



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 17-Jan-2024 | Report No: PIDA37090



BASIC INFORMATION

A. Basic Project Data

Country Somalia	Project ID P181407	Project Name Second Additional Financing for Somalia Recurrent Cost and Reform Financing Phase III	Parent Project ID (if any) P173731
Parent Project Name Somalia Recurrent Cost & Reform Financing Project - Phase 3	Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date 19-Feb-2024	Estimated Board Date 30-Apr-2024
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Federal Republic of Somalia	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

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Proposed Development Objective(s) Parent

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.

Components

- Component 1: Recurrent cost finance to reform resource management systems
- Component 2: Strengthen inter-governmental fiscal relations
- Component 3: Transfers for core government functions and foundational education health service delivery mechanisms in eligible Federal Member States (FMS)
- Component 4: Citizen Engagement and Feedback
- Component 5: Project Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	65.00
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Total Financing	65.00
of which IBRD/IDA	65.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	65.00
IDA Grant	65.00

Environmental and Social Risk Classification

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Other Decision (as needed)

B. Introduction and Context

Country Context

1. **For over two decades, Somalia has experienced protracted conflict and fragility and the collapse of public sector institutions, basic public services, and the social contract, impoverishing millions.** During the conflict, local informal governance structures, consisting mostly of militias and traditional and religious leaders, filled the gap in basic state functions. The breakthrough 2012 Provisional Constitution established a federal political structure, including a parliament, the Federal Government of Somalia (FGS), and the Federal Member States (FMS) of Somalia. Somalia also successfully undertook three peaceful electoral processes at the federal level—in late 2012, early 2017, and May 2022 after a protracted election dispute over the process and timelines. The newly emerged institutions are still weak, contested, and captured by groups of elites, and the patterns of fragility are likely to continue. Low citizen trust combined with inadequate resources prevent the state from providing the public goods and services necessary to consolidate its legitimacy. The militia-based opposition, known as Al-Shabaab, retains the capacity to control large swathes of territory in several states, imposing its taxation and conducting terror attacks even in Mogadishu. The government of President Hassan Sheikh Mohamud embarked on a campaign against Al Shabab in August 2022 and has successfully retaken large swaths of territory in Galmudug and Hirshabelle region taking advantage of communities’ discontent against the rule of the militia group. The government is currently consolidating its hold on the territories it has liberated before continuing to push further in Southwest and Jubbaland.

2. **Somalia is one of the poorest countries in the world, with negative per capita income growth during shocks and less than one percent during years of economic recovery.** The GDP per capita in 2022 contracted and did not have an impact in reducing poverty and boosting shared prosperity. The estimated population of Somalia



is 17.6 million¹ and 54.2 percent of the population lives below the poverty line as they consume less than \$2.06 per day.² Years of conflict, instability, and violence have led to extremely low investments in human capital formation and have left several generations of Somalis unable to achieve their potential. Somalia's health indicators remain among the worst in the world, with an average life expectancy of 55 years. Due to a combination of health service supply and demand challenges, only 32 percent of births are attended by skilled personnel and only 21 percent of births occur in health facilities nationwide.³ The education system is still evolving and continues to be highly fragmented, leading to weak sector outcomes. Access to education has remained low over the last two decades – less than 25 percent of children of school age are enrolled in primary or secondary schools with large variations across Somalia and high drop-out rates. The most disadvantaged, specifically girls and those living in rural areas and poor households, remain excluded from schooling opportunities.

3. **Somalia's economic growth slowed significantly in 2022 as surging inflation and weaker external demand weighed on global activity.** Real GDP growth is projected to have slowed to 1.7 percent in 2022 from 2.9 percent in the previous year due to prolonged drought, which persisted for five consecutive seasons of diminished and irregular rains and higher commodity prices. Private consumption increased due to the lifting of the COVID-19 pandemic restriction. However, the purchasing power of the citizens decreased due to rising food and fuel prices which limited the growth prospects. Furthermore, the current account deficit worsened to 16.8 percent of GDP. Somalia's economic growth slowed significantly in 2022 as surging inflation and weaker external demand weighed on global activity. These shocks have worsened poverty and triggered the cost-of-living surges.⁴

4. **Somalia's capacity to respond to these challenges is limited. Fiscal space continues to be low, domestic revenues could finance only around one-third of the total expenditures in 2022,** leaving a large share of the budget to be financed by external grants, as well as ad hoc rationalization of expenditures in line with available resources. Meanwhile, public expenditures continue to rise, dominated by personnel costs. Social spending is largely financed by grants. FGS expenditures are dominated by the wage bill and the use of goods and services as the country continues to establish basic functions needed for stabilization and state-building. The size of the wage bill could not be financed by tax revenues. Total expenditures grew in tandem with revenue growth to reach 9 percent of GDP in 2022, from 6.2 percent in 2021. This increase was driven by social spending accounting for 27 percent, becoming the largest share of the total FGS sector spending. Sustaining a positive trajectory in the face of numerous challenges—weak government capacity, asymmetric federal structures, security concerns, human capital deficits, widespread poverty, low levels of state legitimacy, and continued violence—requires predictable financing and improved institutions, among other political and security factors.⁵

5. **Somalia reached the HIPC completion point on December 13, 2023.** However, Somalia still faces structural challenges impeding state-building, development, and an emergence from Fragility, Conflict, and Violence (FCV). The FGS and FMS have made gradual but non-linear progress on strengthening macro-fiscal management, core government systems, intergovernmental relations, the business environment, and urban and rural resilience. On the other hand, Somalia still faces foundational governance challenges, notably in reaching agreement among the federal and lower levels of government on power and revenue sharing amid political

¹ 2022, Somalia, World Bank Open data. <https://data.worldbank.org/country/somalia?view=chart>

² 2022, Somalia, World Bank Open data. <https://data.worldbank.org/country/somalia?view=chart>

³ Somalia Health and Demographic Survey, 2020; skilled personnel include nurses, midwives, auxiliary midwives, clinical officers, and doctors.

⁴ World Bank 2023. Somalia Economic Update. Edition No. 8, Integrating Climate Change with Somalia's Development: The Case for Water.

⁵ World Bank 2023. Somalia Economic Update. Edition No. 8, Integrating Climate Change with Somalia's Development: The Case for Water.



contestation, complex clan dynamics, and corruption. The absence or limited capacity of state institutions to deliver public services has eroded state legitimacy and the social contract.⁶

Sectoral and Institutional Context

6. **The FGS, and especially the FMS, continue to require support in financing recurrent costs for uninterrupted service delivery.** The FGS wage bill as share of total spending was 53 percent in 2021 and 35 percent in 2022. Wages include security sector salaries and allowances, the largest expenditure item; payments against formal non-security sector salaries and allowances (recruitments done through the civil service commission); and non-formal salaries and allowances. The share of non-formal non-security wage bill to the total wage bill in the FGS increased from 54 percent in 2019 to 64 percent in 2021. Formalized civil service payroll, comprising 36 percent of the non-security wage bill, has been steady at around US\$35 million of annual financing. The second largest expenditure in 2022 was social benefits largely driven by cash transfers introduced in 2020 and financed through the Shock Responsive Safety Net for Human Capital Project.

7. **Domestic revenue mobilization by the FGS has recovered from the 2020–21 crises of the COVID-19 global pandemic and a prolonged electoral impasse.** Revenue collection remained steady despite the severe drought through 2022. Domestic resources were 14 percent higher than for pre-COVID levels, surpassing the annual target by 5 percent in 2022. Domestic revenue (taxes, fees, and customs) collected was US\$262.7 million in 2022 compared to US\$229.6 million in 2021. Domestic revenue (taxes, fees, and customs) financed 37 percent of total budget expenditures in 2022, while the remaining 63 percent was financed from external grants. The table below provides the illustration.

Table 2: FGS fiscal operation 2019 to 2023⁷

Description	2019	2020	2021	2022		2023	2022	2022
	Actual	Actual	Actual	Budget	Actual	Approved budget	vs 2021	Actual vs budget
Revenue and grant	337.8	506.8	376.5	944.9	721.9	950.7	92%	-24%
Domestic revenues	229.7	211.2	229.6	250.1	262.7	283.3	14%	5%
Grant	108.1	295.6	147	694.8	459.2	667.4	212%	-34%
Expenditure	315.7	482.2	460.1	919.5	719.5	977.2	56%	-22%

8. **Further strengthening revenue and expenditure management remains critical. Somalia has progressed in building a foundation for public financial management (PFM), domestic revenue mobilization (DRM), and core public sector management (PSM) reforms.** However, the challenges expected in Somalia to strengthen PFM, DRM, and PSM remain significant. While budget preparation and execution processes have improved, there is still significant variance between the original budget and the actual expenditures in all Somali governments, undermining budget credibility. Low expenditure outturns are primarily the result of low revenue outturns.

⁶ The IDA Executive Board met on December 12, 2023, and the IMF Executive Board met on December 13, 2023.

⁷ World Bank 2023. Somalia Economic Update. Edition No. 8, Integrating Climate Change with Somalia’s Development: The Case for Water.

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Insufficient government capacity to develop revenue forecasts results in unrealistic fiscal frameworks, which in turn lead to budget cuts. Deficient time and attendance management by civil servants on both formal and non-formal payrolls cause leakages. Furthermore, the mounting trend of non-formalized payroll and allowances undermines fiscal sustainability.

9. **Intergovernmental fiscal relations continue to be strengthened though challenges exist.** Good progress has been made on implementing of the Unified Chart of Accounts (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. Although Puntland State of Somalia did not take part in the recent intergovernmental discussions and agreements, avenues to seek consultations are actively being pursued by the FGS. All the FMS have completed the self-assessment on the performance parameters and have submitted to the FGS. These assessments will form the baseline for reforms in the subsequent updated grant formula.

10. **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.** While these FMS rely heavily on intergovernmental transfers to finance its civil service due to extremely low levels of domestic revenue mobilization, the formalized civil servants’ wage bill financed through RCRF 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. Therefore, unlike ten years ago when the first phase of RCRF was launched, there is an emerging scope for introducing performance-based financing of civil service in FMS with greater focus on strengthened public finance management systems, transparency, and wage bill management for fiscal sustainability.

11. **The proposed AF will contribute to the Somalia Country Partnership Framework (CPF) for the FYs 2024–2028, and specifically its cross-cutting foundational High-Level Objective “Macroeconomic stability and governance foundations”.** RCRF III and the proposed AF will also incentivize the reforms supported through the Somalia turnaround allocation, a series of Development Policy Operations, and a parallel Somalia Enhancing Resource Management Project (SERP, P177298). The AF 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 domestic resource mobilization, and improving intergovernmental fiscal relations. The AF will continue closely coordinate with Somalia Improving Health Services Project - Damal Caafimaad (P172031) and Somalia Education for Human Capital Project (P172434) and prepare a solid ground for the transition of service delivery support to these projects.

12. **The project is consistent with Somalia’s climate commitments and aligned with the goals of the Paris Climate Change Agreement on both mitigation and adaptation.** The project is informed by the World Bank’s Somalia Climate Risk Review (2023), which will serve as a foundation for Somalia’s Country Climate and Development Report (CCDR) and Country Partnership Framework (2024-2028), which are currently under development. 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 proposed AF responds to Somalia's identified climate risks and priorities by (i) strengthening local governance mechanisms for disaster preparedness and management financing, (ii) supporting an intergovernmental dialogue



on environmental taxation, and (iii) improving climate resilience of health and education service delivery.

13. **The proposed AF 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. Among teacher cadre, 18 percent of teachers were female in 2023 compared to the rate of 33 percent in Sub-Saharan Africa in 2019 (the latest available data). Low women's representation in high-level decision-making positions and service delivery positions is primarily due to skills and qualification deficits, 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.

C. Proposed Development Objective(s)

Original PDO

14. 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.

Current PDO

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

Key Results

16. **The proposed AF 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 following indicators will be used to measure progress towards the PDO:

- **Indicators for Recurrent cost finance to reform resource management systems:** (i) Share of civil servants salaried financed by the Government (Percentage), (ii) Eligible civil servants' salaries paid on time (Percentage).
- **Indicators for Strengthen inter-governmental fiscal relations:** (i) Number of FMS signing Service Delivery Transfer Agreements with FGS (Number).
- **Indicators for Transfers for core government functions and foundational education and health service delivery mechanisms:** (i) Female Health Workers selected according to guidelines, trained, and actively providing services (Number), (ii) Number of schools that are supervised annually using digital tools, including self-assessment (Number), and Share of schools that are self-assessed (Number).

D. Project Description

17. **The AF 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)⁸ will continue to be leveraged for incentivizing the transparency of financial reporting. 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	✓			✓	✓	
FMS/BRA service delivery	✓	✓	✓	✓	✓	✓
Technical Assistance			✓			✓
% of financing	~45%	~25%	~30%	~24%	~49%	~27%

18. Key changes by component are summarized in the table 2 followed by the detailed description of changes.

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

	Key changes	RCRF III Appraised amount	AF IDA US\$50M	Total
Component 1: Recurrent cost finance to reform resource management systems		41.2	11	52.2
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)	New PBCs will be added in 2025-2026 to support implementation and sustainability of reforms in the areas of domestic revenue administration; payment and budgeting processes; intergovernmental fiscal framework; public administration; wage bill management, budget transparency	21.5	11	32.5
Component 2: Strengthen intergovernmental fiscal relations		27.4	18.7	46.1
2.1 Supporting intergovernmental forums and Secretariat	Scale up 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)	New FMS level benchmarks to be added in 2025-2026 to finance FMS civil service salaries. Eligible Expenditure Program to include FMS non-security payroll.	16.8	13.5	30.3
2.3 Strengthening resource management systems	Continue financing FMS EAFS and social safeguard teams	6.1	1.2	7.3

⁸ 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.



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	1.9
Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS		77.3	16.1	93.35
3.1 Financing core government functions	Introduce a declining scale for civil service salaries in FMS to reach 50% of “baseline” financing by December 2026	30.6	4.2	34.8
3.2 Financing education service delivery	Integrate RCRF teachers into the Government teacher cadre, support to PBCs	19.5	0.4	19.9
3.3 Financing health service delivery	Expand FHW program to the newly liberated areas, aligning with Damal Caafimaad	27.2	11.45	38.7
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	Conduct one impact evaluation activity in 2025	0.9	0	0.9
Component 5: Project management		10	2.65	12.7
5.1 FGS project management costs	Continue support on a declining scale	5.5	0.75	6.3
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	1.0	2
Total		160	50	210
Financing gap		-15		
RCRF III AF (US\$15 million to fill the SMPF financing gap)			15	210

19. **Component 1 has financed FGS civil service salaries through baseline financing on a declining scale⁹ and performance-based financing through PBCs.** The AF 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 will reach 100 percent starting January 2026. Performance-based financing of FGS civil service will comprise around 15 percent of FGS civil service salaries by the end of CY2026. Selected PBCs are revised, and new added with the following considerations: (i) the cost of several PBCs was increased to add more value to the reform and provide greater incentives; (ii) new PBCs were added in 2025-2026 to incentivize sustained implementation beyond the adoption of respective policies and regulations with the focus on supporting fiscal sustainability; (iii) the target days for selected reforms were extended while intermediate milestones added to reflect realistic timelines and allow for better reform sequencing; (iv) the description and verification protocol of existing PBCs refined to better align

⁹ The declining 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 to 15 percent in 2023 with the plan to reach 10 percent by December 2025.



with and to align with the implementation support under the SERP, which became effective on October 30, 2023. Annex 2 details the proposed changes.

20. **Component 2 will scale up the support to the intergovernmental platforms with the objective of strengthening fiscal federalism structures and contribute to the operationalization of intergovernmental agreements following the intensification of the federalism dialogue at the national level.** Furthermore, the FMS level PBCs will be expanded to test the viability of performance-based financing of the FMS civil service, teachers and FHWs payroll and introducing the declining scale of “baseline” financing (see Annex 2 for the list of PBCs). 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) to allow for timely and predictable disbursements in January-February each year. The Eligible Expenditure Program will be expanded to include FGS and FMS (including Puntland) civil service wage bill, teacher and FHWs salaries, as well as FMS non-security permanent employees and regular staff who are not civil servants.¹⁰ Intergovernmental 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 to specify *inter alia* eligible activities, selection criteria, accountability, reporting, inclusivity, community engagement, and E&S requirements.

21. **Component 3 will introduce a declining scale for the “baseline” (input-based) recurrent financing for FMS with the target of at least 40 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. AF will scale up financing to the Marwo Caafimaad (Female Health Worker) program with the focus on the newly liberated areas in close coordination and labor division with the Improving Healthcare Services in Somalia Project (“Damal Caafimaad”, P172031). Input-based support to education sector is expected to scale down after the RCRF financed teachers have transitioned to Government-financed teacher cadre. At the same time, FGS and FMS level earmarked PBCs in the education sector will provide the financing cushion during the transitional period between the phase out from the recurrent cost support to post-HIPC financing terms.

22. **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 AF 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, and promoting open data. 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, with the AF taking the lead at the FGS and SERP leading in the FMS.

¹⁰ 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.



23. **Component 5 will continue providing support to project management and coordination.** The component will also procure the services of an Independent Verification Agent or consultants to validate FGS and FMS level PBC achievements.

24. **The project is co-financed by a grant provided under the Somalia Multi-Partner Fund (SMPF).** The first additional financing to RCRF III approved on July 5, 2022, was appraised for the total amount of US\$92 million, of which US\$62 million are IDA financing and US\$30 million SMPF financing. The projects financed under the SMPF have adopted a portfolio wide strategy of tranching Grant Agreements for projects commensurate with the available cash flow in the SMPF. As the World Bank's practice is to sign grant agreements on a cash basis, the budgets for most of the SMPF projects have been tranching into a series of grants. The first SMPF Grant Agreement was signed for US\$5 million (SMFP Grant No.TF0B8760). Due to the constraints in cash flow under the SMPF, it is proposed that the next SMPF grant agreement is signed for US\$10 million while the remaining US\$15 million is refinanced through IDA.

25. **There are no substantive changes made to the results framework.** Targets for the selected PDO and intermediate results indicators are extended to reflect additional one year of implementation. Specifically, 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 proposed with the number of beneficiaries reached increased from 9,000 to 20,000.

Crosscutting Activities

26. **The project contributes to advancing Somalia's climate goals.** The RCRF III AF 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 intergovernmental 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).

27. **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 GHG emissions (subcomponents 3.2 and 3.3 – US\$0.5 million). The AF 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).

28. **The AF will promote the inclusion of women in governance structures, service delivery, and citizen engagement scaling up relevant activities of the parent project, which is gender tagged.** Specifically, the RCRF



III AF will (i) enhance the role of women in leadership positions in civil service through a dedicated PBC;¹¹ (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 female 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 indicator and two intermediate results indicators have a gender focus, i.e., the PDOs FHW 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 safeguards specialist/GBV focal points or other education/health staff at FMS level.

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Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts

¹¹ 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.



E. Implementation

Institutional and Implementation Arrangements

29. **The FGS Ministry of Finance shall be responsible for overall coordination and implementation of the Project.** Governance arrangements include a Project Steering Committee (PSC), a Project Management Team (PMT) and the FGS Project Implementation Unit (PIU). FGS is required to establish and maintain these organs throughout project implementation with terms of reference satisfactory to the World Bank, and with adequate resources to carry out their responsibilities.

30. **Implementation is managed by a Project Coordinator at the FGS, and a Project Manager at each FMS.** External Assistance Fiduciary Sections (EAFS) in offices of the accountant general or ministries of finance at each government (FGS and FMS) support project implementation. In the FGS the Project Coordinator and in the FMS the Project Managers will work together with their ministries of finance and work with entities participating in the Project. The Project Coordinator at FGS and the project managers in each FMS coordinate efforts within their respective governments, as well as between the FGS and the FMS.

31. **Implementation of the Project activities will be carried out mainly through the existing government institutional structures and systems of the FGS, and of the participating FMS.** Overall responsibility for project implementation lies with the FGS Ministry of Finance, as the Grant recipient. The Ministry of Finance of each FMS is also responsible for project implementation for their government, as dictated through sub-project agreements with the FGS.

32. **Costs financed under the project are administered in two distinct ways:** (1) Recurrent costs of governments are administered by the core treasury functions of each government. (2) Expenditures for systems strengthening, support to core institutional reforms, and project management costs are administered primarily through core government systems, but directly involve the Project Coordinator at FGS and the Project Managers in each FMS.

33. **Procurement for the AF 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.

34. **The existing procurement implementation arrangement of the parent project will be maintained and strengthened under the proposed AF.** The PIU is already staffed with a Project Coordinator, Procurement Specialist, and a National Procurement Specialist (whose performances have been satisfactory) among other key staff. The same PIU staff will be responsible for the implementation of the procurement activities under AF. An adequate number of officials dealing in 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 AF, support will continue to be provided by the Bank by conducting trainings aimed towards addressing procurement capacity issues for the PIU/technical department/stakeholders.



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