



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 11-May-2020 | Report No: PIDA28988



BASIC INFORMATION

A. Basic Project Data

Country Somalia	Project ID P173731	Project Name Somalia Recurrent Cost & Reform Financing Project - Phase 3	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 05-May-2020	Estimated Board Date 18-Jun-2020	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Federal Republic of Somalia	Implementing Agency Ministry of Finance, Federal Government of Somalia	

Proposed 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.

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 mechanism in eligible Federal Member States (FMS)
- Component 4: Citizen Engagement and Feedback (NEW)
- Component 5: Project Management

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	68.00
Total Financing	68.00
of which IBRD/IDA	68.00
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	68.00
IDA Grant	68.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- Somalia is currently on a path of political stabilization and reconstruction, after more than twenty years of conflict.** Since the collapse of the Siad Barre government in 1991, cycles of conflict have fragmented the country, destroyed legitimate institutions and large segments of the economy, displaced millions of people, and hence created widespread vulnerability to external shocks, such as pandemics and droughts. The global spread of COVID-19 is the latest shock to affect Somalia and is likely to lead to: (i) a reduction in consumption, as flows of remittances decline which are a lifeline for many households and prices of imported goods rise; (ii) losses in export earnings; and (iii) a fall in fiscal revenues, particularly from trade-related taxes.
- The adoption of the Provisional Constitution in 2012, peaceful presidential elections in 2012 and 2017, and a broader regularization of Somalia’s political processes represent important milestones.** The Provisional Constitution established the basis for a federal political system, which includes the establishment of the five FMS.¹ A series of legal and institutional reforms have been implemented to gradually develop core public sector functionalities. However, key decisions related to the sharing of revenues and the assignment of functions at the federal and subnational levels are still to be reached and remain fundamental to reaching a political settlement.
- Several examples demonstrate incremental progress in implementing financial and fiscal management related reforms.** Improved fiscal management capacity has enabled the FGS to more than double its revenue collection and total spending between 2013 and 2019, and increasingly absorb external grants. The Central Bank of Somalia is building its financial supervision capacity, enabling a significant expansion of the banking system.²

¹ The five FMS are Galmudug State of Somalia (GSS), Hirshabelle (HSS), Jubbaland (JSS), Puntland (PSS), and South West State of Somalia (SWSS).

² World Bank 2020. Reengagement and Reform Development Policy Financing.



In March 2020, Somalia qualified for the Heavily Indebted Poor Countries (HIPC) Initiative Decision Point, thereby clearing arrears to International Financial Institutions (IFIs) and reducing the debt-to-GDP ratio from 113 percent in 2018 to 70 percent in 2020. This milestone reopens access to regular concessional resources from IDA and other IFIs. Sustaining a positive trajectory will require predictable financing and improved institutions (amongst other factors).

4. **Poverty remains widespread and deep.** Nearly 70 percent of the population lives below the poverty line (US\$1.90 a day in purchasing power parity terms), and another 10 percent live close to the poverty line.³ Almost 9 of 10 Somali households are deprived of at least one fundamental dimension: monetary, electricity, education, or water and sanitation. Investing in Somalia's human capital, particularly in education and health, will be essential for the country to move out from a fragility trap of economic exclusion and vulnerability.

Sectoral and Institutional Context

Revenues are increasing but are insufficient to meet the country's finance needs

5. **While the capacity to raise revenues has been improving, the COVID-19 pandemic is expected to adversely affect revenue collection.** Starting from a very low baseline, the federal government is rapidly increasing its domestic revenue collection from 1.7 percent of GDP in 2013 to a projected 4.5 percent of GDP in 2020, pre-COVID-19 estimate. New sources of revenues, aside from international trade are emerging, such as taxes on goods and services and non-tax revenues.⁴ However, as the pandemic is expected to contribute to import compression (as consumption reduces), taxes on international trade are now estimated to decline, to somewhere in the region of US\$50m for the federal government in 2020 on current assumptions (compared to US\$90m in 2019), and around the same for Jubbland and Puntland.

6. **As the federal government's domestic revenue mobilization is amongst the lowest in the world (and set to further decline with the effects of COVID-19), the state has insufficient financial means to meet its growing needs.** Consequently, public spending remains also very low, with roughly half the spending of both the federal and member state governments allocated to administration, a category that (for the FGS) includes the operations of Parliament and the Ministries of Finance and Interior. At the federal level, 40 percent of spending was allocated to security. Among the member states, that proportion varied from 21 percent (Galmudug) to 43 percent (Jubbland).

Inter-governmental fiscal relations are improving but remain weak

7. **Relations between the FGS and FMS are evolving. The Provisional Constitution leaves some essential elements of federalism undefined, as it does not provide for a division of resources nor define functional assignments.** Each member state supports itself from its own tax revenues, supplemented by small ad hoc transfers from the FGS and in some cases, direct Official Development Assistance (ODA). Transfers from FGS to FMS increased from 0.2 percent of GDP in 2013 to approximately 0.7 percent of GDP in 2019, which has been supported by RCRFII. Importantly, dialogue continues through the intergovernmental fiscal forum, which engages the Finance Ministers and technical staff across the subnational jurisdictions. The government platform for inter-governmental fiscal coordination has been financed by the ongoing Recurrent Cost and Reform

³ An estimated 10 percent of the 'non-poor' have total daily consumption expenditure within 20 percent of the poverty line, Poverty and Vulnerability Assessment, World Bank, 2019

⁴ World Bank 2019. PER Overview Module. Forthcoming.



Financing Project (RCRF) II and is critical to furthering the federal agenda. The RCRFII has also been supporting regular fiscal transfers from the FGS to the FMS for educational and health services, which has provided important momentum to federalism.

Somalia faces multiple challenges of rebuilding and delivering education and health services

8. **Despite recent improvements, the country performs below Sub-Saharan Africa average and some other FCV countries, such as Liberia, Afghanistan and Iraq, on key human capital indicators.** Somalia's school enrollment rates are among the lowest in the world (gross enrolment ratio for primary school: 32 percent in 2015/16). The country ranks among the highest for maternal mortality ratio (732 per 100,000 live births in 2016) and life expectancy at birth is only 58.5 years (2017). Investing in human capital will be essential if Somalia is to return to prosperity. The crucial 40 percent of Somalis who are now aged 6 to 18 need to acquire the knowledge, health, and skills to become productive contributors to the country's economy and thus break the cycle of conflict, exclusion, and vulnerability.⁵ RCRFII has provided important support to FGS and FMS to rebuild and deliver tangible education and health services to citizens.

C. Proposed Development Objective(s)

Development Objective(s)

9. 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.

Key Results

10. The following indicators will be used to measure progress towards the DPO:

- Indicators for strengthened resource management system: i) share of civil servants' salaries financed by government and ii) eligible civil servants salaries paid on time
- Indicator for strengthened FGS transfer to FMS: FGS' transfers execution rate to FMS
- Indicators for strengthened Education Service Delivery in FMS/BRA: i) Students enrolled in schools that receive performance-based school grants (disaggregated by gender) and ii) Female Health Workers selected according to guidelines, trained and actually providing services

D. Project Description

11. The project supports Somalia's efforts toward a more resilient, inclusive and stable socio-economic environment. The project's benchmarks/Performance Based Conditions will incentivize the Federal Government of Somalia and the Federal Member States to sustain momentum of their reforms to reach the Heavily-Indebted Poor Country Completion Point. The project will help strengthen inter-governmental fiscal relations, and build

⁵ Randa, John; Waheed, Huma Ali. 2019. Somalia Economic Update Fourth Edition: Building Education to Boost Human Capital. Washington, D.C.: World Bank Group.



state institutions, in support of the delivery of basic services in health and education. It will also support building a real-time feedback loop from the citizens who are intended to benefit from the investments.

B. Project Components

12. **The Overall Approach to RCRF III is one of continuity with RCRF II, but with additional measures to strengthen the approach including a strengthened response to the COVID-19 pandemic and an increase in financing for transfers to FMS.** The three core Components established under RCRF II are continued, namely: i) Recurrent cost finance to reform resource management systems; ii) Strengthen inter-governmental fiscal relations, and; iii) Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS.

13. **The project will contribute to COVID-19 response and recovery in the following ways:**

- a. Sustained fiscal support to FGS through wage bill financing and to FMS through fiscal transfers;
- b. Scale-up of the *Marwo Caafimaad* Female Health Worker (FHW) Program and re-training for COVID-19 response;
- c. Scale-up of support to schools to help the education sector to get back on track once schools re-open;
- d. Improved transparency and citizen engagement in use of funds;
- e. Helping other IDA operations in Somalia addressing COVID-19 and the locust outbreak to be more effective, and;
- f. Adapting operational Implementation to ensure public sector continuity during crises such as COVID-19.

14. **The overall Component structure and allocations for RCRF III are summarized in Table 1.** The Table shows both component allocations for RCRF II (no shading) and RCRF III (shaded in gray) since the two operations will initially run concurrently.

15. **Fiscal sustainability of the wage bill will be supported through a number of measures.** These include linkages to the IMF Extended Credit Facility (ECF), and support of more control measures through complementary TA and projects ; the use of PBCs to incentivize customs revenue mobilization, which has a large revenue potential and; the forthcoming World Bank PER that informs macro-policy dialogue around fiscal sustainability.⁶ With expected increase revenues during project implementation and a better controlled public wage bill, fiscal sustainability of the project should be improved over the years and would ultimately lead to a planned exit of such support.

Table 1: Component allocations and indicative budget for RCRF II and RCRF III*

USD million	2020	2021	2022	2023	Total
Component 1: Recurrent cost finance to reform resource management systems	19.6	17.4	11.0	2.5	70.1
1.1. Financing eligible civil service salaries in FGS: baseline*	9.6	7.4	6.0	1.3	33.9
1.2. Financing eligible civil service salaries in FGS: reform benchmarks (PBCs/DLIs)	10.0	10.0	5.0	1.3	36.3
Component 2: Strengthen inter-governmental fiscal relations	3.6	6.4	7.3	1.6	19.6
2.1. Inter-governmental forums and Secretariat	0.6	0.6			1.8
2.1a. Inter-governmental forums and Secretariat	0.2	0.2	0.8	0.2	1.4

⁶ World Bank. 2020. Somalia Programmatic Public Expenditure Review. Washington: World Bank. (P160458).



2.2. FMS level governance and service delivery reform benchmarks (PBCs) [NEW]	2.5	3.6	4.5	1.1	11.7
2.3. Strengthening resource management systems	0.3	2.0	2.0	0.3	4.7
Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS	18.5	21.2	23.2	6.2	85.6
3.1: Financing core government functions (RCRF II)	7.7	7.7			23.1
3.1a: Financing core government functions (RCRF III)		0.5	8.2	2.1	10.8
3.2: Financing education service delivery (RCRF II)	5.5	6.0			16.5
3.2a: Financing education service delivery (RCRF III)		0.5	7.5	2.1	10.1
3.3: Financing health service delivery (RCRF II)	5.3	6.0			15.1
3.3a: Financing health service delivery (RCRF III)		0.5	7.5	2.1	10.1
Component 4: Transparency and citizen engagement for service delivery [NEW]	0.0	1.0	1.0	0.3	2.3
4.1. Deepening and widening the existing budget transparency efforts		0.3	0.3	0.1	0.6
4.2. Support mapping, citizen feedback and corrective measures at the local Level		0.5	0.5	0.1	1.1
4.3. Impact evaluation to citizen feedback in education and health		0.3	0.3	0.1	0.6
Component 5: Project management and coordination in FGS and FMS	2.4	2.6	2.6	0.7	10.5
5.1 FGS project management costs (RCRF II)	1.5	1.5			4.4
5.1a FGS project management costs (RCRF III)		0.1	1.6	0.4	2.0
5.2 FMS project management costs (RCRF II)	0.9	0.9			2.6
5.2a FMS project management costs (RCRF III)		0.1	1.0	0.2	1.3
5.3 Independent Verification Agent (IVA) support for PBCs	0.05	0.10	0.10	0.03	0.3
RCRF II Total	41.0	40.0			120.0
RCRF III Total	3.1	8.6	45.1	11.2	68.0
RCRF Overall Total	44.1	48.6	45.1	11.2	188.0

Note: *Allocations shown for both RCRF II and RCRF III operations, with the latter shaded in gray. RCRF II has a Sub-Component 1.2 called "Financing eligible salaries and allowances of the CIM recruits in FGS". This Sub-Component is being consolidated into Sub-Component 1.1 in RCRF III.

Component 1: Recurrent cost finance to reform resource management systems (Total component cost: US\$13.5 million, of which US\$6.3 million is PBC-based)

Sub-Component 1.1. Financing eligible civil service salaries in FGS: baseline

16. **Sub-component 1.1 will continue to provide a decreasing 'baseline' level of input-based financing of the FGS civil service wage bill.** This financing supports the timely payment of civil service salaries through the advance-replenishment model of payroll financing already successfully established under RCRF. It also provides a continued source of financing for the FGS' CIM recruits (recruited through the support provided by the World Bank-funded Capacity Injection Project).

Sub-Component 1.2. Financing eligible civil service salaries in FGS: reform benchmarks (PBCs)

17. **PBC-based financing will enable the FGS to access up to US\$6.3 million through reimbursement against eligible expenditures over the project period.** The RCRF III approach builds on experience under the RCRF II project to date. In line with the introduction of FMS reform benchmarks, the number and amount of financing for FGS reform benchmarks is being reduced from US\$10 million per year to US\$ 5 million in 2022 to allow for



additional resources to be channeled to the FMS, with a more streamlined focus under RCRF III on five key areas: i) customs; ii) payment processes; iii) inter-governmental fiscal relations; iv) fiscal transfers to FMS, and; v) public administration. A summary overview of the available financing for RCRF II DLIs and RCRF III PBCs is included in Annex 4, Table 13. The problems areas and theory of change are set out in Table 2.

Table 2: Summary of RCRF III FGS reform benchmarks (PBCs)*

<i>Reform Benchmarks</i>	<i>Problem Statements</i>	<i>Theory of Change</i>
1. Strengthen customs administration as per the customs reform action plan	Poor systems capacity: organizational, technology, human resources and workflows to support effective and efficient customs management.	Improvements in customs management capacity will improve revenue collection and efficiency in processing leading to increased customs revenue.
2. Strengthen payment process for operational expenditures	Payment process involves parallel manual and electronic steps, multiple approval steps are required, new PFM law not yet reflected in business processes.	Streamlining the payment process will reduce delays and build trust of MDAs and FMS in the payment process.
3. Strengthen inter-governmental fiscal policy framework	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.	Predictable and rule-based financing will increase trust and confidence in the emerging federal system and improve budgeting and execution.
4. Strengthen FGS transfers to FMS	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.	Increased funding through FMS will increase confidence in all levels of government and increase the cohesion of the federal system and provide more predictable financing for service delivery.
5. Strengthen Public Administration	Lack of an established system for civil servants' pensions.	The establishment and implementation of a fiscally sustainable pension system for public sector employees enables retirements, freeing fiscal space.

Note: *For a complete FGS PBC Table see Annex 4, Table 9.

Component 2: Strengthen inter-governmental fiscal relations (Total component cost: US\$17.8 million, of which US\$11.7 million is PBC-based)

Sub-component 2.1. Support Inter-governmental Fiscal Forums and Secretariat

18. **This Sub-component builds on the successful establishment of the Intergovernmental Fiscal Forum (IGFF), and dedicated Secretariat, which needs to be institutionalized to sustain the gains.** The IGFF comprises two bodies, supported by the Secretariat, namely: (i) the Inter-Governmental Fiscal Forum Technical Committee (IGFFTM), which operates at the technical level⁷; and (ii) the Finance Ministers Fiscal Forum (FMFF) for the political-level deliberation and decision-making. The proposed additional support will therefore be provided to institutionalize the IGFF, including the: Secretariat, the IGFFTM and FMFF, in addition to training and capacity building, and continuing to support the running costs of these forums.

Sub-component 2.2. Reform benchmarks for improved governance and service delivery at FMS level

⁷ Led by the Directors General of FGS and FMS Ministries of Finance.



19. The FMS reform benchmarks aim to ensure that on-budget fiscal transfers for education and health service delivery flow beyond FMS administrative capitals to frontline service delivery units, such as schools and health centers. They follow the structure of Component 3, namely: i) strengthen resource management systems for service delivery (linked to Sub-Component 3.1); ii) strengthen education service delivery (Sub-Component 3.2), and; iii) strengthening health service delivery (Sub-Component 3.3). The FMS benchmarks will not be complex public sector reforms, but instead are almost wholly focused on ensuring that fiscal transfer funds earmarked for education and health sectors actually flow to schools and community health services. It will therefore be essential that clear arrangements are entered into between the FGS and FMS regarding the allocation and use of funds in the form of Service Delivery Transfer Agreements. An overview of the proposed approach is laid out in Table 3.

Table 3: Summary of RCRF III FMS level governance and service delivery reform benchmarks (PBCs)*

<i>Reform Benchmarks</i>	<i>Problem Statements</i>	<i>Theory of Change</i>
1. Strengthen resource management systems for service delivery	Nascent systems for PFM in early stages of establishment. Expenditures focused on public administration and security with low allocation and execution of funds for education and health functions.	Promote increases in budget allocation and execution for pro-poor activities in education and health, together with associated financing via an inter-governmental transfer and associated Service Delivery Transfer Agreements, alter FMS resource allocation.
2. Strengthen education service delivery	Limited tools and financing to enable government to improve educational quality at school level.	Support the introduction of a program of performance-based school grants to improve school level finances and contribute to improved access and learning in beneficiary schools.
3. Strengthen health service delivery	Community health worker programs are small and in the early stages of being (re) established. Limited funds available to support service delivery at community level.	Additional focus required to enhance funding for FMS-implemented community health worker programs.

Note: *For a complete PBC Table see Annex 5, Table 14. The PBCs are aligned with the EU budget support operation variable tranche indicators to the extent possible.

Sub-component 2.3. Strengthening resource management systems

20. During implementation of RCRF II, it has become apparent that further investments are required in FMS capabilities in support of strengthened PFM and service delivery. This Sub-Component will finance the following four main activities: (i) Support a “common approach” to implementation of World Bank operations at FMS-level, including investments in ministries of finance, education and health; (ii) support a comprehensive plan to coordinate with other PFM projects at FM level on sustained skills improvement (in areas of finance, accounting and financial reporting, procurement, HR and internal audit), with a focus on improved PFM, education and health service delivery; (iii) extend the PFM staff professionalization program; (iv) support inter-governmental collaboration to improve automatic fiscal data sharing between FGS and FMS.

Component 3: Transfers for core government functions and foundational education and health service delivery mechanisms in eligible FMS (US\$30.9 million)

Sub-Component 3.1. Financing core government functions



21. **This sub-component will continue the financing of FMS recurrent costs.** The sub-component through the transfer grants from FGS to FMS finances: (i) reforms to meet the participation eligibility criteria⁸; (ii) salaries and allowances of civil servants (excluding elected officials) in selected MDAs (i.e. Finance, Health, Education); (iii) salaries and allowances to government staff and young graduates recruited under the CIM; (iv) systems-strengthening and the establishment of basic accountability systems, and; (v) eligible non-salary recurrent costs for selected MDAs (i.e. Finance, Health, Education).

Sub-Component 3.2. Financing education service delivery

22. **The goal of the education subcomponent will be to incentivize Federal Member States to ensure that the recurrent cost financing delivered under RCRF III can drive improved performance of payroll-supported schools, thereby raising student attendance rates, teaching quality, and learning outcomes.** The subcomponent will be complemented by project activities under the forthcoming Somalia Education for Human Capital Development Project (P172434) which is expected to strengthen the overall education system, create schooling opportunities in underserved areas, deliver technology-enhanced teacher training and support, and support an expanded and improved national learning assessment system.

23. **Under the subcomponent, education ministries in eligible FMS, with support from the FGS Ministry of Education, Culture, and Higher Education (MoECHE) and the Ministry of Finance, will establish and implement a performance-based school grants program in their respective jurisdictions.** The objective of the program would be to incentivize payroll-supported schools to improve their quality and raise student outcomes. To receive government support, the school would need to meet the criteria set out in the Basic-Quality Standards Checklist. The checklist will include criteria linked to school safety and quality, girls' enrollment, participation in assessments, teacher quality etc. The school will be assessed annually to ensure that it continues to meet the basic quality standards. FMS will receive funds linked to achievement of results (PBCs) in implementation of the school grants program.

Sub-Component 3.3. Financing health service delivery

24. **The health component of RCRF III will expand the gains under RCRF II by scaling up the 'Marwo Caafimaad' Female Health Worker (FHW) program and strengthening the government's stewardship and management capacities.** Under RCRF III, lessons learned from initial implementation of the FHW program will be applied to deepen the concentration of FHWs where previous coverage was inadequate and support FHW expansion towards national coverage. The goal is to first ensure full coverage of districts and regions with an existing FHW presence, while helping move the country towards full FHW coverage.

25. **In preparation for a future when the Government will manage the FHWs program, RCRF III will continue to support Government stewardship capacity development.** Currently, multiple DPs and NGOs finance various community-based health worker (CBHW) programs in an uncoordinated manner and with off budget financing. As a result, there are differing implementation models, multiple training modules, varying supervision and quality control standards, and coverage gaps. This inconsistent support of CBHW programs by DPs and NGOs as well as the failure to synchronize programs, have impeded full realization of the programs' potential in

⁸ The Participation Eligibility Criteria are a set of measures that both FGS and FMS must meet in order to continue benefiting from each project sub-component. The Participation Eligibility Criteria was established to promote basic system strengthening including inter-governmental relations, fiscal transparency, and basic payroll and PFM controls. The Participation Eligibility Criteria may be revised as part of the RCRF Annual and Mid-Year Reviews.



improving health outcomes. In such a context, there is strong justification for the FGS to play a stewardship role in coordinating and harmonizing fragmented CBHW programs as a component of implementing the FGS' community health strategy. RCRF III will also support enhanced monitoring and evaluation of the FHW program to expand information about program results and which approaches are most effective to improve data use for decision making and program impact.

Component 4. Transparency and citizen engagement for improved service delivery (US\$2.3 million)

26. **This Component supports the designing and use of tools to advance transparency and generate citizen feedback mechanisms up to the facilities level (for selected locations).** It also supports the learning and evaluation of the possible most impactful tools. The component has three Sub-Components.

Sub-component 4.1. Deepening and widening the existing budget transparency efforts

27. **This Sub-Component will support stronger budget transparency (measured by the Open Budget Index)** through public participation in budgeting (following the Global Initiative on Fiscal Transparency principles) by facilitating interactions with citizens on budget information, through radio shows and by capturing citizen feedback on budget execution at the Community Level. Pilot radio shows are intended to more widely disseminate budget information and facilitate dialogue between government (or elected officials) and the public on budget resources allocation. Activities to be funded are: 1) radio shows; 2) formatting budget for citizens.

Sub-component 4.2. Support mapping, citizen feedback and corrective measures at the local Level

28. **This sub-component will promote citizen participation in service delivery at community level by building on already significant attendance to community meetings across eligible provinces by promoting inclusive and deeper community engagement in service delivery.** It will support mapping of selected interventions, generate citizen feedback at the facility level (for selected locations and for education and/or health) and monitor the corrective actions taken. It will also support the signing and implementation of community compacts between citizens and service providers to improve service delivery at community level through mutual commitments.

Sub-component 4.3 Impact evaluation to citizen feedback in education and health

29. **This sub-component will strive to incorporate citizen feedback into the provision of education and/or health services particularly the staff supported by the project and evaluate the possible impact of the interventions on health and education access and quality.** A rigorous impact evaluation will be financed to assess the efficacy of citizen engagement on education/health access and quality with health/education teams.

Component 5: Project management and coordination in FGS and FMS (US\$3.6 million)

30. **This Component will support the coordination, administration, communication, management, procurement, M&E, audit and dissemination of project activities in FGS, and FMS.** It will also support independent verification of Performance Based Conditions through FGS and FMS Offices of the Auditor General.



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

A. Environmental and Social Risk Classification (ESRC) Substantial

Environmental Risk Rating Moderate

31. The environment risk rating is Moderate, due to the waste generated from the medical kits to be supplied to female health workers. The absence of medical waste management procedures may cause uncontrolled outbreaks of contagious diseases and is a threat to public health. Other project activities do not pose additional risks, since they relate to technical assistance, capacity building and training.

Social Risk Rating Substantial

32. The social risk rating is considered Substantial taking into account the following key social risks and impacts: (i) potential exclusion of disadvantaged and vulnerable groups in recruitment and service provision and elite capture; and (ii) potential risks of increased social tension in the community (for example, on how services are delivered, or siting of services); (iii) labor risks including OHS and security risks, sexual exploitation and abuse, sexual harassment, and other forms of gender-based violence (GBV) that may occur in recruitment or retention of skilled or unskilled female workers and the delivery of both health and education services; (v) contextual risks of operating in a conflict zone and complex social context where effective and inclusive community consultations, monitoring, and developing effective and trusted grievance redress mechanisms are challenging.

33. **Gender and GBV Risks:** While existing contextual risks for GBV in Somalia are high, the project is not expected to exacerbate those contextual risks. At the same time, key measures will be undertaken to mitigate additional risks that may emerge, to be integrated into the POM and associated safeguard instruments. As such the GBV-related risks is assessed to be Substantial. These measures include establishment of clear recruitment and retention policies that both emphasize equity and increase the register of female staff supported by the project, and are meant to outline clear standards and policies to minimize potential for sexual harassment, exploitation and abuse and other forms of GBV. This will also include development of GBV Action Plan that will include among other aspects a response and accountability framework to outline key response measures should incidence occur, and identification of GBV Services Providers to enable appropriate and immediate care should a problem arise. Key risks are further mitigated by project focus on education and health and, in particular, on the development of a cadre of FHWs and embedded training on GBV service provision and care. Citizen engagement, with a focus on gender, will be embedded in the project through (i) gender-differentiated consultations, (ii) an assessment of the quality of the health-care delivered by the FHWs, the number of patients served and the level of satisfaction among patient seen by the FHWs, (iii) the establishment of a gender-sensitive and GBV-sensitive GRM, and (iv) creation of a feedback loop to discuss findings with beneficiaries, FHWs and other stakeholders including policymakers and health-care managers. During implementation, periodic surveys could be carried out with focus on key indicators including quality of service provision by FHWs, number of



gender-related grievances reported, the number of GBV-related grievances referred to GBV services providers, and the number of GBV trainings conducted.

E. Implementation

Institutional and Implementation Arrangements

34. **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 PFM Reform Coordination Unit (PFMRCU). 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.

35. **Implementation is managed by a Project Coordinator and Project Manager 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.

36. **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. External Assistance Fiduciary Sections in offices of the accountant general or ministries of finance at each government (FGS and FMS) work alongside the FGS Ministry of Finance to ensure project activities are implemented.

37. **Implementation is managed by a Project Coordinator and RCRF Project Manager at the FGS, and a Project Manager at each FMS.** There are not distinct RCRF project management units within the FGS or FMS. It is the responsibility of the Project Coordinator to manage and track implementation progress, identify opportunities for improvements to implementation and to solve day-to-day issues that may be slowing down or blocking implementation. At the overall project level, the Project Coordinator is responsible for tracking progress against the results framework indicators. At the component level, Technical Implementation Units (TIU) will be established for monitoring and evaluation of specific component activities being implemented in their ministries and agencies.

38. **In the FGS the Project Coordinator and Project Manager, and in the FMS the Project Managers will, together with their ministries of finance, work with entities participating in the Project.** The Project Coordinator and Project Manager at FGS and the project managers in each FMS coordinate efforts within their respective governments, as well as between the FGS and the FMS.

Financial Management arrangements summary:

39. **For the RCRF III Project, the FGS EAFS are responsible for the day to day financial administration of Project funds.** This includes managing funds allocated to the FGS, as well as fiscal transfers to the FMS. The EAFS teams in each FMS are responsible for financial administration of funds allocated to their respective state.

40. **External Assistance Fiduciary Sections have been established in the FGS, within the Office of the Accountant General, and within ministries of finance or offices of the accountant general in each participating**



FMS. The objective of these sections is to provide a common organizational element to support transparency and accountability of external assistance provided by development partners to Somalia.

41. **While offices of the accountant general and ministries of finance are responsible for the management of all public money, EAFSs support in the administration of external assistance funds, including budget planning, procurement, budget execution, accounting and reporting.** The EAFS External Assistance Fiduciary Procedures Manual, which is part of the Project Operations Manual for this project, describes the roles, responsibilities and procedures for each of these areas. Regular financial and narrative reporting is to be prepared by each FMS EAFS for project activities in their respective state. Consolidated financial and narrative reporting is to be prepared by the FGS EAFS. Detailed Financial Management arrangements can be found in Annex 6 and the Project Operations Manual (POM).

Procurement arrangements summary:

42. **Project procurement will be carried out centrally by the EAFS at the FGS or FMS levels.** At the FGS the EAFS may be supported by the central procurement authority housed in the Ministry of Finance. Procurement under the proposed project will be carried out in accordance with the requirements in the Procurement Regulations for Borrowers under IPF: Goods, Works, Non-Consulting Services and Consulting Services dated July 1, 2016 (revised November 2017 and August 2018); “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016)”; and provisions stipulated in the Financing Agreement. Somalia being a FCV country, Procurement under the projects will be processed under special procurement arrangements referred to in paragraph 12 of the World Bank Policy IPF dated November 10, 2017. Detailed Procurement arrangements can be found in the Technical Analysis Section below, and in the POM.

B. Results Monitoring and Evaluation Arrangements

43. **Project monitoring and evaluation is to be guided by the results framework that has been developed for the Project.** The purpose of this framework is to track performance of the overall Project Development Objective (PDO). Unlike the framework used to measure performance for the annual review process, which is measured once each year to determine the next year’s spending needs and budget allocations, the indicators in the results framework are designed to measure progress throughout the duration of the project. Each indicator has a baseline and end target value, as well as target values for each year. The indicators specify the frequency of monitoring, sources of data and instruments through which data will be collected. The framework is presented in Annex 6.

44. **Progress and achievement of project development objectives will be monitored and assessed through the following activities:**

- a. At the overall project level, the PIU is responsible for tracking progress against the results framework indicators, drawing on submissions from FMS project managers. At the Quarterly Project Management Meetings the PIU will regularly review and report on progress made to the Project Steering Committee and the Bank and will flag any issues requiring attention. Results will be fed into recalibrating further implementation efforts, including necessary mid-course corrections. The Bank M&E specialist is also responsible for reporting on the results framework by publishing Implementation Status Reports (ISR).



- b. Apart from the outcome level indicators, a set of specific, relevant, and measurable intermediate outcome indicators will also be monitored. Information will be collected by the PIU on the performance of all participating institutions as per the results framework.
- c. At the component level, Technical Implementation Units (TIU) will be responsible for monitoring and evaluation of specific component activities being implemented in their ministries and agencies. TIUs will submit reports to the Project Coordinator. The Project Coordinator will consolidate these reports and submit them to the PSC and the Bank.

C. Sustainability

45. **The federal government has requested to prioritize financing for RCRF III for IDA18 to ensure that resourcing of core government priorities, especially during the COVID-19 crisis, are safeguarded and both recurrent costs financing, as well as enhanced reform financing, can sustain the trajectory that has been established under RCRF I, RCRF II, and the RCRF II Additional Financing in 2018.** The sustainability of the project is underscored by the high levels of Government commitment to the project and to build on the achievements of its predecessors. Strong government ownership and a clearly articulated vision for administrative and civil service reform, social sector development and intergovernmental relations – as manifested in the 9th NDP – support sustainability. The priorities of the recently adopted (March 2020) FGS COVID-19 Response Plan⁹ underline the alignment of RCRFIII activities with the government’s agenda, and its relevance to address the country’s urgent needs. Priority tasks of the plan to support COVI-19 response include revenue mobilization and financing (at national and sub-national level), strengthening of coordination efforts between different government levels and among stakeholders, and training and deployment of health workers, all of which RCRFIII will be an important facilitator for. Somalia has currently no space to independently address the impact of the COVID-19 crisis. Therefore, through long-term and predictable financing, RCRFIII will support mitigating these impacts.

46. **Furthermore, the World Bank’s ongoing Somalia Governance operations, including the proposed RCRF III, will be helping Somalia deliver on the CPF focus of building sustainable institutions to deliver services, and ultimately in reaching HIPC Completion Point.** There are four key ways the RCRF III contributes to long-run fiscal sustainability. Firstly, the program is one element of a coordinated policy and financing framework supported by the World Bank, the EU’s budget support operation, and the IMF, whose ECF provides an overall macro-fiscal framework. Secondly, through its enhanced use of PCB-based financing, the RCRF III ensures financing is linked to reforms, and in particular to public financial management practices in the social sectors, expanding the reach of core PFM systems to key delivery ministries and expenditure management measures supported by the DRM&PFM AF (P166206). Thirdly, the operation is being developed with lessons and results from a World Bank public expenditure review (PER) that informs both the broader macro-policy dialogue (including on the medium-term civil service right-sizing and revenue and functional assignments) as well as the RCRF’s own financing framework.

⁹ Federal Government of Somalia 2020. National Contingency Plan for Preparedness and Response to the Coronavirus 2019..



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