



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 29-Apr-2022 | Report No: PIDA33792



BASIC INFORMATION

A. Basic Project Data

Country Somalia	Project ID P178730	Project Name Second Additional Financing for the Shock Responsive Safety Net for Human Capital Project	Parent Project ID (if any) P171346
Parent Project Name Shock Responsive Safety Net for Human Capital Project	Region AFRICA EAST	Estimated Appraisal Date 26-Apr-2022	Estimated Board Date 23-Jun-2022
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Federal Republic of Somalia	Implementing Agency Ministry of Labor and Social Affairs

Proposed Development Objective(s) Parent

The project development objective is to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.

Components

Nutrition-linked Unconditional Cash Transfers
Delivery Systems and Institutional Capacity Building
Project Management, Monitoring and Evaluation, and Knowledge Management
Household Registration in the Unified Social Registry

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
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IDA Grant	150.00
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Environmental and Social Risk Classification

Moderate

B. Introduction and Context

Country Context

1. **Somalia has experienced persistent civil unrest and insecurity over several decades but entered a new period of relative stability with the adoption of the Provisional Constitution in 2012, and the subsequent establishment of the Federal Government of Somalia (FGS) and Federal Member States (FMS), which paved the path towards reconstruction and economic recovery.** In 2020, Somalia reached a critical milestone under the Heavily Indebted Poor Countries (HIPC) Initiative, which enabled the country to receive debt relief. This would enable Somalia to transition into the international financial system and receive critical resources towards accelerating growth and building resilience. Real GDP growth in 2021 was 2.4 percent and is expected to increase to 3.2 percent in 2023. The federal elections which began in 2021 are expected to conclude imminently and the transition of security arrangements from the African Union to the FGS is now underway. More than 80 percent of Somalia's new parliament members were sworn on April 14, 2022, and preparations to elect the parliament's leadership is underway. This concludes a year-long polls delay and presents an important step towards the presidential elections.

2. **Somalia is highly vulnerable to repeated cycles of droughts and floods driven by climate change, with around 70 percent of the population living below the international poverty line with regular exposure to food insecurity, malnutrition, and loss of livelihoods.** In 2018, the Center for Global Development ranked Somalia as the most vulnerable country to climate change among 167 countries, adjusted for coping capacity. The 2016-17 drought left an estimated 6.7 million people in urgent need of humanitarian assistance. Between 2017 and 2021, droughts and floods led to the internal displacement of between 0.3 million to 1.1 million people annually, outpacing displacement on account of conflict and insecurity. In the first two months of 2022, the drought has already displaced 0.5 million persons. Overall, there are around 2.9 million internally displaced persons (IDP) in Somalia, largely as a consequence of climatic shocks, for whom food has been a priority need upon arrival to a new location.¹

3. **Amid these cyclical shocks the COVID-19 pandemic and the 2020-21 desert locust plague have compounded the adverse impacts on food supply and prices, livelihoods, and purchasing capacity among the poor and vulnerable populations in Somalia.** In 2020, the pandemic resulted in the loss of incomes for nearly 80 percent of households. As the country relies on food imports to feed its population, the lockdown of key supply markets, closure of borders and restrictions on domestic movements have resulted in high prices of basic commodity prices, and the economy contracted by an estimated 1.5 percent in 2020. The locust plague appearing at the same time caused widespread damage to crop harvest in affected regions, with devastating effects on livelihoods and incomes, and further exacerbated the food insecurity situation which fueled internal displacement and resource-based conflict.

¹ Estimates provided on the Operational Data Portal of the United Nations High Commissioner for Refugees (UNHCR). <http://data2.unhcr.org/en/dataviz/1?sv=1&geo=192>.



4. **Somalia is now facing its worst drought crisis in decades resulting from several consecutive poor rainfall seasons.** This latest shock starkly illustrates the increasing frequency and intensity of adverse climatic events to afflict the country. The food insecurity and malnutrition situation has significantly deteriorated since the first AF was approved by the World Bank in June 2021. Estimates for the first half of 2022 place approximately 6.0 million people (up by 3.3 million persons) across the country at high levels of acute food insecurity and asset depletion as a coping mechanism (i.e. Integrated Food Security Phase Classification (IPC) Phase 3 and above on the severity scale)² in the absence of urgent assistance.³ Around 1.4 million children (up by 0.6 million) under the age of five years are likely to be acutely malnourished, including nearly 329,500 (up by 186,500) who may face severe malnourishment.⁴ The combined shocks thus have a severe negative effect on households' ability to meet basic consumption needs.

5. **The country's extreme crisis exposure is exacerbated by the ongoing war in Ukraine which poses a risk to international development assistance on which FGS still largely relies.** Overall international support to the country is likely to be strained in a situation where bilateral resources are at risk of diversion to respond to the forced displacement crisis emerging in Europe. The war overseas has already led to the increased costs of electricity and transportation in Somalia due to global fuel price increases, which has a disproportionate impact on poor small-scale farmers and pastoralists. The country is dependent on wheat from Ukraine and will face the immediate consequences of the conflict. In the period from 2018 to 2020 Ukrainian supplies accounted for 31 percent of total wheat imports. Switching to alternative sources in the short term is likely to be difficult and lead to supply shortages, and the production and supply chain impact of the conflict is expected to put further upward pressure on food prices. The associated risks of further inflation in the short to medium terms also threatens the food security of millions across the country.

6. **The proposed AF would form part of the broader World Bank support to the FGS response to the escalating drought and food insecurity.** Several existing operations are now reallocating financing to this end. The Somalia Crisis Recovery Project (SCRCP) which builds resilience to recurrent natural disasters and supports livelihoods recovery will now scale-up partnership arrangements with UN agencies and civil society consortiums to provide rapid assistance. The Contingent Emergency Response Component (CERC) of the Somalia Urban Resilience Project Phase II (SURP II) will be triggered to support infrastructure and services in selected cities experiencing a large inflow of IDP. Similarly, the Water for Agropastoral Productivity and Resilience Project (WAPR or "Biyoolle") which delivers improved water and agriculture services will fast track rehabilitation of boreholes in several areas affected by the drought. Around US\$ 45 million is being remobilized under these three projects, which taken together with the proposed AF, amounts to an overall World Bank supported drought response of US\$ 195 million.

² IPC is multi-partner initiative to classify the severity and magnitude of food insecurity and malnutrition to facilitate decision-making. The severity phases are (1) minimal/none, (2) stressed, (3) crisis, (4) emergency, and (5) catastrophe/famine.

³ IPC. 2022. Somalia: Acute Food Insecurity Situation (Update March 2022 and April–June 2022). <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155523/?iso3=SOM>. Most recent data is compared with Acute Malnutrition Situation (January–March 2021 and Projection for April–July 2021).

⁴ IPC. 2022. Somalia: Acute Food Insecurity Situation (January 2022 and Projections for February–March 2022 and April–June 2022). <https://www.ipcinfo.org/ipc-country-analysis/details-map/fr/c/1155438/?iso3=SOM>. Most recent data is compared with Acute Malnutrition Situation (January–March 2021 and Projection for April–July 2021). The subsequent update does not provide data on children's malnutrition.



Sectoral and Institutional Context

7. **Somalia established its first national safety net program – Baxnaano⁵ – under the leadership of the Ministry of Labor & Social Affairs (MoLSA) in 2019 with the support of the parent Project.** Baxnaano is primarily an unconditional cash transfer program which currently reaches 200,000 chronically poor and vulnerable households (approximately 1.2 million individuals) with children aged under five years in 21 districts across all FMS and Somaliland. The parent Project together with the World Bank’s complementary advisory services and analytics (ASA), and in collaboration with the World Food Programme (WFP) and the United Nations Children’s Fund (UNICEF), has been supporting MoLSA to build capacity and develop delivery systems to enable transitioning cash transfer implementation responsibilities from UN to FGS. Baxnaano is gradually being recognized as the central program and platform that facilitates coordination and collaboration with humanitarian interventions, with a vision to gradually transition from a humanitarian mode of operation and take on a more longer-term programmatic developmental focus.

8. **The complementary Shock Responsive Safety Net for Locust Response Project (SNLRP) (P174065, Grant D677-SO)⁶ furthermore used the Baxnaano platform to deliver emergency cash transfers (ECT) to 100,000 households affected by locust infestation in 45 districts for a six-month period in 2021 (SNLRP Phase I).** Around 33,000 of these households were already receiving regular cash transfers under the program, while the majority were new recipients. This operation also benefitted from an AF (P176369, Grant D857-SO) which would now expand ECT coverage to another 160,000 households on a short-term basis (SNLRP Phase II), of whom around 17,000 are also regular cash recipients.

9. **Supported by SNHCP and SNLRP, Baxnaano has rapidly evolved into an adaptive safety net program with two windows.** “Baxnaano regular” provides long-term human capital linked cash transfers, while “Baxnaano shock response” provides short-term transfers in the form of top-ups to Baxnaano regular beneficiaries and ECT to households not enrolled in Baxnaano regular. Table 1 summarizes the overall World Bank financing supporting Baxnaano, which totals US\$ 290 million, of which US\$ 268 million (92 percent) is allocated for cash transfers including delivery costs.

Table 1: World Bank operations supporting Baxnaano

Project	Baxnaano Window	Households enrolled in “Baxnaano regular”		Households <u>not</u> enrolled in “Baxnaano regular”	Coverage Target (households)
		Basic Transfer (per month)	Shock-Responsive Transfer (per month)	ECT (per month)	
SNHCP (US\$ 65 million)	Regular	US\$ 20	-	-	200,000
SNHCP AF (US\$ 110 million)	Regular / Shock-Response	US\$ 20	US\$ 40 (for 6 months)	-	
SNLRP (US\$ 40 million)	Shock-Response	-	US\$ 40 (for 6 months)	US\$ 60 (for 6 months)	100,000
SNLRP AF (US\$ 75 million)	Shock-Response	-	US\$ 40 (for 6 months)	US\$ 60 (for 6 months)	160,000

10. **Prior to the establishment of a formal safety net program, the poor and vulnerable relied on informal kinship-based support and remittances, as well as humanitarian aid to meet emergency needs.** Informal networks usually benefit urban households and tend to be concentrated within particular clans, lineages, and extended families, and often

⁵ The program name Baxnaano means “uplifting” in Somali.

⁶ The SNLRP was financed under the Emergency Locust Response Program Phase (P173702), a Multiphase Programmatic Approach (MPA) to respond to the threat posed by the 2020-21 desert locust plague and to strengthen systems for preparedness.



do not reach the neediest, including minority and marginalized groups. Humanitarian assistance, while critical in saving lives and filling urgent income and livelihoods needs in the short-term, does not provide a stable and predictable safety net system to systematically address vulnerabilities and strengthen household resilience to shocks and invest in human capital. Furthermore, these programs operate outside the government system and lack government leadership in actual service delivery, which is essential in establishing a social contract between citizens and the state.

11. **In recognition of this gap in government services there has been a gradual convergence in strategies and interventions among humanitarian and development agencies in recent years.** To this end, the consortium of partners has participated in the development of the Somalia Social Protection Policy (2019) and the complementary Social Protection Policy Implementation Framework (2020), which frame the strategic agenda and roadmap to realize the FGS vision for the sector. A National Social Protection Steering Committee (NSPSC), chaired by the Office of the Prime Minister, and a government and development partner Social Protection Working Group (SPWG), led by MoLSA and established with the support of the parent Project, have been set up to respectively provide strategic policy guidance and ensure coordination across interventions undertaken by development partners. The Somalia Donor Working Group (SDWG) provides a regular platform for donors’ policy dialogue and a means to ensure technical coherence in the sector, while the Cash Working Group (CWG) provides another forum for the coordination of cash-based interventions specifically. Efforts are also underway to further refine program policy and define roles and responsibilities of the FGS, represented by MoLSA, and the FMS.

12. **In the three years since its inception, Baxnaano has gained significant visibility as the country’s flagship cash transfer program, with its mandate to not only protect poor and vulnerable populations from shocks, but to strengthen their resilience for medium-term recovery and longer-term development.** Various development partners are currently exploring the potential to harmonize their interventions with its design and delivery mechanism, especially with regards to aligning with Baxnaano’s shock-responsive parameters for crisis response as well as coordinating and/or consolidating household targeting mechanisms.

C. Proposed Development Objective(s)

Original PDO

The project development objective is to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.

Current PDO

The project development objective is to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.

Key Results



13. Key results are the reach of cash transfers to approximately 385,000 poor and vulnerable households, and the establishment of major functional elements of the safety net service delivery system. PDO level indicators which would attest to the achievement of these results are:

- (a) Beneficiaries of social safety net programs.
- (b) National cash transfer program targeting methodology developed and endorsed by FGS.
- (c) Operational design of the national Social Registry developed and endorsed by FGS.

D. Project Description

14. **The Baxnaano program aims to provide a basic level of income support and link beneficiaries to complementary nutrition services for three years.** This duration is considered essential in building human capital via predictable transfers and accompanying measures, and the proposed AF would help preserve the gains attained under the Project which now face risks of reversal as a result of the prevailing drought crisis. The proposed AF would support additional households to cope with food insecurity by bringing selected locations within its ambit while providing ECT to selected households impacted by the drought crisis and not enrolled in the Baxnaano regular program. Furthermore, it would ensure sufficient time is provided to develop and test the service delivery systems and policies necessary for MoLSA to gradually take on greater implementation responsibilities for Baxnaano.

15. **Recent analysis of the overlap between Project targeted districts and those currently classified as IPC3+ shows significant overlap.** This suggests the need to carry out a rapid vertical scale up to protect the consumption patterns of households by bridging consumption deficits caused by the drought and the rise in basic commodity prices. If support is not provided it will threaten immediate food security, and concurrently undermine gains made under the Project. Comparison of the most recent IPC data with the analysis from February 2022 shows a rapidly deteriorating situation across SNLRP coverage areas. SNLRP Phase I beneficiary households have already received their due ECT within December 2021 and are highly vulnerable to the drought and growing food insecurity. Table 2 illustrates the overlap of SNHCP and SNLRP locations and IPC3+ areas based on the most recent IPC data.

Table 2: Mapping of SNHCP and SNLRP locations in IPC3+ in 2022

	SNHCP Districts	SNLRP (Phase I) Districts	SNLRP (Phase II) Districts
February 2022	95 percent	76 percent	71 percent
April 2022	95 percent	97 percent	97 percent
Change	-	21 percentage points ↑	26 percentage points ↑

16. **The proposed AF would support the continued operation of the Baxnaano program, expand coverage, and introduce a new Component to support the development and uptake of the delivery system.** No changes will be made to the PDO or the implementation arrangements. Changes are only being made to the (i) components, costs and scope of activities, (ii) indicators and selected results targets, and (iii) closing date. The existing contract between MoLSA and WFP would be amended to ensure extension of the collaboration for additional activities. The Project Operations Manual (POM) would similarly be adjusted to incorporate any relevant provisions.



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

E. Implementation

Institutional and Implementation Arrangements

17. The proposed AF will continue to be implemented by MoLSA in partnership with WFP and UNICEF, following the same arrangements under the parent Project.

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APPROVAL

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