptation and mitigation discourse in Somalia in the following manner:

- **Assessment and reduction of adaptation risks.** The AF2 faces no material risk from climate hazards. Components 1 and 2 face no climate risk. Component 3 entails transfers for education and health service delivery, including expansion of the FHW program. Provision of health and education services could be interrupted by climate related crisis; however, provision of financing provided by the AF2 is not at risk. Finally, outputs related to Component 4, which covers citizen engagement are not at risk as they mostly entail communications through digital and traditional media and in-person consultations would only risk delay or be shifted online. Despite the already negligible risk, the AF2 employs the following risk reduction measures specifically related to service delivery: (i) Digital tools for reporting and assessments will be employed to strengthen education and health delivery functions and avert interruptions during climate crisis; (ii) Emergency response protocols will be developed and put in place for operation of the FHWs operation during times of climate disaster; and (iii) Use of solar chargers by FHWs will allow them to be more resilient by maintaining communication and service delivery regardless of climate induced power shortages.
- **Assessment and reduction of mitigation risks: The activities under the AF2 are expected to have a negligible impact on GHG emissions, aligned with Somalia's NDC commitment of a 30 percent reduction, and Universally Aligned.** The AF2's activities that have potential for emissions include the financing of air and land travel to enable inter-governmental discussions and FHW supervision activities. However, given the fact that the AF2 is digitizing some aspects of service delivery, it is expected that the emissions from the AF2 will have negligible impact on Somalia's GHG emissions trajectory. The AF2's



activities are Universally Aligned as they are related to public administration and education and health service delivery.²⁷

C. Financial Management

48. **The AF2 will rely on the existing systems and structures already established under the parent project.** This includes adequate accounting capacity headed by a consultant financial management specialist supported by a team from the EAFS within the OAG. Payment processing, recording and reporting will be mainstreamed into the country systems through the SFMIS. The PIU will submit quarterly unaudited interim financial reports (IFR) in respect of the AF2 activities to the World Bank within 45 days after the end of the quarter. The existing internal control arrangements including approval and authorization of payments, adequate segregation of functions through the EAFS and regular internal check mechanisms will also apply to the AF2. The internal audit function based at the Ministry of Finance will conduct fiduciary review of the project activities (including the AF2) at least once every year. Under the parent project, the internal audit function was supported to conduct a successful audit of civil service payroll processes in May 2023. The fiduciary risks identified under the parent project also apply to the AF2 and the outlined mitigation measures will continue to be implemented. Funds flow arrangements will also remain the same with disbursements from the World Bank to the designated account (DA) at the Central Bank of Somalia based on submission of withdrawal application and statement of expenditures incurred. An initial advance will be made to the DA based on a six-month cash forecast. Payments to vendors and service providers will be made from the DA based on relevant supporting documentation and evidence of goods supplied or services rendered. Direct payments will also be made to the vendors and service providers from the World Bank following submission of requests from the PIU. The AF2 will be audited as part of the overall project and the external audit report will be submitted to the World Bank within six months after the financial year end. The residual FM risk rating for the project is therefore considered Substantial.

D. Procurement

49. **Procurement for the AF2 will be carried out in accordance with the requirements in the Procurement Regulations for Borrowers under Investment Project Financing (IPF):** Goods, Works, Non-Consulting Services and Consulting Services dated July 1, 2016, and updated September 2023. The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, revised July 1, 2016; and the provisions stipulated in the Financing Agreement.

50. **The existing procurement implementation arrangement of the parent project will be maintained and strengthened under the AF2.** The PIU is already staffed with a Project Coordinator, Procurement Specialist, and a National Procurement Specialist among other key staff. The same PIU staff will be responsible for the implementation of the procurement activities under AF2. An adequate number of officials dealing with procurement in the PIU either directly or indirectly have undergone procurement training with the focus on World Bank's Procurement Regulations/Contract Management. However, some of the PIUs/Stakeholders are not yet fully conversant with the World Bank Procurement Regulations/Contract Management and are still learning. Under the AF2, support will continue to be provided by the World Bank by conducting trainings aimed toward addressing procurement capacity issues for the PIU/technical department/stakeholders.

²⁷ Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New operations (Version 1.0 June 2023)

E. Legal Operational Policies

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

F. Environmental and Social

51. **Environmental risk is moderate:** The main environmental issues for the project relate to the handling and disposal of medical kits and limiting the spread of communicable diseases through health and education provision. The management of medical waste was assessed as satisfactory at the mid-term review stage of the parent project conducted in September 2023. The AF2 will allocate funds for FHW training materials to cover guidelines for medical waste management plans to reduce environmental and climate impact (subcomponent 3.3 – US\$2.3 million). Other project activities do not pose risks since they relate to technical assistance, capacity building, and training. For component 2.4, activities as part of community service provision are to be carried out by district governments and will be restricted to soft activities or minor rehabilitation of local government offices as specified in the ESMF and in compliance with the environmental and social standards (ESS7) to groups that meet the ESS7 criteria. Any infrastructure works beyond minor rehabilitation will be excluded from the project.

52. **Social risk is substantial:** FHWs are vulnerable to SEAH and poor employment practices, often operating without contracts and subject to dismissal or salary deductions without warning, and with basic protection such as maternity leave being ignored. They also report feeling insecure, which is likely to increase as they are employed in newly liberated areas which may be hostile to government presence and services. Training on labor management practices should be carried out for all managers and female health worker supervisors (FHS). Trust and openness in the GM need to be strengthened including appointing and training female focal points for FHWs and teachers at community level. This is particularly important as the call center will be devolved and complaints will be referred to the E&S specialists at FMS level and forwarded to the Grievance Redress Committee (GRC), who have limited training and orientation in GBV and are mainly male. For the new component 2.4 robust criteria and documented evidence-based selection of districts and sites for investments will be required. These investments would be limited to minor rehabilitations only, to reduce the risk of land acquisition or displacement and labor influx which could further exacerbate the SEAH risks.

53. **GBV/SEAH risks is Substantial:** GBV including SEAH in Somalia remains a serious concern both as a contextual and project related challenge. The risks associated with the project are linked to abuse of power, including sexual exploitation and abuse in hiring, employment and retention practices in the public sector recruitment processes which can distort power relations, leading to opportunities for abuse, limitations on the mobility of FHWs travelling long distances to reach communities, particularly those in newly liberated areas, al-Shabaab controlled or nearby areas. Female project workers may also be at risk of sexual harassment by colleagues or supervisors, and women may be vulnerable to SEA from project workers. While project related GBV incidents have been reported under the parent project, survivors received timely and appropriate support. The AF2 will continue to adopt a robust and comprehensive approach to address potential project induced GBV/SEAH risks. Relevant mitigation measures to address these risks under implementation include integrating Codes of Conduct with GBV/SEAH-related protections; community consultations and sensitization activities to raise awareness of potential risks; Senior Social Specialist with GBV related skills to guide the project while continuously identifying potential risks and mitigation measures to be adopted; management of GBV and SEAH risks in recruitment/retention of female workers; mapping and collaboration with potential service providers in



project areas especially in the newly liberated areas; development of an SEAH prevention and response action plan; and strengthening of the GM with appropriate structures, procedures and channels to enable safe, confidential and ethical reporting of GBV/SEAH incidents. The parent project and the proposed AF2 will continue to provide capacity building and training of relevant stakeholders, including contractors and project workers, in addition to capacity building for government partners.

V. GRIEVANCE REDRESS SERVICE

54. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

VII DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Component 1: Recurrent cost finance to reform resource management systems	41.20	Revised	Component 1: Recurrent cost finance to reform resource management systems	57.40
Component 2: Strengthen inter-governmental fiscal relations	27.40	Revised	Component 2: Strengthen inter-governmental fiscal relations	43.90
Component 3: Transfers for core government functions	77.30	Revised	Component 3: Transfers for core government	94.30



and foundational education health service delivery mechanisms in eligible Federal Member States (FMS)			functions and foundational education health service delivery mechanisms in eligible Federal Member States (FMS)	
Component 4: Citizen Engagement and Feedback	4.10	Revised	Component 4: Citizen Engagement and Feedback	5.70
Component 5: Project Management	10.00	Revised	Component 5: Project Management	12.70
TOTAL	160.00			214.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-D6580	Effective	31-Dec-2023	31-Dec-2025	31-Dec-2025	30-Apr-2026
IDA-E1020	Effective	31-Dec-2025	31-Dec-2025	31-Dec-2026	30-Apr-2027
TF-B8760	Effective	31-Dec-2023	31-Dec-2025	31-Dec-2026	30-Apr-2027

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2020	0.00	0.00
2021	0.00	0.00
2022	35,000,000.00	35,000,000.00
2023	45,000,000.00	80,000,000.00
2024	47,000,000.00	127,000,000.00
2025	42,000,000.00	169,000,000.00
2026	40,000,000.00	209,000,000.00
2027	5,000,000.00	214,000,000.00



SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Moderate	● Substantial
Stakeholders	● Substantial	● Moderate
Other	● Substantial	● Substantial
Overall	● Substantial	● Substantial

LEGAL COVENANTS – Second Additional Financing for Somalia Recurrent Cost and Reform Financing Phase III (P181407)

Sections and Description

The Recipient shall vest the responsibility for verifying the achievement of PBCs in the OAuG and to that end, select and engage, not later than two months after the Effective Date, an independent third-party consultant(s) (the “Verification Consultant(s)”, with qualifications, experience and terms of reference satisfactory to the Association, to assist the OAuG with the verification process.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	(a) the Recipient has updated and adopted the Project Operations Manual, in form and substance satisfactory to the Association
Effectiveness	IBRD/IDA	(b) the Recipient has: (i) updated and adopted the Environmental and Social Management Framework, Labor Management Procedures, and Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) Prevention and Response Action Plan, in form and substance satisfactory to the Association, and (ii) appointed a security risk management consultant, with qualifications,



		experience and under terms of reference satisfactory to the Association
Type Effectiveness	Financing source IBRD/IDA	Description (c) the Recipient has prepared the Project Grievance Mechanism Report for the period January 2023 to January 2024, in form and substance satisfactory to the Association
Type Disbursement	Financing source Trust Funds, IBRD/IDA	Description No withdrawal shall be made under Category 3 until and unless the Recipient has (i) submitted to the Association the applicable IUFRR detailing the expenditures incurred under the Project up to the date of the applicable withdrawal application, all pursuant to the Disbursement and Financial Information Letter
Type Disbursement	Financing source Trust Funds, IBRD/IDA	Description No withdrawal shall be made under Category 3 until and unless the Recipient has (ii) furnished the respective Verification Report, in accordance with the Verification Protocol and in a manner and substance acceptable to the Association, confirming the Recipient's and/or the FMS'/BRA's satisfactory achievement of the respective PBCs as set forth in Schedule 3 to this Agreement



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Somalia

Second Additional Financing for Somalia Recurrent Cost and Reform Financing Phase III

Project Development Objective(s)

To support the Federal Government of Somalia and Eligible Federal Member States to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Recurrent cost finance to reform resource management systems								
Share of civil servants' salaries financed by government (Percentage)		80.00	82.50	85.00	86.00	87.50	90.00	100.00
Action: This indicator has been Revised	Rationale: The target is increased from 90 to 100							
Eligible civil servants salaries paid on time (Percentage)		67.00	71.50	76.00	80.50	83.00	85.00	85.00
Action: This indicator has been Revised	Rationale: The 2026 target added							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Strengthen inter-governmental fiscal relations								
Number of FMS signing Service Delivery Transfer Agreements with FGS (Number)	0.00	2.00	3.00	5.00	5.00	5.00	5.00	5.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: The 2026 target added, methodology changed for 2025 and 2026 to reflect changes in PBC 7 and 8, which do not require the signing of service delivery agreements in 2025 and 2026</i>							
Transfers for core Govt functions and foundational education and health service delivery mechanisms								
Female Health Workers selected according to guidelines, trained, and actively providing services (Number)	354.00	900.00	1,000.00	2,000.00	3,000.00	3,000.00	3,000.00	3,000.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: The target for 2026 remains 3,000</i>							
Number of schools that are supervised using digital tools, including self-assessment (Number)	1,554.00	1,500.00	1,500.00	1,700.00	2,000.00	2,000.00	2,000.00	2,000.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: The description and the methodology of the indicator changes to removed the "annual" requirement reflecting the approach that every school is supervised only once in three years</i>							
Number of schools that are self-assessed (cumulative) (Number)	0.00	0.00	10.00	30.00	80.00	200.00	320.00	320.00



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Recurrent cost finance to reform resource management systems								
Strengthen payment process for operational expenditures and payroll (Text)	PBC 2, 2	Payment process involves parallel manual and electronic steps, multiple approval steps are required, new PFM law not yet reflected in business processes.	--	MoF has: (i) completed a business process review for FGS' payment; and (ii) prepared/issued a business process review report.	Comprehensive procedures aligned with the business process review, approved for following areas: (i) Planning and Budgeting; (ii) Internal controls; (iii) Accounting Procedures. MoF internal audit department has conducted a special audit on the payroll processes and provided clear recommendations to strengthen the payroll weaknesses.	At least 65 percent of identified audit recommendations on payroll management are addressed with evidence provided	The MoF has developed and action plan on the implementation of updated comprehensive procedures.	The MoF has implemented the approved comprehensive procedures and issued an implementation status report. At least 65 percent of identified audit recommendations on payroll management are addressed with evidence provided
Action: This indicator has been Revised	Rationale: The target is revised to reflect changes and new results under PBC 2							
Strengthen domestic revenue administration (Text)		Poor systems capacity: organizational, technology, HR and	--	MoF has developed and operationalized the new SOMCAS	FGS has procured the services of a 'third party' to develop and	Harmonized tax identification number (TIN) structure	FGS and selected FMS implemented the harmonized	SOMCAS and ITAS implemented in FGS



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
		workflows to support effective and efficient customs management.		system in Mogadishu Airport and Seaport. SOMCAS manuals of procedures adopted. A simplified functional review of FGS customs to better allocate human resources in customs is completed.	implement ITAS	implemented between FGS and FMS	Income Tax	
Action: This indicator has been Revised		Rationale: The target is revised to reflect changes and new results under PBC 1						
Strengthen inter-governmental fiscal relations								
Consolidated fiscal reports published online by FGS Ministry of Finance (Number)		0.00	1.00	2.00	4.00	12.00	12.00	12.00
Action: This indicator has been Revised		Rationale: 2026 target added						
Strengthen inter-governmental fiscal policy framework (Text)	PBC 3, 3	While Inter-Governmental Fiscal Transfer Policy Paper has been agreed, it still requires operationalization. Current approach to distribution of funds between FGS and	--	A formula on FGS fiscal transfers to FMS/BRA is inter-governmentally agreed	FGS' FY 2023 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	FGS' FY 2024 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	FGS' budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	FGS' budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula. FMFF adopts a framework for the operationalization of



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
		FMS/Benadir Regional Administration (BRA) is inequitable.						the NCC agreement on revenue assignment and expenditure responsibilities
Action: This indicator has been Revised	Rationale: The target is revised to reflect changes and new results under PBC 3							
Strengthen FGS transfers to FMS (Text)	PBC 4, 4	Selected FMS have minimal sources of revenue, and therefore difficulty in sustaining their operations, while FGS collects tax and customs, partly from goods and services that are destined for delivery in FMS. FGS transfers to FMS have been made on an ad hoc basis.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.
Action: This indicator has been Revised	Rationale: 2026 target added							
Transfers for core gov't functions and foundational education and health service delivery mechanism								
Number of women and children visited by Female Health Workers (Text)	PBC 7	0.00	2,000 pregnant women, 10,000 children	5,000 pregnant women, 25,000 children	7,000 pregnant women, 30,000 children	10,000 pregnant women; 35,000 children	13,000 pregnant women; 40,000 children	15,000 pregnant women; 45,000 children
Action: This indicator has been Revised	Rationale: The indicator is revised to align with the new World Bank corporate scorecard							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Community health service delivery plan funds executed in a timely manner, in line with Service Delivery Agreement (Percentage)		0.00	22.50	45.00	67.50	80.00	85.00	90.00
Action: This indicator has been Revised	Rationale: 2026 target is increased to 90%							
The share of FHWs complying with the monthly requirements of reporting with the prescribed digital tools (Percentage)		0.00	0.00	20.00	40.00	60.00	70.00	75.00
Action: This indicator has been Revised	Rationale: The 2026 target added							
Strengthen education service delivery (Text)	PBC 8, 8	Limited tools to enable government to improved educational quality at school level. Limited funds available to support service delivery at school level.	Each FMS has: (i) signed functional assignment agreements with FGS, and (ii) approved aggregate FY 2022 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBC #8.1	Each FMS has: (i) signed functional assignment agreements with FGS, and (ii) approved aggregate FY 2023 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs #8.2 and # 8.3. Each FMS included	Each FMS has: (i) signed functional assignment agreements with FGS, and (iii) approved aggregate FY 2024 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs #8.4; 8.5. Each FMS has	Each FMS (i) adopts the national school financing policy and operational guidelines and submits an action plan on its implementation; (ii) submits a report on the implementation of the national school financing policy at the FMS level; and (iii) approves aggregate FY 2025 budgetary	Each FMS (i) adopts the national student learning assessment strategy and submits the action plan on its implementation; (ii) submits a report on the implementation of the national school financing policy at the FMS level; and (iii) approves aggregate FY	



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
					information in their financial reports on the use of federal (service) transfers covering FY 2022 and the 1st half of FY 2023 in line with provisions of Service Delivery Transfer Agreements.	included information in their financial reports on the use of federal (service) transfers covering FY 2023 and the 1st half of FY 2024 in line with provisions of Service Delivery Transfer Agreements.	appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs 8.8.	2026 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs 8.10.
Action: This indicator has been Revised	Rationale: The target is revised to reflect changes and new results under PBC 8							
Share of teachers reporting timely payment of salaries through citizen engagement mechanisms, disaggregated by gender (Percentage)	0.00	0.00	30.00	50.00	60.00	65.00	70.00	
Action: This indicator has been Revised	Rationale: The 2026 target added							
Share of female teachers reporting timely payment of salaries through citizen engagement mechanisms (Percentage)	0.00	0.00	30.00	50.00	60.00	65.00	70.00	



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Action: This indicator has been Revised	Rationale: The 2026 target added							
Citizen Engagement and Feedback								
Improved budget transparency through public participation in budget process (Text)		2019 rating on budget transparency under OBS (8 in 2018) and public participation (2 in 2018)	Disclosure of 6 of the 8 main budget documents	5 rating points on budget transparency and 4 additional points on public participation	Disclosure of 8 main budget documents	10 additional points on budget transparency and 6 additional points on public participation	MoF holds their own public hearings for draft appropriations act; Disclosure of 8 main budget documents	Improved rating under OBS on budget transparency and public participation to 18 and 6 points respectively
Action: This indicator has been Revised	Rationale: The 2026 target added							
Number of total beneficiaries connected through citizen engagement ICT systems, disaggregated by target beneficiary group (Text)	0.00	1,000.00	3,000.00	5,000.00	9,000.00	15,000.00	20,000.00	
Action: This indicator has been Revised	Rationale: The target increased from 9,000 to 20,000							
Percentage of people who shared feedback through citizen engagement ICT systems and were responded to with corrective actions taken by government, disaggregated by target beneficiary group	0.00	0.00	0.80	80% for GM; 15% for service delivery feedback	90% for GM; 30% for service delivery feedback	95% for GM; 40% for service delivery feedback	95% for GM; 50% for service delivery feedback	



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
(Text)								
Action: This indicator has been Revised	Rationale: The target values are clarified to differentiate between grievance mechanism and service delivery related feedback							

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of civil servants' salaries financed by government	Total non-security sector formalized civil service wage financed by the FGS budget bill minus RCRF "baseline" financing of civil service divided by the total non-security sector formalized civil service wage bill	Annual	FGS MoF	FGS Budget documents	FGS MoF
Eligible civil servants salaries paid on time	Percentage of civil servants' salaries paid within 3 days of the end of the nominal payroll month.	Month	Progress Report and MA Advisory Reports	Progress Report and MA Advisory Reports	EGS MoF
Number of FMS signing Service Delivery Transfer Agreements with FGS	Number of FMS signing Service Delivery Transfer Agreements with FGS in health or education sector.	Annual	Signed Service Delivery Transfer Agreement	Document collation	FGS/FMS MoF



	For 2025 and 2026, since the PBC 7 and 8 does not require the signing of the service deliver agreements, number of FMS complying with either PBC 7 or 8 requirements.				
Female Health Workers selected according to guidelines, trained, and actively providing services	Cumulative number of Female Health Workers across all FMS selected according to guidelines, trained, and actively providing services. The cumulative targeted number of 3,000 includes FHWs to be supported by Damal Caafimaad.	Annual	FMS SFMIS reports	FMS SFMIS reports	FGS MoF
Number of schools that are supervised using digital tools, including self-assessment	Number of schools that are supervised using digital tools, including self-assessment. There were 2,020 primary and 839 secondary schools across Somalia (excluding Somaliland) according to 2020 EMIS data. The plan is to supervise not more than 50 percent of schools annually and gradually increase the share of self-assessed schools.	Annual	School Supervision Database, FGS MoECHE, FMS MoEs	School Supervision Database	FGS MoECHE

Number of schools that are self-assessed (cumulative)	Self-assessment means submission of questionnaire forms by school head-teachers or CECs using digital tools, such as mobile or web-based applications.	Annual	FGS MoECHE School Supervision Database	School Supervision Database reports	MoECHE
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Strengthen payment process for operational expenditures and payroll	See verification protocol for PBC 2	Annual (June 2022 and June 2023)	Business Process and Institutional Review	Business Process and Institutional Review Reports	FGS MoF
Strengthen domestic revenue administration	See the verification protocol for PBC 1	Annual	FGS (Mogadishu), PSS (Bosaso) and JSS (Kismayo) MoF Revenue Departments	See the verification protocol for PBC 1	Independent Verification Agent (OAuG)
Consolidated fiscal reports published online by FGS Ministry of Finance	Number of monthly/quarterly consolidated fiscal reports published online. End target represents 12 monthly reports published	Monthly/Quarterly	FGS Ministry of Finance Website	FGS MoF Website	FGS MoF

	in the last 12 months.				
Strengthen inter-governmental fiscal policy framework	See the verification protocol for PBC 3	Annual	FGS Budget Documents	FGS Budget Documents	FGS MoF
Strengthen FGS transfers to FMS	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA and the out turn rate for FGS's domestic revenues for the previous year.	Annual	FGS Budget and SFMIS reports	FGS Budget and SFMIS reports	OAG
Number of women and children visited by Female Health Workers	Number of unique pregnant women and children visited by FHW	Annual	FGS and FMS FHW dashboard	FHW digital reports	FGS MoH
Community health service delivery plan funds executed in a timely manner, in line with Service Delivery Agreement	Percentage of funds executed in timely manner	Annual	FMS SFMIS reports	FMS SFMIS reports	FMS MoH, FMS MoF
The share of FHWs complying with the monthly requirements of reporting with the prescribed digital tools	The share of FHWs out of the total number of fully trained FHWs at the time of reporting that submit daily activity tracker forms on a regular basis (at least 18 days a month) using the prescribed digital tools (ODK or any other digital data collection app)	Quarterly	FGS and FMS MoH	ODK reports	FGS MoH
Strengthen education service delivery	See the verification protocol for PBC 8	Semi-Annual starting November	FMS Ministry of Education, FMS Ministry of Finance	VA to obtain documentation and undertake assessment	OAug and FMS OAug



		2022			
Share of teachers reporting timely payment of salaries through citizen engagement mechanisms, disaggregated by gender	Teachers reporting to the Mogadishu-based call center on the date of their monthly salary payments	Annual	Call center reports, FGS/FMS FMIS system reports	Call center reports, FGS/FMS FMIS system reports	FMS MoE, FMS MoF, participating schools.
Share of female teachers reporting timely payment of salaries through citizen engagement mechanisms	Share of female teachers out of the total number of female teachers that report timely payment of salaries through citizen engagement mechanisms such as voice calls or sms from/to the Call Center	Annual	Call Center reports	Share of female teachers out of the total number of female teachers that report timely payment of salaries through citizen engagement mechanisms such as voice calls or sms from/to the Call Center	FGS MOF
Improved budget transparency through public participation in budget process	Based on the methodology established by Open Budget Index (OBI)	Annual	Open Budget Index	Based on the methodology established by OBI	Open Budget Partnership
Number of total beneficiaries connected through citizen engagement ICT systems, disaggregated by target beneficiary group	Number of distinct individuals who have received and then responded to a message from the platform. Beneficiaries may include, among others, FHWs, teachers, pregnant mothers, civil servants, CECs, health committees,	Annual	Call Center	Call Center reports	RCRF PIU



	<p>parents, FHW beneficiaries, and other project direct and indirect beneficiaries. ICT-based engagement platform includes a call center or any other ICT based platform reaching out to beneficiaries through SMS, voice calls, WhatsApp messaging, robocalls, social media, etc.</p>				
<p>Percentage of people who shared feedback through citizen engagement ICT systems and were responded to with corrective actions taken by government, disaggregated by target beneficiary group</p>	<p>The feedback mechanisms for the project are divided into two categories: grievance mechanisms (GM) and service delivery (SD) feedback. SD related feedback is based on messages related to implementation support, health, and governance outcomes that are sent to civil servants and beneficiaries to gauge their level of satisfaction, their use of government services and to understand if they are adhering to recommended behavior change and other outcomes. Beneficiaries may include, among</p>	<p>Annual</p>	<p>Call Center</p>	<p>Call Center reports</p>	<p>RCRF PIU</p>

	<p>others, FHWs, teachers, pregnant mothers, civil servants, CECs, health committees, parents, FHW beneficiaries, and other project direct and indirect beneficiaries. ICT-based engagement platform includes a call center or any other ICT based platform reaching out to beneficiaries through SMS, voice calls, WhatsApp messaging, robocalls, social media, etc.</p>				
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Performance-Based Conditions Matrix

PBC 1	Strengthen domestic revenue administration			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	3.00	0.00
Baseline	Poor systems capacity: organizational, technology, human resources and workflows to support effective and efficient customs and inland revenue management.			
2021			0.00	

2022	1.1. MoF has developed and put into operation the SOMCAS system in Mogadishu Airport and Seaport.	1.00	Each location - 50%
2023	1.2. MoF has (i) completed a simplified functional review of FGS customs to better allocate HR in customs' (ii) adopted SOMCAS procedures manuals.	0.50	Achievement of (i) and (b) each qualifies to 50% of the allocated amount
2024	1.3. FGS and PSS have procured the services of a 'third party' to develop and implement ITAS	0.50	Each location - 50%
2025		0.00	
2026	1.4. Harmonized TIN structure implemented between FGS, PSS, JSS	0.50	FGS and each FMS - 33.3%
	1.5. FGS implemented inland revenue Integrated tax administration automation system (ITAS)	0.50	Each tax instrument - 50%

Action: This PBC has been Revised. See below.

PBC 1	<i>Strengthen domestic revenue administration</i>			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Output</i>	Yes	Text	6.50	0.00
<i>Baseline</i>	<i>Poor systems capacity: organizational, technology, human resources and workflows to support effective and efficient customs and inland revenue management.</i>			



2021		0.00	
2022	1.1. MoF has developed and operationalized the SOMCAS system in Mogadishu Airport and Seaport by June 2022. 1.2. MoF has (i) completed a simplified functional review of FGS customs to better allocate HR in customs'; (ii) adopted SOMCAS procedures manuals by November 2022.	1.50	PBC1.1=US\$1M. PBC1.2=US\$0.5M
2023	1.3. FGS has procured the services of a "third party" to develop and implement ITAS by June 2023	1.50	
2024	1.4. Harmonized TIN structure implemented between FGS and selected FMS by June 2024.	1.50	
2025	1.5 FGS and FMS implemented the harmonized Income Tax by June 2025	1.00	
2026	1.6. FGS implemented inland revenue Integrated tax administration automation system (ITAS) by January 2026.	1.00	
		0.00	

Rationale:

The timeline for the implementation of ITAS is revised to reflect the current stage of procurement. A benchmark on the implementation of harmonized income tax is added.



PBC 2	Strengthen payment process for operational expenditures and payroll			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	3.00	0.00
Baseline	Payment process involves parallel manual and electronic steps, multiple approval steps are required, new PFM law not yet reflected in business processes.			
2021	MoF has: (i) completed a business process review for FGS' payment; and (ii) prepared/issued a business process review report.		0.00	
2022	Comprehensive procedures aligned with the business process review, approved for following areas: (i) Planning and Budgeting; (ii) Internal controls; (iii) Accounting Procedures. MoF internal audit department has conducted a special audit on the payroll processes and provided clear recommendations to strengthen the payroll weaknesses.		0.00	
2023	The MoF has implemented the approved comprehensive procedures and issued an implementation status report. At least 70 percent of identified audit recommendations on payroll management are addressed with evidence provided		1.00	Achievement of (i) and (b) each qualifies to 50% of the allocated amount
2024			0.50	



2025			0.50	Achievement of (i), (ii) and (iii) each qualifies to 33.3% of the allocated amount
2026			0.00	
			1.00	PBC 2.4=US\$0.5M; PBC 2.5 scalability model as per POM

Action: This PBC has been Revised. See below.

PBC 2		<i>Strengthen payment process for operational expenditures and payroll</i>		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Intermediate Outcome</i>	Yes	<i>Text</i>	6.00	0.00
<i>Baseline</i>	<i>Payment process involves parallel manual and electronic steps, multiple approval steps are required, new PFM law not yet reflected in business processes.</i>			
2021			0.00	
2022	<i>2.1 MoF has (i) completed a business process review for FGS's payment; and (ii) prepared / issued a business process review report by November 2022</i>		1.00	
2023	<i>2.2. MoF internal audit department has conducted a special audit on the payroll processes and provided clear recommendations to strengthen the payroll</i>		0.50	

	<i>weaknesses by June 2023.</i>		
2024	<i>2.3 FY 2025 FGS budget is prepared using the SFMIS budget preparation module by November 2024</i>		1.50
2025	<i>2.4. At least 65% of identified audit recommendations on payroll management are addressed with evidence provided by January 2025</i>		1.00
2026	<i>2.5. The MoF has implemented the newly approved comprehensive procedures and issued an implementation status report by January 2026. 2.6 Council of Ministers approved Internal Audit Charter by June 2026.</i>		2.00
			0.00

Rationale:

The PBC is revised to (i) align with the recommendation of the internal audit report and business processes review reports; (ii) revise implementation timelines to reflect the current status, and (iii) add new benchmarks to incentivize the implementation of PFM reforms supported by SERP.

PBC 3	Strengthen inter-governmental fiscal policy framework			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	3.50	0.00
Baseline	While Inter-Governmental Fiscal Transfer Policy Paper has been agreed, it still requires operationalization. Current approach to			

	distribution of funds between FGS and FMS/Benadir Regional Administration (BRA) is inequitable.		
2021	A formula on FGS fiscal transfers to FMS/BRA is inter-governmentally agreed	0.00	
2022	FGS' FY 2023 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	0.00	
2023	FGS' FY 2024 budget provides for appropriations for FGS' fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula.	1.00	
2024		0.50	
2025		1.00	
2026		1.00	
		0.00	

Action: This PBC has been Revised. See below.

PBC 3	Strengthen inter-governmental fiscal policy framework			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Intermediate Outcome</i>	<i>No</i>	<i>Text</i>	5.00	0.00
<i>Baseline</i>	<i>While Inter-Governmental Fiscal Transfer</i>			



	<i>Policy Paper has been agreed, it still requires operationalization. Current approach to distribution of funds between FGS and FMS/Benadir Regional Administration (BRA) is inequitable.</i>		
2021		0.00	
2022	<i>3.1. MoF has prepared the budget for Fiscal Year 2023 using the new unified chart of accounts (“UCoA”) at the four-digit economic codes level by November 2022.</i>	1.00	
2023	<i>3.2. MoF has published monthly fiscal reports using the new UCoA at the six-digit level and reporting formats generated through the financial management information system platforms of the FGS MoF and FMS starting from FY, 2023 by November 2023.</i>	1.00	
2024	<i>3.3 FGS’ FY 2024 budget provides for appropriations for FGS’ fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula by June 2024.</i>	1.00	
2025	<i>3.4 FGS’s 2025FY budget provides for appropriations for FGS’s fiscal transfers to FMS/BRA as per an updated inter-governmentally agreed formula by January 2025. 3.5 FMFF adopts a framework for the operationalization of the NCC agreement on revenue assignment and expenditure responsibilities by June 2025</i>	2.00	<i>PBC3.4=US\$1M; PBC3.5=US\$1M</i>



2026		0.00	
		0.00	

Rationale:

The PBC is revised to delete an unmet benchmark related to the implementation of the intergovernmental agreed fiscal transfers formula in FY2023 and to add new benchmarks to incentivize the use of the formula in FY2025 as well as to support efforts in the operationalizing of the National Consultative Council's (NCC) 2023 agreement on revenue and functional assignments.

PBC 4		Strengthen FGS transfers to FMS		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	1.00	0.00
Baseline	Selected FMS have minimal sources of revenue, and therefore difficulty in sustaining their operations, while FGS collects tax and customs, partly from goods and services that are destined for delivery in FMS. FGS transfers to FMS have been made on an ad hoc basis.			
2021	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.		0.00	
2022	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.		0.00	



2023	FGS’s fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS’s domestic revenues.	0.00	
2024		0.50	
2025		0.00	
2026		0.50	
		0.00	

Action: This PBC has been Revised. See below.

PBC 4				
<i>Strengthen FGS transfers to FMS</i>				
<i>Type of PBC</i>	<i>Scalability</i>	<i>Unit of Measure</i>	<i>Total Allocated Amount (USD)</i>	<i>As % of Total Financing Amount</i>
<i>Intermediate Outcome</i>	<i>No</i>	<i>Text</i>	<i>1.00</i>	<i>0.00</i>
<i>Baseline</i>	<i>Selected FMS have minimal sources of revenue, and therefore difficulty in sustaining their operations, while FGS collects tax and customs, partly from goods and services that are destined for delivery in FMS. FGS transfers to FMS have been made on an ad hoc basis.</i>			
2021			0.00	
2022			0.00	
2023	<i>4.1 FGS’s fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater</i>		0.50	

	<i>than, the out turn rate for FGS's domestic revenues by June 2023</i>			
2024	<i>4.2 FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues by June 2024</i>			0.50
2025				0.00
2026				0.00
				0.00
PBC 5	Strengthen public administration			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	5.50	0.00
Baseline	Lack of an established system for civil servants' pensions			
2021				0.00
2022				0.00
2023	5.1. FGS has: (i) enacted a pension law; (ii) adopted regulations on pensions for civil servants (including those guiding collection). 5.2 The Cabinet has approved a pay and grade reform as per the technical analysis carried out under the Project including the plan for transitioning Capacity Injection Modality staff			2.00 PBC #5.1= US\$1M (scalability formula as per POM); PBC#5.2= US\$1M

	into the new pay and grading system.		
2024	5.3. (i) FGS has established, staffed and operationalized a pension unit within six (6) months from the commencement of pension collections. (ii) Government routinely transfers its contribution to the Pension Fund (5% of the wage bill). 5.4. NCSC has published an annual report on the status of women in senior leadership positions for the previous year	1.00	PBC #5.3 = US\$.05M (scalability formula as per POM); PBC#5.4 = US\$0.5M
2025		0.00	
2026	5.5. FGS has retired, granted pensions, and started paying them to all civil servants at, or above pension age. 5.6 NCSC has (i) published an annual report on the status of women in senior leadership positions for the previous year; and (ii) reached at least 25% of women in senior leadership positions. 5.7 100% of civil servants moved into the P&G scheme.	2.50	PBC #5.5 = US\$1M PBC #5.6=US\$0.5M [scalable (i) = 40%; (ii) = 60%]; PBC #5.7=US\$1M [for scalability formula see POM]]
		0.00	

Action: This PBC has been Revised. See below.

PBC 5	Strengthen public administration			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	4.75	31.58
Baseline	Women are underrepresented in senior			



	<i>leadership positions. Civil service pay system does not reflect functional specifications.</i>		
2021		0.00	
2022	<i>5.1. The Cabinet has approved a pay and grade reform including a plan for transitioning Capacity Injection Modality staff into the new pay and grading system by June 2022.</i>	1.00	
2023	<i>5.2. NCSC has published an annual report on the status of women in senior leadership positions for the previous year by June 2023.</i>	0.50	
2024	<i>5.3. NCSC has (i) published an annual report on the status of women in senior leadership positions for the previous year and (ii) examined existing policies and practices impacting diversity and women’s employment in the civil service and agreed on next steps by June 2024.</i>	1.50	
2025		0.00	
2026	<i>5.4 (i) NCSC has published an annual report on the status of women in senior leadership positions for the previous year; and (ii) FGS reached at least 21% of women in senior leadership positions by January 2026. 5.5 All permanent FGS non-security civil servants moved to new Pay and Grade Scale and receive payments accordingly by June 2026.</i>	1.75	<i>PBC5.4=US\$0.75M; PBC5.5=US\$1M</i>



			0.00	
Rationale:				
<i>The PBC is revised to reflect the current implementation status and add new benchmarks to incentivize intermediary steps required to achieve the full level of reform implementation. PBC on pension reform is proposed for deletion due to the delays in the enactment of the Pension Law and risks that this delay poses for the implementation timeline.</i>				
PBC 6	Wage bill management			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	5.50	0.00
Baseline	Biometric attendance monitoring system has been procured and installed in 15 MDAs, but not used; linkages to disciplinary, payroll and performance management systems are absent.			
2021			0.00	
2022			0.00	
2023	6.1 The MoF has adopted a reform plan on wage bill transparency and management. 6.2 FGS have (i) implemented a biometric attendance monitoring systems of the non-security staff in the ministries and appropriate disciplinary and performance-management actions by NCSC are taken.		1.50	PBC6.1 = US\$1M. PBC6.2=US\$0.5M. Each MDA meeting all requirements = 6%
2024			0.00	



2025	6.3 MOF has (i) published details of 50% (in USD) of the non-formal, non-security wage bill, and (ii) issued a progress report on wage bill transparency and management. 6.4. FGS has (i) maintained the use of the biometric attendance systems linked to the payroll management, disciplinary, and performance management modules.	2.00	PBC6.3 = US\$1M. PBC6.4=US\$1M. Each MDA meeting all requirements = 6%
2026		0.00	
	6.5 MOF has (i) published details of 100% (in USD) of the non-formal, non-security wage bill, and (ii) issued a progress report on wage bill transparency and management 6.6. FGS has (i) maintained the use of the biometric attendance systems covering 90% of the non-security staff in the ministries linked to the payroll management, disciplinary and performance management systems modules.	2.00	PBC6.5 = US\$1M. PBC6.6=US\$1M. Each MDA reporting 90% use rate = 6%

Action: This PBC has been Revised. See below.

PBC 6				
<i>Wage bill management</i>				
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Intermediate Outcome</i>	<i>Yes</i>	<i>Text</i>	8.50	11.76
<i>Baseline</i>	<i>Biometric attendance monitoring system has been procured and installed in 15 MDAs, but not used; linkages to disciplinary, payroll and</i>			



	<i>performance management systems are absent.</i>		
2021		0.00	
2022	<i>6.1. The FGS has adopted a reform plan on wage bill transparency and management by November 2022. 6.2 FGS has implemented biometric attendance monitoring systems covering at least 60% of the non-security staff in MDAs and appropriate disciplinary and performance management actions by NCSC are taken by November 2022</i>	1.50	<i>PBC6.1 = US\$1M. PBC6.2=US\$0.5M.</i>
2023	<i>6.3. MOF has (i) published details of 50% (in USD) of the non-formal, non-security wage bill; and (ii) issued a progress report on wage bill transparency and management by November 2023. 6.4. FGS has maintained the use of the biometric attendance systems covering at least 80% of the non-security staff in the MDAs linked to the payroll management, disciplinary and performance management modules by November 2023.</i>	2.50	<i>PBC6.3 = US\$1.5M. PBC6.4=US\$1M.</i>
2024	<i>6.5. MOF has (i) published details of 100% (in USD) of the non-formal, non-security wage bill; and (ii) issued a progress report on wage bill transparency and management by November 2024. 6.6. FGS has (i) maintained the use of the biometric attendance systems covering 90% of the non-security staff in the selected MDAs; (ii) implementation continues to be linked to payroll, disciplinary and performance</i>	2.50	<i>PBC6.5 = US\$1.5M. PBC6.6=US\$1M.</i>

	<i>management; (iii) payroll management policy is developed; (iv) assessed the existing implementation mechanisms and submitted a report on lessons learned including feedback by stakeholders by November 2024.</i>			
2025	<i>6.7 Temporary workers in FGS non-security MDAs are mapped according to the new Pay and Grade Scale by January 2025.</i>			1.00
2026	<i>6.8 At least 30% of temporary workers in FGS non-security MDAs receive payments according to the new Pay and Grade Scale by January 2026.</i>			1.00
				0.00
PBC 7	Number of women and children visited by Female Health Workers			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	11.10	0.00
Baseline	0.00			
2021	5,000 pregnant women, 25,000 children		3.70	20% of the allocated amount per each FMS meeting all requirements
2022	7,000 pregnant women, 30,000 children		1.20	20% of the allocated amount per each FMS meeting all requirements
2023	10,000 pregnant women; 35,000 children		1.40	20% of the allocated amount per each FMS meeting all requirements

2024	13,000 pregnant women; 40,000 children	1.20	20% of the allocated amount per each FMS meeting all requirements
2025		1.20	20% of the allocated amount per each FMS meeting all requirements
2026		1.20	20% of the allocated amount per each FMS meeting all requirements
		1.20	20% of the allocated amount per each FMS meeting all requirements

Action: This PBC has been Revised. See below.

PBC 7				
<i>Strengthen health service delivery</i>				
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Intermediate Outcome</i>	<i>Yes</i>	<i>Text</i>	14.50	43.45
<i>Baseline</i>	<i>Nascent systems for PFM in early stages of establishment. Expenditures focused on public administration and security with low allocation and execution of funds for assigned education and health service delivery functions</i>			
2021	<i>7.1The FMSs have (i) signed with FGS updated Service Delivery Transfer Agreements (2022); (ii) adopted annual community health service delivery plans, including infectious disease measures for FY 2022; and (iii) approved budgetary appropriations for FY 2022 allocating a net aggregate budgetary increase</i>		3.70	<i>PBC7.1=US\$2.5M, PBC 7.2=US\$1.2M. 20% of the allocated amount per each FMS meeting all requirements</i>



	<i>for the health sector equal to the aggregated Allocated Amounts for PBCs 7.3 and 7.4. 7.2 The FMSs have (i) issued their respective implementation and financial reports on the use of federal transfers covering FY 2021 and the 1st half of FY 2022 in line with provisions of Service Delivery Transfer Agreements demonstrating release of funds to MoHs; and (ii) submitted the same to MoF.</i>		
2022	<i>7.3 Each FMS has (i) signed with FGS updated Service Delivery Transfer Agreements (2022); (ii) adopted annual community health service delivery plans, including infectious disease measures for FY 2022; and (iii) approved budgetary appropriations for FY 2022, allocating a net aggregate budgetary increase for the health sector equal to the aggregated Allocated Amounts for PBCs 7.3 and 7.4 by June 2022 7.4. Each FMS has (i) issued their respective implementation and financial reports on the use of federal transfers covering FY 2021 and the 1st half of FY 2022 in line with provisions of Service Delivery Transfer Agreements demonstrating release of funds to MoHs by November 2022</i>	2.60	<i>PBC7.3=US\$1.2M; PBC7.4=US\$1.4M.20% of the allocated amount per each FMS meeting all requirements</i>
2023		0.00	
2024	<i>7.5. Each FMS has (i) updated with FGS Service Delivery Agreements (2024); (ii) adopted annual community health service delivery plans, including climate- induced disease</i>	2.90	<i>PBC7.5=US\$1.2M; PBC7.6=US\$1.2M. 20% of the allocated amount per each FMS meeting all requirements</i>



	<p><i>disease measures for FY 2024; and (iii) approved FY2024 budgetary appropriations for MoH equal to the aggregated Allocated Amounts for PBCs 7.5 and 7.6 by June 2024. 7.6 Each FMS has issued its respective implementation and financial reports on the use of federal transfers covering FY 2023, demonstrating the release of funds to MoHs as specified in the POM by November 2024. 7.7 FGS and FMS adopt (i) the national policy for managing non-civil service health cadre, including FHWs; (ii) Community Health Strategy by November 2024</i></p>		<p><i>PBC7.7=US\$0.5M disbursed to FGS</i></p>
<p>2025</p>	<p><i>7.8 Each FMS has (i) submitted a report on closing the feedback loop on citizen engagement campaigns in the health sector in January-September 2024; (ii) adopted annual community health service delivery plans, including climate-induced disease measures for FY 2025; and (iii) approved FY2025 budgetary appropriations for MoH equal to the aggregated Allocated Amounts for PBC 7.8 and 7.9 by January 2025. 7.9 Each FMS has (i) signed an MoU with the FGS on harmonizing regulations for health professionals, facilities, and training institutions; (ii) issued their respective implementation and financial reports on the use of federal transfers covering FY 2024 demonstrating the release of funds to MoHs as specified in the POM by June 2025 7.10 FGS and FMS submit implementation</i></p>	<p>2.90</p>	<p><i>PBC7.8=US\$1.2M; PBC7.9=US\$1.2M. 20% of the allocated amount per each FMS meeting all requirements PBC7.10=US\$0.5M disbursed to FGS</i></p>



	<i>reports on the national policy for managing non-civil service health cadre, including FHWs, by June 2025</i>		
2026	<i>7.11 Each FMS has (i) submitted a report on closing the feedback loop on citizen engagement campaigns in the health sector in October 2024-September 2025; (ii) adopted annual community health service delivery plans, including climate-induced disease measures for FY 2026; and (iii) approved FY2026 budgetary appropriations for MoH equal to the aggregated Allocated Amounts for PBCs 7.11 and 7.12. by January 2026. 7.12 Each FMS has (i) adopted regulations governing the registration of health professionals, facilities, and training institutions; (ii) issued their respective implementation and financial reports on the use of federal transfers covering FY 2025 demonstrating the release of funds to MoHs as specified in the POM by June 2026</i>	2.40	<i>PBC 7.11 and PBC 7.12 each US\$1.2M. 20% of the allocated amount per each FMS meeting all requirements</i>
		0.00	

Rationale:

New benchmarks are added at the FGS level and at the FMS level to extend the implementation of health service delivery and health system strengthening.

PBC 8				
Strengthen education service delivery				
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	4.00	0.00
Baseline	Limited tools to enable government to improved educational quality at school level. Limited funds available to support service delivery at school level.			
2021	Each FMS has: (i) signed functional assignment agreements with FGS, and (ii) approved aggregate FY 2022 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBC #8.1		0.00	
2022	Each FMS has: (i) signed functional assignment agreements with FGS, and (ii) approved aggregate FY 2023 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs #8.2 and # 8.3. Each FMS included information in their financial reports on the use of federal (service) transfers covering FY 2022 and the 1st half of FY 2023 in line with provisions of Service Delivery Transfer Agreements.		0.00	
2023	Each FMS has: (i) signed functional assignment agreements with FGS, and (iii) approved aggregate FY 2024 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs #8.4; 8.5. Each FMS has		0.80	20% of the allocated amount per each FMS meeting all requirements

	included information in their financial reports on the use of federal (service) transfers covering FY 2023 and the 1st half of FY 2024 in line with provisions of Service Delivery Transfer Agreements.		
2024		0.80	20% of the allocated amount per each FMS meeting all requirements
2025		0.80	20% of the allocated amount per each FMS meeting all requirements
2026		0.80	20% of the allocated amount per each FMS meeting all requirements
		0.80	20% of the allocated amount per each FMS meeting all requirements

Action: This PBC has been Revised. See below.

PBC 8	Strengthen education service delivery			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Output</i>	<i>Yes</i>	<i>Text</i>	<i>8.90</i>	<i>17.98</i>
<i>Baseline</i>	<i>Limited tools to enable government to improved educational quality at school level. Limited funds available to support service delivery at school level.</i>			
2021			0.00	
2022	8.1 Each FMS has: (i) signed functional		0.80	20% of the allocated amount per each



	<i>assignment agreements with FGS, and (ii) approved aggregate FY 2022 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBC8.1 by November 2022</i>		<i>FMS meeting all requirements</i>
2023	<i>8.2 Each FMS has: (i) signed functional assignment agreements with FGS, and (ii) approved aggregate FY 2023 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs8.2 and 8.3. by June 2023 8.3 Each FMS included information in their financial reports on the use of federal transfers equal to PBC 8.1 and 8.2 by November 2023.</i>	1.60	<i>PBC8.2=US\$0.8M; PBC8.3=US\$0.8M. 20% of the allocated amount per each FMS meeting all requirements</i>
2024	<i>8.4 Each FMS has: (i) signed functional assignment agreements with FGS, (ii) submitted the costing plan for education service delivery, and (iii) approved aggregate FY 2024 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs8.4 and 8.5 by June 2024. 8.5 Each FMS has (i) included information in its financial reports on the use of federal transfers equivalent to the amount of PBC 8.3 and PBC8.4 in line with the budgetary appropriations and (ii) submitted implementation reports of the education service delivery plans by November 2024. 8.6 FGS absorbs RCRF teachers into the Government payroll by November 2024.</i>	2.50	<i>PBC8.4=US\$0.8M; PBC8.5=US\$0.8M. 20% of the allocated amount per each FMS meeting all requirements PBC8.6=US\$0.9M disbursed to FGS</i>



2025	8.7 Intergovernmental Education Coordination Forum (IGECEF) adopts the national school financing policy and operational guidelines by January 2025	0.90	PBC8.7=US\$0.9M.
2026	8.8 Each FMS (i) adopts the national student learning assessment strategy and framework and submits the action plan on its implementation; (ii) submits a report on the implementation of the national school financing policy at the FMS level, and (iii) approves aggregate FY 2026 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs 8.8. by January 2026 8.9 IGECEF adopts the national student learning assessment strategy and framework by January 2026.	3.10	PBC8.8=US\$2.2M. Each FMS - 20% of the allocated amount per each FMS meeting all requirements. PBC8.9=US\$0.9M disbursed to FGS
		0.00	

Rationale:

New PBCs added at the FGS and FMS level to incentivize the adoption and implementation of a national school financing policy and student learning strategy.

PBC 9	Strengthening PFM and DRM in selected FMS/BRA			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	1.70	0.00
Baseline	Poor systems capacity: organizational,			

	technology, HR, and workflows to support effective and efficient customs. FMSs' capacities to absorb increasing FGS transfers are limited.		
2021		0.00	
2022		0.00	
2023	9.1 MoF in Puntland and Jubbaland have developed and operationalized the SOMCAS system, as well as their manuals of procedures in five agreed locations.	0.20	20% of the allocated amount per each of the five locations
2024	9.2. Each FMS undergoes assessment and demonstrates minimum C or B performance on the parameters of revenue enhancement, budget preparation, external audit, and budget transparency.	0.75	20% of the allocated amount per each FMS meeting all requirements
2025		0.00	
2026	9.3. Each FMS undergoes assessment and demonstrates minimum B or A performance on the parameters of revenue enhancement, budget preparation, external audit, and budget transparency.	0.75	20% of the allocated amount per each FMS meeting all requirements
		0.00	

Action: This PBC has been Revised. See below.



<i>PBC 9</i>				
<i>Strengthening PFM and DRM in selected FMS/BRA</i>				
<i>Type of PBC</i>	<i>Scalability</i>	<i>Unit of Measure</i>	<i>Total Allocated Amount (USD)</i>	<i>As % of Total Financing Amount</i>
<i>Output</i>	<i>Yes</i>	<i>Text</i>	<i>8.40</i>	<i>0.00</i>
<i>Baseline</i>	<i>Poor systems capacity: organizational, technology, HR, and workflows to support effective and efficient customs. FMSs' capacities to absorb increasing FGS transfers are limited.</i>			
<i>2021</i>			<i>0.00</i>	
<i>2022</i>	<i>9.1 MoF in Puntland and Jubbaland has developed and operationalized the SOMCAS system and its procedures manuals in five agreed locations by November 2022.</i>		<i>0.20</i>	<i>20% of the allocated amount per each of the five locations</i>
<i>2023</i>	<i>9.2. Each FMS undergoes assessment and establishes a baseline on revenue enhancement, expenditure management, and audit and reporting by June 2023.</i>		<i>0.75</i>	<i>20% of the allocated amount per each FMS meeting all requirements</i>
<i>2024</i>	<i>9.3. Each FMS (i) undergoes a self-assessment in the parameters of revenue enhancement, expenditure management, external audit and reporting, (ii) retains the ratings at least at the same level as in the baseline assessment, and (iii) adopts an action plan on making improvements on parameters with low scores by June 2024.</i>		<i>0.75</i>	<i>20% of the allocated amount per each FMS meeting all requirements</i>

2025	9.4 Each FMS formalizes and implements a common enhanced transparency initiative by January 2025		2.70	20% of the allocated amount per each FMS meeting all requirements
2026	9.5 Each FMS formalizes and implements a common enhanced transparency initiative.		4.00	20% of the allocated amount per each FMS meeting all requirements
			0.00	
PBC 10	Budget transparency			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Text	1.75	0.00
Baseline	Budget transparency initiatives are nascent			
2021			0.00	
2022			0.00	
2023			0.00	
2024			0.00	
2025	10.1 Public consultations held in person during 2025 budget formulation and summary consultation report published by January 2025		1.00	
2026	10.2 Public consultations held in person and online during 2026 budget formulation and summary consultation report published		0.75	
			0.00	



Action: This PBC is New

Verification Protocol Table: Performance-Based Conditions

PBC1	Strengthen domestic revenue administration
Description	<p>For PBC 1.1. IT system to be deemed “operational” when: (i) At least, manifest / customs declaration/risk management/tariff modules are developed, have been tested and are functional; (ii) Trainings of customs officers and private operators have been conducted' (iii) ·Customs IT system generates reports on revenue, revenue by commodity code, revenue by country of origin, type of goods imported by commodity code, goods imported by country etc.</p> <p>For PBC 1.2. simplified functional review to include: (i) Analysis of staff numbers, grading and pay scales, education levels, years of experience, age, gender, and training; (ii) Recommendations on staffing and revised organogram taking into account organizational structure of a customs department in a low-capacity environment.(iii) Comprehensive procedure manuals are developed for Customs and the Business Community for each Customs regime i.e. Import, Export.</p> <p>For PBC 1.3. a signed contract with a consultant to include technical specification for the automation of at least taxpayer registration, risk management, filing of tax declaration, payment, and revenue management modules for at least sales tax and registration tax in FGS and PSS.</p> <p>For PBC 1.4. a harmonized TIN structure is to be agreed, formally adopted and implemented by FGS, PSS, JSS. Harmonized TIN structures are linked either to the respective government entity FMIS or ITAS.</p> <p>For PBC 1.5., ITAS is to be deemed operational, when: (i) At least taxpayer registration, risk management, filing of tax declaration, payment, and revenue management modules for at least two tax or non-tax instruments are developed, have been tested and are functional for tax officers and at least 100 taxpayers; (ii) Instruments may include corporate income tax; personal income tax; excise tax; simple broad-based consumption tax; simple GST or VAT based consumption tax; registration tax; property tax; stamp duty; tax on remittances; telecommunications taxes; road tax (including vehicle licenses and drivers permits); business licenses; telecom licenses; and off-shore fishing licenses; (iii) Reports generated from the new IT system to demonstrate functionality, and (iv) The IT system is interfaced with SFMIS evidenced by SFMIS generated revenue reconciliation report.</p>

Data source/ Agency	FGS, PSS, JSS Revenue Departments, SOMCAS; SFMIS; ITAS reports
Verification Entity	OAug/VA
Procedure	<p>For PBC1.1.</p> <p>VA to obtain reports from the system in areas of</p> <ol style="list-style-type: none"> 1-Manifest (number of manifests stored into the system) 2-Declarations (number of filed and assessed customs declarations) 3-Tariif schedule functionality report 4-Risk management profiles businesses/transactions (number of customs declarations with risk categories assigned based on the embedded risk management) <p>1.2. VA to obtain the report on the functional review and the manuals of procedures and undertake the assessment.</p> <p>1.3. VA to obtain a signed contract and undertake assessment;</p> <p>1.4. VA to obtain TIN structures of FGS, PSS and JSS and undertake assessment; 1.5. VA to obtain ITAS reports, manuals of procedures for system and undertake assessment of design and use of system.</p>
PBC1	Strengthen domestic revenue administration
Description	<p>For PBC 1.1. IT system to be deemed “operational” when: (i) At least, manifest / customs declaration/risk management/tariff modules are developed, have been tested and are functional; (ii) Trainings of customs officers and private operators have been conducted' (iii) ·Customs IT system generates reports on revenue, revenue by commodity code, revenue by country of origin, type of goods imported by commodity code, goods imported by country etc.</p> <p>For PBC 1.2. simplified functional review to include: (i) Analysis of staff numbers, grading and pay scales, education levels, years of experience, age, gender, and training; (ii) Recommendations on staffing and revised organogram taking into account organizational structure of a customs department in a low-capacity environment.(iii) Comprehensive procedure manuals are developed for Customs and the Business Community for each Customs regime i.e. Import, Export.</p> <p>For PBC 1.3. a signed contract with a consultant to include technical specification for the automation of at least taxpayer registration, risk management, filing of tax declaration, payment, and revenue management modules for at least sales tax and registration tax in FGS.</p>



	<p>For PBC 1.4. a harmonized TIN structure is to be agreed, formally adopted and implemented by FGS and at least two FMS. Harmonized TIN structures are linked either to the respective government entity FMIS or ITAS.</p> <p>For PBC 1.5. FGS' and FMS' budgets reflect the harmonized Personal Income Tax, Personal Income Tax, Corporate Income Tax, Rental Income tax, and Capital gains tax rates. FGS and FMS revenue execution reports for the last three months include data on proceeds from the harmonized Personal Income Tax, Corporate Income Tax, Rental Income tax, and Capital gains tax.</p> <p>For PBC 1.6., ITAS is to be deemed operational, when: (i) At least taxpayer registration, risk management, filing of tax declaration, payment, and revenue management modules for at least two tax or non-tax instruments are developed, have been tested and are functional for tax officers and at least 100 taxpayers; (ii) Instruments may include corporate income tax; personal income tax; excise tax; simple broad-based consumption tax; simple GST or VAT based consumption tax; registration tax; property tax; stamp duty; tax on remittances; telecommunications taxes; road tax (including vehicle licenses and drivers permits); business licenses; telecom licenses; and off-shore fishing licenses; (iii) Reports generated from the new IT system to demonstrate functionality, and (iv) The IT system is interfaced with SFMIS evidenced by SFMIS generated revenue reconciliation report.</p>
Data source/ Agency	FGS, FMS Revenue Departments, SOMCAS; SFMIS; ITAS reports
Verification Entity	OAuG/VA
Procedure	<p>For PBC1.1.</p> <p>VA to obtain reports from the system in areas of</p> <ol style="list-style-type: none"> 1-Manifest (number of manifests stored into the system) 2-Declarations (number of filed and assessed customs declarations) 3-Tariif schedule functionality report 4-Risk management profiles businesses/transactions (number of customs declarations with risk categories assigned based on the embedded risk management <ol style="list-style-type: none"> 1.2. VA to obtain the report on the functional review and the manuals of procedures and undertake the assessment. 1.3. VA to obtain a signed contract and undertake assessment; 1.4. VA to obtain TIN structures of FGS and FMS and undertake assessment; 1.5. VA to to obtain FGS and FMS appropriation acts and monthly fiscal reports and undertake assessment.



	1.6 VA to obtain ITAS reports, manuals of procedures for system and undertake assessment of design and use of system.
PBC2	Strengthen payment process for operational expenditures and payroll
Description	See verification protocol for PBC 2
Data source/ Agency	FGS Ministry of Finance, Internal Audit Unit
Verification Entity	OAuG
Procedure	For 2.1. VA to obtain business process review report and undertake assessment; 2.2. VA to assess updated comprehensive procedures against business process review; 2.3. VA to obtain documentation and conduct assessment; 2.4. VA to assess the special internal audit reports and the recommendations provided to address identified weaknesses; 2.5. The VA will review the action plan produced by the internal audit department in consultations with the MOF departmental heads and NSCS and endorsed by the Director-General for Finance; 2.6. & 2.7. The VA will review the action plan activities against the verification provided for the completed activities/implemented recommendations and calculating the percentage of completed activities/recommendations.
PBC2	Strengthen payment process for operational expenditures and payroll
Description	For PBC 2.1, business process review report to include: (a) Definition of all the needs to be met by the work flows; (b) Identification of each workflow identified to meet the needs; (c) Definition of how activities connect and the assignment of the roles and responsibilities for each (swimlane flow charts); (d) Instructions for each activity, including how the technology/SFMIS supports the activities; (e) Identification of gaps and improvement possibilities; (f) Definition of workflows and activities to fill gaps, how these connect, assignment of roles and responsibilities for each (swimlane flow charts), and instructions for each activity, including how the technology/SFMIS supports the activities. For PBC 2.2, the payroll audit process will examine that: (a) all payments of salaries are within parliamentary approved appropriations, and within cumulative budget allocations per SFMIS; (b) Civil servants' IDs, pay grades, allowances, and net amounts in the authorized payroll list are reconciled to the civil service registry in the SFMIS; (c) Basic salary and allowance



	<p>amount per civil servant in the payroll list is reconciled to the assigned pay grade as per the government policy; (d) Allowance amounts per the payroll list are reconciled as per the government policy; (e) Recalculate net pay per the payroll list for each civil servant considering the basic salary, allowances, and tax deducted; (d) Reconcile the authorized payroll list approved for payment by the Accountant General to the authorized payment instruction; (f) Compare the bank name and the bank account number per SFMIS to the information submitted for each civil servant; (g) Reconcile the authorized payment instructions to the Central Bank of Somalia fund transfer order for each civil servant; (h) Review the approval process in the SFMIS system including the signatories and the control mechanism in place. The internal audit should provide a clear recommendation based on the identified weaknesses in the payroll processes.</p> <p>For PBC 2.3, the Verification Agent (VA) will obtain relevant Somalia Financial Management Information System (SFMIS) generated budget documents and verify that the budget department used the SFMIS Budget Preparation Module (BPM) to prepare the budget for FY2025. The use of BPM should also be mentioned in the pre-budget statement and the budget policy framework paper.</p> <p>For PBC 2.4, The VA will need to (i) obtain the endorsed payroll processes audit report dated July 2023, (ii) examine the list of observations, recommendations, and management comments (there are nine audit recommendations), and (iii) ascertain that at least six recommendations are fully addressed and implemented by the respective MDA supported by evidence.</p> <p>For PBC 2.5 The VA should obtain a copy of the finalized/approved Business Process Review (BPR) report and revised COAPM and ascertain that the core areas such as: (i) planning and budgeting; (ii) internal controls; and (iii) accounting procedures have accurately been reflected in the revised COAPM. The VA will need to review the MOF implementation status report and confirm the percentage of implementation of the identified core areas, and obtain evidence of implementation of the core areas.</p> <p>For PBC 2.6, VA to verify evidence of approval of the internal audit charter that adheres to the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), and which provides for the internal audit department centralized at the FGS Ministry of Finance a mandate that allows it to undertake internal audit activities across all ministries, departments, and agencies by the Council of Ministers.</p>
Data source/ Agency	FGS Ministry of Finance, Internal Audit Unit
Verification Entity	OAuG
Procedure	VA to obtain documentation and undertake assessment.

PBC3	Strengthen inter-governmental fiscal policy framework
Description	See the verification protocol for PBC 3
Data source/ Agency	FGS Ministry of Finance, IFFFC, FMIS reports, FGS 2022 and 2023 Approved Budget, and SFMIS expenditure reports
Verification Entity	OAug
Procedure	VA to obtain documentation and undertake assessment
PBC3	Strengthen inter-governmental fiscal policy framework
Description	<p>For PBC3.1, the VA will obtain relevant budget documentation and verify that the new CoA is used in 2023 budget preparation.</p> <p>For PBC3.2, the VA will review FMIS platforms of the FGS and FMSs to verify that they are adjusted to the use of new CoA for 2023 budget execution and that at least ten monthly reports using the new COA have been produced through the FMIS platforms and are published on the MoF website in line with the policy document starting from January 1, 2023.</p> <p>For PBC3.3, an inter-governmentally agreed grant formula is to be evidenced by agreement among FMS and FGS finance ministers as reflected in signed Minutes of FMFF. VA to compare fiscal transfer allocations to FMS in the draft FGS budget to ensure they reflect the agreed formula.</p> <p>For PBC3.4, VA to review the budget framework paper, approved budget, and updated inter-governmental transfer formula to the FMS to determine that: (i) budget transfer allocation is disaggregated per FMS and (ii) allocated budget per the FMS aligns with the updated inter-governmental transfer formula self-assessment reports from the FMS as per PBC 9.3.</p> <p>For PBC 3.5, the framework means an action plan structured in a table format and describes the revenue assignment and expenditure responsibilities as agreed by the NCC signed communiques. The action plan should include: (i) the responsible MDA or entity that is tasked with operationalizing the identified activity, (ii) the methodology of addressing each activity, (iii) the type of support required for each identified activity, (iv) the timelines to complete each activity, (v) a short description of each activity no more than one paragraph, and (vi) risk and mitigation measures for each activity.</p>

Data source/ Agency	FGS Ministry of Finance, IFFFC, FMIS reports, FGS 2022 and 2023 Approved Budget, and SFMIS expenditure reports
Verification Entity	OAuG/IVA
Procedure	VA to obtain documentation and undertake assessment
PBC4	Strengthen FGS transfers to FMS
Description	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA and the out turn rate for FGS's domestic revenues for the previous year.
Data source/ Agency	FGS Budget and SFMIS reports, OAG
Verification Entity	OAuG
Procedure	VA to verify targets
PBC4	Strengthen FGS transfers to FMS
Description	FGS's fiscal transfers execution rate for the previous FY to FMS/BRA and the out turn rate for FGS's domestic revenues for the previous year.
Data source/ Agency	FGS Budget and SFMIS reports, OAG
Verification Entity	OAuG
Procedure	VA to verify targets
PBC5	Strengthen public administration
Description	For PBC 5.1, VA to verify enactment of Pension Law and adoption of regulations For PBC 5.2 Cabinet decision on the approved pay and grading reform option, which includes (a) consolidation of allowances into base pay endorsed as part of the pay and grading policy; (b) integration of CIM staff grades and salaries into the new civil service pay and grading system (Note: Both Stream A and Stream B CIM positions are to be mapped to the new pay and grading structure.); (c) the new pay



	<p>and grading structure to be the basis for determining pay and grades for civil servants and adviser positions; and (d) fiscal sustainability of the wage bill. For PBC 5.3, VA confirms the establishment of the pension unit through review of HR records. Pension unit deemed “established, staffed and operational” when: (a) Pension unit has been staffed with at least an Administrative Director, an IT person, a benefits person, and a public information person; (b) Pension unit either has access to the human resource management information system, which contains records of the civil servants who have reached the age of retirement or it will transfer these records to its own IT system. For PBC 5.4, IVA will obtain the annual report from a public resource and verify that it covers, among other topics, the following: the number of women in various grades in FGS disaggregated by MDAs; the current status of measures, specific for various grade brackets and general measures that apply to all, being taken to achieve the NDP goals; and the general promotion of women in government positions and the action plan for the next reporting period to promote opportunities for women. The action plan must include measures for the active promotion of opportunities for more female participation in the civil service positions with clearly assigned responsibilities and time frames. For PBC 5.5, VA to verify that: (a) All civil servants above pensionable age are registered and their pension benefits are calculated. (b) All civil servants who have reached or were above the retirement age (i.e., 65 years of age or above) age as of December 31, 2023, received at least 70% of their annual pension benefit payments. For PBC 5.6, IVA will obtain the annual report from a public resource and verify that it covers, among other topics, the following: the number of women in various grades in FGS disaggregated by MDAs; the current status of measures, specific for various grade brackets and general measures that apply to all, being taken to achieve the NDP goals; and the general promotion of women in government positions and action plan for the next reporting period to promote opportunities for women. The action plan must include measures for the active promotion of opportunities for more female participation in civil service positions with clearly assigned responsibilities and time frames. The IVA to verify that the number of women in senior leadership positions reached 25%.</p>
Data source/ Agency	FGC MOF, MoLSA, NCSC, SFMIS and HRMIS
Verification Entity	OAUg
Procedure	VA to obtain documentation and undertake assessment.
PBC5	Strengthen public administration



<p>Description</p>	<p>For PBC 5.1 Cabinet decision on the approved pay and grading reform option, which includes (a) consolidation of allowances into base pay endorsed as part of the pay and grading policy; (b) integration of CIM staff grades and salaries into the new civil service pay and grading system (Note: Both Stream A and Stream B CIM positions are to be mapped to the new pay and grading structure.); (c) the new pay and grading structure to be the basis for determining pay and grades for civil servants and adviser positions; and (d) fiscal sustainability of the wage bill.</p> <p>For PBC 5.2, VA will obtain the annual report from a public resource and verify that it covers, among other topics, the following: the number of women in various grades in FGS disaggregated by MDAs; the current status of measures, specific for various grade brackets and general measures that apply to all, being taken to achieve the NDP goals; and the general promotion of women in government positions and the action plan for the next reporting period to promote opportunities for women. The action plan must include measures for the active promotion of opportunities for more female participation in the civil service positions with clearly assigned responsibilities and time frames.</p> <p>For PBC 5.3, (i) VA will obtain the annual report from a public resource and verify that it covers, among other topics, the following: the number of women in various grades in FGS disaggregated by MDAs; the current status of measures, specific for various grade brackets and general measures that apply to all, being taken to achieve the NDP goals; and the general promotion of women in government positions and the action plan for the next reporting period to promote opportunities for women. The action plan must include measures for the active promotion of opportunities for more female participation in civil service positions with clearly assigned responsibilities and time frames. (ii) The annual report should include a chapter examining existing policies and practices that support and contain recruitment and promotion of women in the civil service and include recommendations for improving diversity within the civil service. The action plan should provide specific recommendations, identify responsibilities for implementation, timelines, source of support if any.</p> <p>For PBC 5.4, (i) VA to obtain the annual report from a public resource and verify that it covers, among other topics, the following: the number of women in various grades in FGS disaggregated by MDAs; the current status of measures, specific for various grade brackets and general measures that apply to all, being taken to achieve the NDP goals; and the general promotion of women in government positions and the action plan for the next reporting period to promote opportunities for women. The action plan must include measures for the active promotion of opportunities for more female participation in civil service positions with clearly assigned responsibilities and time frames. (ii) VA reviews the HR and payroll data and verifies that 21% of senior leadership positions (Director Generals, Directors of Department, and Heads of Section) are occupied by female civil servants.</p> <p>For PBC 5.5, VA should acquire NCSC documentation, P&G manual or procedures, civil service contracts, HRMIS (if available), Appropriation Act, and payroll data and verify through an agreed methodology that all permanent civil servants</p>
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	across FGS non-security MDAs have started receiving payment in accordance with the new P&G scale.
Data source/ Agency	FGC MOF, MoLSA, NCSC, SFMIS and HRMIS
Verification Entity	OAuG
Procedure	VA to obtain documentation and undertake assessment.
PBC6	Wage bill management
Description	For PBC #6.1: The reform plan must include actions to (a) improve the granularity of the accounting of the wage bill, (b) enhance the format of the reporting and disclosure; (c) map all personnel under the non-formal wage bill to the existing cadres as per the human resources and formal payroll policies and practices, and (d) reduce the amount and share of wages and allowances on expenditures for the non-formalized payroll. The action plan is to include establishing a recurrent approach to monthly analysis and reporting of the dollar value and number of individuals for the non-formalized wage bill, by MDA, by six-digit Object Code, disaggregated by cadre. For PBC #6.2, #6.4, #6.6: The IVA will verify implementation of the biometric system in at least 15 non-security FGS ministries by collecting evidence that at least 60% (80% for PBC 6.4 and 90% for PBC 6.6) of staff record their attendance using the biometric system at least 15 working days of the month for each staff. Staff on authorized leave, duly certified, will be deemed to have marked their attendance. The IVA will also verify that implementation will include links with the performance and disciplinary systems for PBC 6.2 and also payroll systems for PBC 6.4 and PBC 6.6. For PBC#6.3 and #6.5: Non-formal, non-security wage bill reported monthly at the level of detail as included in the existing payroll summary report (ECF reporting) and compared to baseline 2021. MoF has issued a report that includes the progress against the action plan on improving the transparency and management of a reduced non-formal wage bill.
Data source/ Agency	MoF, NCSC
Verification Entity	OAuG/VA
Procedure	VA to obtain documentation and undertake assessment



PBC6	Wage bill management
Description	<p>For PBC6.1, The reform plan must include actions to (a) improve the granularity of the accounting of the wage bill, (b) enhance the format of the reporting and disclosure; (c) map all personnel under the non-formal wage bill to the existing cadres as per the human resources and formal payroll policies and practices, and (d) reduce the amount and share of wages and allowances on expenditures for the non-formalized payroll. The action plan is to include establishing a recurrent approach to monthly analysis and reporting of the dollar value and number of individuals for the non-formalized wage bill, by MDA, by six-digit Object Code, disaggregated by cadre.</p> <p>For PBC6.2, the VA will verify implementation of the biometric system in at least 15 non-security FGS MDAs by collecting evidence that at least 60% of staff record their attendance using the biometric system at least 15 working days of the month for each staff. Staff on authorized leave, duly certified, will be deemed to have marked their attendance. The IVA will also verify that implementation will include links with the performance and disciplinary systems.</p> <p>For PBC6.3 and 6.5: Non-formal, non-security wage bill reported monthly at the level of detail as included in the existing payroll summary report (ECF reporting) and compared to baseline 2021. MoF has issued a report that includes the progress against the action plan on improving the transparency and management of a reduced non-formal wage bill.</p> <p>For PBC 6.4, VA will verify implementation of the biometric system in at least 15 non-security FGS MDAs by collecting evidence that at least 80% of staff record their attendance using the biometric system at least 15 working days of the month for each staff. Staff on authorized leave, duly certified, will be deemed to have marked their attendance. The IVA will also verify that implementation will include links with the performance, disciplinary and also payroll systems.</p> <p>For PBC 6.6, For PBC 6.6: The IVA will verify implementation of the biometric system in at least 15 non-security FGS MDAs by collecting evidence that at least 90% of staff record their attendance using the biometric system at least 15 working days of the month for each staff. Staff on authorized leave, duly certified, will be deemed to have marked their attendance. The IVA will also verify that implementation will include links with the performance, disciplinary systems and also payroll systems. The IVA is also to verify that a payroll management policy is adopted, which includes at least: rules governing deductions and overrides; process and timeline for deductions, system for tracking deductions and overrides; and grievance redress mechanism. For PBC 6.6. FGS also submits a report on lessons learned including the summary of feedback received through the grievance mechanism/survey (indicating the number of complainants) and the action plan to improve the policy.</p> <p>For PBC 6.7, VA should acquire documentary evidence that job descriptions for temporary employees in all FGS non-security MDAs are defined, the positions evaluated and graded, and the list of temporary employees matching the job positions and</p>



	<p>subject to the transition to new grades identified. Temporary employees are regular employees and advisors (advisory role) who receive regular fixed allowances.</p> <p>For PBC 6.8, VA should acquire P&G manual or procedures, temporary workers’ contracts, HRMIS data (if available), Appropriation Act, and SFMIS payroll data and verify that at least 30 percent of temporary workers (based on the list of 6.7 PBC) in all non-security FGS MDAs are receiving payment in accordance to the new P&G scheme at least for the last 1 month and the 2026 budget allocations are secured accordingly. As of January 2024, the number of temporary workers across FGS was 5,500 workers excluding teachers and health workers. .</p>
Data source/ Agency	MoF, NCSC, MoLSA, relevant MDAs, SFMIS, HRMIS if available
Verification Entity	OAUg/VA
Procedure	VA to obtain documentation and undertake assessment
PBC7	Number of women and children visited by Female Health Workers
Description	Number of unique pregnant women and children visited by FHW
Data source/ Agency	FGS and FMS MOHs and MoFs
Verification Entity	OAUg/VA
Procedure	VA to obtain documentation and undertake assessment
PBC7	Strengthen health service delivery
Description	For PBC7.1, 7.3, and 7.5 VA to obtain (a) Service Delivery Agreement; (b) Annual Community Health Service Delivery Plan; and (c) FMS budget appropriation, and conduct assessment. Service Delivery Agreement should comprise: Overview: Statement of overall objectives, costs, and expected results; Health: Annual Community Health Service Delivery Plan; and Accountability: Agreed reporting formats, and associated reporting procedures. Annual Community Health Service Delivery Plan should indicate annual allocations, costed activities, and timeline and should comprise: (a) Plan for expansion of



coverage of FHWs and HR plan for staff to support FHWs (e.g., M&E staff, supervisors); (b) FHW/FHS training plan;(c) Supervision plan; (d) Medical supplies plan; (e) Community engagement and mobilization plan; (f) Monitoring plan; (g) Activities to address climate-related diseases prevention, detection, and response; (h) partners coordination plan. For PBCs7.2, 7.4, and 7.6, VA to obtain (a) implementation and financial reports on the use of transfers, (b) FMS FMIS budget execution reports, (c) FMS Community Health Service Delivery Plan, and (d) MoH financial reports. Implementation report to capture the minimum number of FHWs that are fully trained and delivering services, number of households served, pregnant women and children visited, and community engagement activities conducted as reported through digital reporting tools.

For PBC 7.7, VA to obtain documentary evidence of approval of the National Policy for Managing Non-Civil Service Health Cadre by FGS and FMS through an Intergovernmental Health Forum which was endorsed following consultations with relevant government agencies and development partners. The national policy should *inter alia* (i) align with the Labor Code and existing national health policies and regulations including the Essential Package of Health Services (EPHS) and take into account the needs of each FMS; (ii) include provisions for the selection, recruitment, deployment, benefits and entitlements (including compensation standards, sick leave, annual leave, maternity leave), performance management, employment standards and retention; (iii) detail grievance mechanism, data privacy and whistle-blower protection; (iv) specify rights and obligations, including the right to form associations or labor units as per the national legislation. VA to also obtain documentary evidence on how the Community Health Strategy addresses *inter alia* diverse funding sources, incentivizes streamlined procurement processes and enhanced data quality and reporting mechanisms at all levels of government.

For PBC 7.8, VA to obtain (a) report on closing the feedback loop; (b) Annual Community Health Service Delivery Plan; and (c) FMS budget appropriation, and conduct assessment. The report on closing the feedback loop on the citizen engagement campaigns in the health sector should include (i) the description of efforts by MOH to reach diverse beneficiary groups disaggregated by gender and district in the previous year, (ii) summarize feedback disaggregated by various groups, (iii) summarize recommendations generated from the feedback and how they contribute to improved health and governance outcomes, and (iv) actions taken to close the feedback loop, and percentage of beneficiaries to whom feedback has been provided. Annual Community Health Service Delivery Plan should indicate annual allocations, costed activities, and timeline and should comprise: (a) Plan for expansion of coverage of FHWs and HR plan for staff to support FHWs (e.g., M&E staff, supervisors); (b) FHW/FHS training plan;(c) Supervision plan; (d) Medical supplies plan; (e) Community engagement and mobilization plan; (f) Monitoring plan; (g) Activities to address climate-related diseases prevention, detection, and response; (h) partners coordination plan.

For PBC 7.9, VA to obtain (a) MoU on the harmonization of regulatory frameworks for health professionals, facilities and



training institutions; (b) implementation and financial reports on use of transfers; (c) FMS FMIS budget execution reports; (d) FMS Community Health Service Delivery Plan; (e) MoH financial reports. Implementation report to capture the minimum number of FHWs that are fully trained and delivering services, number of households served, pregnant women and children visited, and community engagement activities conducted as reported through digital reporting tools. MoU to include agreements on (i) aligning with the National Health Professionals Commission (NHPC) Act; (ii) clear and delineated roles for the FGS (NHPC) and FMS; (iii) defined timelines to operationalize the frameworks.

For PBC 7.10, VA to obtain the evidence of the implementation of the national policy, which should inter alia include: (i) costed action plans on the implementation of the national policy by FGS and FMS detailing clear timelines, responsibilities, Key Performance Indicators (KPIs), and indicative financing sources; (ii) a roster list of non-civil service health cadre with the records of existing cadre, their contractual status, and source of salary funding; (iii) a report summarizing major gaps and challenges in the implementation of the national policy vis-à-vis each cadre for FGS and FMS; (iv) a joint working group on the implementation of the national policy is established with a clear mandate and workplan.

For PBC 7.11, VA to obtain (a) report on closing the feedback loop; (b) Annual Community Health Service Delivery Plan; and (c) FMS budget appropriation, and conduct assessment. The report on closing the feedback loop on the citizen engagement campaigns in the health sector should include (i) the description of efforts by MOH to reach diverse beneficiary groups disaggregated by gender and district in the previous year, (ii) summarize feedback disaggregated by various groups, (iii) summarize recommendations generated from the feedback and how they contribute to improved health and governance outcomes, and (iv) actions taken to close the feedback loop, and percentage of beneficiaries to whom feedback has been provided. Annual Community Health Service Delivery Plan should indicate annual allocations, costed activities, and timeline and should comprise: (a) Plan for expansion of coverage of FHWs and HR plan for staff to support FHWs (e.g., M&E staff, supervisors); (b) FHW/FHS training plan; (c) Supervision plan; (d) Medical supplies plan; (e) Community engagement and mobilization plan; (f) Monitoring plan; (g) Activities to address climate-related diseases prevention, detection, and response; (h) partners coordination plan.

For PBC 7.12, VA to obtain (a) regulations governing the registration of health professionals, facilities, and training institutions; (b) implementation and financial reports on use of transfers; (c) FMS FMIS budget execution reports; (d) FMS Community Health Service Delivery Plan; (e) MoH financial reports. Regulations to include (i) provisions for aligning with the National Health Professionals Commission (NHPC) Act, and (ii) clear and delineated roles for the FGS (NHPC) and FMS. Implementation report to capture the minimum number of FHWs that are fully trained and delivering services, number of households served, pregnant women and children visited, and community engagement activities conducted as reported through digital reporting tools.

Data source/ Agency	FGS and FMS MOHs and MoFs
Verification Entity	OAug/VA
Procedure	VA to obtain documentation and undertake assessment
PBC8	Strengthen education service delivery
Description	See the verification protocol for PBC 8
Data source/ Agency	FGS and FMS MoEs
Verification Entity	OAug/VA
Procedure	VA to obtain documentation and undertake assessment
PBC8	Strengthen education service delivery
Description	<p>For PBCs8.1, 8.2, 8.4: VA to obtain (i) Functional Assignment Agreement; and (ii) FMS budget appropriation and conduct assessment. For PBC 8.4, in addition to (i) and (ii), (iii) the costing plan for education service delivery listing activities to be financed by PBC as per the eligible list of education service delivery activities in the POM. Functional Assignment agreement can be in the form of a Memorandum of Understanding or an Agreement signed between FGS and FMS defining the assignment of education sector functions between FGS and FMS in the areas inclusive of school supervision; curriculum; examination and certification; teachers’ standards; data management; etc.</p> <p>For PBC8.3 and 8.5: VA to obtain (i) FMS FMIS budget execution reports; (ii) MoE financial reports and conduct assessment as regards the proper use of earmarked funds against the eligible list of activities as per POM, and for PBC 8.5 also (iv) implementation reports of the education service delivery plans and ascertain that the appropriated amounts were spent on eligible activities in full.</p> <p>For PBC8.6, VA obtains HR and payroll data for teachers financed by RCRF as of December 2023 in BRA, GSS, JSS, SWSS, HSS and verifies that (i) 100 percent of the teachers were duly informed of the need to apply for Government advertised 3,000</p>



	<p>teacher positions and that their current contracts will not be renewed after September 2024; (ii) advertisement on recruiting 3,000 teachers in 2024 indicate preference for RCRF financed teachers; (iii) 100% of RCRF financed teachers that met the selection criteria are contracted as FGS financed teachers with the salary of \$330 a month.</p> <p>For PBC8.7, VA to obtain a decision by IECF on the adoption of the National School Financing Policy and operational guideline. The policy should contain the following key elements: (i) include a fund allocation formula that incentivizes schools to increase enrollment, (ii) ensure that financing received offsets costs for families and results in lower fees; and (iii) ensure Community Education Committees (CECs) are central to the planning, management, and monitoring of financing received. The operational guidelines should detail (i) school financing eligibility and planning requirements; (ii) utilization and flow of funds and related financial management, procurement, and accounting procedures; (iii) environmental and social risk management; and (iv) related reporting, verification, and monitoring procedures.</p> <p>For PBC8.8, VA to obtain evidence that FMS (i) endorsed the national student learning assessment strategy and framework; (ii) submits a report on the implementation of the national school financing policy at the FMS level; (iii) adopted an action plan on its implementation; (iv) prepared a costed plan for education service delivery in 2026, and (v) approved aggregate FY 2026 budgetary appropriations for MoEs.</p> <p>For PBC 8.9, VA obtains an IGECECF decision on the adoption of the National Student Learning Assessment Strategy and Framework. The Student Learning Assessment Strategy should contain the following key elements (i) sets out its vision and aims, (ii) policies, (iii) organizational structure, (iv) financing needs, and (v) staffing requirements. The Framework should define key elements of the system including the (i) subjects and grade levels that will be assessed and how frequently, (ii) the scope of the curriculum domains and the knowledge and skills that will be measured in each subject, (iii) descriptions of core learning levels and proficiency levels to be achieved in each domain, subject, and grade, and (iv) the format and administration of the assessment</p>
Data source/ Agency	FGS and FMS MoEs
Verification Entity	OAUg/VA
Procedure	VA to obtain documentation and undertake assessment
PBC9	Strengthening PFM and DRM in selected FMS/BRA



Description	For PBC#9.1: Locations include Garowe and Bossaso airports and Bossaso Seaport in Puntland and Kismayo Seaport and Airport in Jubbaland. IT system to be deemed operational when: (a) At least, customs declaration / manifest / risk management / tariff modules are developed, have been tested, and are functional. (b) Trainings of customs officers and private operators have been conducted.(c) Procedures manuals contain customs procedures for import/export processes with the required documentation at each step. (d) IT system generates reports on revenue, revenue by commodity code, revenue by country of origin, type of goods imported by commodity code, goods imported by country etc. For PBC#9.2, #9.3: Rating and assessment progress are governed by the technical committee interim intergovernmental fiscal transfer proposal, February 26, 2022, in Addis Ababa, and as included in the POM. The VA will look at the three performance indicators and sub-indicators guided by the PEFA measurement scoring criteria and ensure the scoring for each FMS is not less than B or A under the following: (a) Revenue Out turn—Aggregate Revenue Outturn. (b) Budget Preparation Process—Budget calendar. (c) External Audit—Audit coverage and standards. Those FMS that are rated C in 2023 will need to achieve the minimum of B in 2024. Those FMS that are rated B in 2023 will need to achieve the minimum of A in 2024. The methodology may be changed based on the FMFF’s final decision expected by December 2022. The final methodology will be fixed in the POM.
Data source/ Agency	Puntland and Jubbaland Revenue Departments, FGS and FMS MOFs
Verification Entity	OAuG/VA
Procedure	VA to obtain documentation and undertake assessment.
PBC9	Strengthening PFM and DRM in selected FMS/BRA
Description	For PBC9.1: Locations include Garowe and Bossaso airports and Bossaso Seaport in Puntland and Kismayo Seaport and Airport in Jubbaland. IT system to be deemed operational when: (a) At least, customs declaration / manifest / risk management / tariff modules are developed, have been tested, and are functional. (b) Trainings of customs officers and private operators have been conducted.(c) Procedures manuals contain customs procedures for import/export processes with the required documentation at each step. (d) IT system generates reports on revenue, revenue by commodity code, revenue by country of origin, type of goods imported by commodity code, goods imported by country etc. For PBC9.2, Rating and assessment progress are governed by the FMFF and IGFF-TC approved intergovernmental transfer

formula and as included in the POM. The VA will look at the three performance indicators and sub-indicators guided by the PEFA measurement scoring criteria and validate if the self-assessment scoring for each FMS under the following: (a) Revenue Outturn—Aggregate Revenue Outturn; (b) Budget Preparation Process—Budget calendar; (c) External Audit—Audit coverage and standards are in line with the PEFA methodology.

For PBC 9.3, Rating and assessment progress are governed by the FMFF and IGFF-TC approved intergovernmental transfer formula and as included in the POM. The VA will look at the three performance indicators and sub-indicators guided by the PEFA measurement scoring criteria and validate if the self-assessment scoring for each FMS per selected sub-indicators are in line with the PEFA methodology. The VA also verifies if the performance against the selected sub-indicators did not deteriorate. The VA obtains action plans from each FMS adopted by relevant Ministers of Finance on the improvements in the scores for low performing parameters.

For PBC9.4, the transparency initiative to include: 1) Publication of: a) The Draft Appropriations Act (FY 25), Executive’s Budget Proposal (FY25), the Enacted Budget (FY25). b) Current **fiscal reporting** as delivered under the RCRF PEC (revenue and expenditures, by object code, by MDA, by month cumulative YTD) published quarterly within 45 days of the end of each quarter starting the calendar quarter ending on September 30, 2024; c) FY23 Audit Report published by September 30th of the following year (with accompanying final audited accounts of the government). 2) Submission to the FGS Ministry of Finance and onward submission to the World Bank fiscal and PFM system performance data: a) Current **fiscal reporting** as delivered under the RCRF PEC (revenue and expenditures, by object code, by MDA, by month cumulative YTD) submitted to FGS monthly, by the end of the first next month; b) **Non-salary costs:** performance data: Listing of non-salary (Non-security) payments, YTD, including: Payment voucher ID, Description, Payee, Amount, Date of payment, MDA, and Account (six-digit object code) starting July 2024.

For PBC 9.5, the transparency initiative to include: 1) Publication of: a) The Draft Appropriations Act (FY26), Executive’s Budget Proposal (FY26), the Enacted Budget (FY26), and for PBC9.5 all of the above plus one additional of the eight key budget documents published on time as defined by the Open Budget Survey (OBS); b) Quarterly tax performance and tax expenditure reports by FMS within 45 days of quarter end; c) Current **fiscal reporting** as delivered under the RCRF PEC (revenue and expenditures, by object code, by MDA, by month cumulative YTD) published quarterly within 45 days of the end of each quarter starting the calendar quarter ending on September 30, 2024; d) FY24 Audit Report published by September 30th of the following year (with accompanying final audited accounts of the government). 2) Submission to the FGS Ministry of Finance and onward submission to the World Bank, fiscal and PFM system performance data: a) Current **fiscal reporting** as delivered under the RCRF PEC (revenue and expenditures, by object code, by MDA, by month cumulative YTD) submitted to FGS monthly, by the end of the first next month; b) **Non-salary costs:** performance data: Listing of non-



	salary (Non-security) payments, YTD, including: Payment voucher ID, Description, Payee, Amount, Date of payment, MDA, and Account (six-digit object code) starting July 2024; c) Workforce data report indicating the number and US\$ amount for the workforce, by type of worker, by MDA reported by six-digit object code. In cases where structured data on the number of workers to support regular reporting may not exist, then the US\$ value of per MDA, per six-digit object code should be provided (for PBC9.5).
Data source/ Agency	Puntland and Jubbaland Revenue Departments, FGS and FMS MOFs
Verification Entity	OAug/VA
Procedure	VA to obtain documentation and undertake assessment.
PBC10	Budget transparency
Description	For PBC 10.1, VA to (i) obtain documentation, presentations, and any other materials used during consultations and verify (i) that they were shared with participants at least one week before the consultations;(ii) verify consultations were held before draft appropriations act is sent to Parliament; (iii) verify if members of the press were invited and that consultations were publicized to CSOs at least 4 weeks beforehand on a public forum (e.g. MoF website, mass and social media) and open to any registered CSO that wished to participate; (iv) verify the consultations included vulnerable groups (at a minimum women, youth, and IDPs) and representative from select FMS; and (vii) obtain consultation report and (a) verify that it is published and available on the MoFs website and social media while parliament is still considering the appropriations act; (b) provides a categorized summary of inputs received during consultations and is in line with MoF’s official meeting minutes; (c) provides a government response to inputs received, specifically identifying if inputs were accepted, and if not, why. For PBC 10.2, in addition to the above VA to (viii) verify live stream of consultations was made available on mainstream platform (e.g. Facebook, Twitter, etc.) and recording still available on MoF website or social media; (ix) verify live stream included mechanism for public participation (polls, comments, etc.) and that inputs were categorized, summarized, and responded to in the public consultation report.
Data source/ Agency	MoF



Verification Entity	IVA
Procedure	VA to review publicly available documentation on MoF website and social media as well as internal documentation.



Annex 1. Environment and Social Standards Action Plan

The E&S rating will be upgraded to Moderately Satisfactory upon completion of 75 percent of the below actions agreed with the PIU.

Action	Responsibility	Timeline
Carry out a review of ESF implementation based on the E&S documents and submit a report.	PIU	December 15, 2023 (completed)
Senior Social Specialist is recruited with a revised Terms of Reference and increased transparency over the recruitment process	PIU	April 30, 2024
Project Security Risk Management Specialist is recruited	PIU	April 30, 2024
Update the security risk assessment and management plan	PIU	September 30, 2024
GM overview and report on grievance resolution in the past year submitted	PIU	May 15, 2024
Ensure ESMPs are developed and reviewed by the Bank for all new contracts and attached to contracts and reported on and monitored.	PIU	Regularly
Awareness raising and trust building on GM via posters and radio programs, strengthening of in person channels, identification of community focal points at community level (e.g., health center managers, head teachers) and anonymization of all complaints by the social specialist on receipt.	PIU	Ongoing
Awareness raising of all staff should be carried out on the project and worker GMs.	PIU	Regularly
Conduct GBV Service Mapping Exercise in Somalia	PIU	December 31, 2023
Refresher training for GBV focal Points on Survivor centered approaches and SEAH Incident response	PIU	June 30, 2024
Reviewing GBV/SEAH risks in the recruitment/retention of female workers	MOH, PIU	June 30, 2024
Conduct an exit interview for each FHW who leaves the program in confidentiality through the citizen engagement center.	FGS/FMS-MoH	Regularly
Train GBV Focal Points (teachers, FHWs and Social Specialists at the FMS level) on handling GBV related grievances including the use of the consent and intake forms	PIU	June 30, 2024
Conduct regular monitoring of the SEAH action plan and report progress and plan for completion	PIU	Regularly
Regular monitoring of actions agreed on Medical Waste Management Plan	PIU and HTP	Regularly

Annex 2. RCRF financing by sub-components

Combined RCRF III and the first AF1 appraised amount (no shading) and AF2 (shaded in gray).

US\$ million	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	Total
Component 1: Recurrent cost finance to reform resource management systems	0	0	12.5	11	14.9	11.6	7.4	57.4
1.1 Financing eligible civil service salaries in FGS: Baseline			6.0	5.5	5.0	3.2		19.7
1.2 Financing eligible civil service salaries in FGS: Reform benchmarks (PBCs/DLIs)			6.5	5.5	7.9	1.6		21.5
1.2 RCRF III AF2 new PBCs					2	6.8	7.4	16.2
Component 2: Strengthen inter-governmental fiscal relations	0.5	5.9	5.6	4.85	7.55	8.5	11	43.9
2.1 Supporting inter-governmental forums and Secretariat	0.2	0.2	0.8	0.8	0.8			2.8
2.1 Supporting inter-governmental forums and Secretariat (AF2)					0.2	1	0.8	2.0
2.2 Reform benchmarks for improved governance and service delivery at FMS-level (PBCs)		3.7	2.8	2.35	4.75	3.2		16.8
2.2 Reform benchmarks for improved governance and service delivery at FMS-level (AF2)						2.7	8.6	11.3
2.3 Strengthening resource management systems	0.3	2	2	1	0.8			6.1
2.3 Strengthening resource management systems (AF2)						0.6	0.6	1.2
2.4 Local governance				0.7	1			1.7
2.4 Local governance (AF)						1	1	2.0
Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS	0	1.5	23.2	22.2	21.7	14.4	11.35	94.35
3.1 Financing core government functions		0.5	8.2	8.2	8.2	5.5		30.6
3.1 Financing core government functions (RCRF III AF2)						0.3	4.5	4.8
3.2 Financing education service delivery		0.5	7.5	6.0	5.5			19.5
3.2 Financing education service delivery (RCRF III AF2)						0.6	0.4	1.0
3.3 Financing health service delivery		0.5	7.5	8.0	8.0	3.2		27.2
3.3 Financing health service delivery (RCRF III AF2)						4.8	6.45	11.25
Component 4: Citizen engagement and feedback	0	1.1	1.1	1	0.9	0.8	0.8	5.7
4.1 Deepening and widening the existing budget transparency efforts		0.3	0.3	0.3	0.3			1.2
4.1 Deepening and widening the existing budget transparency efforts (RCRF III AF2)						0.3	0.3	0.6
4.2 Support mapping, citizen feedback, and corrective measures at the local Level		0.5	0.5	0.5	0.5			2.0
4.2 Support mapping, citizen feedback, and corrective measures at the local Level (RCRF III AF2)						0.5	0.5	1.0
4.3 Impact evaluation to citizen feedback in education and health		0.3	0.3	0.2	0.1			0.9
4.3 Impact evaluation to citizen feedback in education and health (RCRF III AF2)								
Component 5: Project management	0.05	0.3	2.7	3.0	3.0	1.95	1.7	12.7
5.1 FGS project management costs (RCRF III)		0.1	1.6	1.6	1.6	0.6		5.5

	US\$ million	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	Total
5.1 FGS project management costs (RCRF III AF2)							0.35	0.6	0.95
5.2 FMS project management costs (RCRF III)			0.1	1	1	1	0.4		3.5
5.2 FMS project management costs (RCRF III AF2)							0.2	0.7	0.9
5.3 Independent verification agent (IVA) support for PBCs	0.05	0.1	0.1	0.4	0.4				1.0
5.3 Independent verification agent (IVA) support for PBCs							0.4	0.4	0.8
RCRF III Appraised Amount as on July 5, 2022	0.55	8.7	45.0	42.05	45.85	17.7			160
RCRF III AF2 IDA (US\$50 million)					0.2	17.55	32.25		50
RCRF III AF2 SMPF (US\$4 million)					2	2			4
RCRF III AF2 IDA (US\$15 million to fill the SMPF financing gap)					10	5			15
RCRF III AF2 Total					12.2	24.55	32.25		69
RCRF III Grand Total	0.55	8.7	45.0	42.05	48.05	37.25	32.25		214