



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

Appraisal Stage | Date Prepared/Updated: 04-May-2021 | Report No: PIDISDSA31267

**BASIC INFORMATION****A. Basic Project Data**

Country Somalia	Project ID P174769	Project Name Additional Financing- SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP, THROUGH DIGITAL UPLIFT PROJECT (SCALED-UP)	Parent Project ID (if any) P168115
Parent Project Name Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP)	Region AFRICA EAST	Estimated Appraisal Date 27-Apr-2021	Estimated Board Date 07-Jun-2021
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Federal Republic of Somalia	Implementing Agency Ministry of Finance, Federal Republic of Somalia

Proposed Development Objective(s) Parent

The Project Development Objective (PDO) is to support progress towards increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.

Components

Strengthening Institutions
Enabling Financial and Digital Services
Project Management and Coordination

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	75.00
Total Financing	75.00
of which IBRD/IDA	50.00
Financing Gap	0.00



DETAILS

Private Sector Investors/Shareholders

Equity	Amount	Debt	Amount
		IFI Debt	50.00
		IDA (Credit/Grant)	50.00
		Commercial Debt	5.00
		Guaranteed	5.00
		Trust Funds	20.00
Total	0.00		75.00

Payment/Security Guarantee

Total	0.00
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Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Somalia remains a fragile country despite the substantial progress made in recent years to lay the foundations for stability and development. Since 2011, Somalia has had a sustained period of political, economic, and security-related progress as evidenced by the country reaching the Decision Point under the enhanced Highly Indebted Poor Countries (HIPC) Initiative in March 2020. Yet, substantial challenges remain, including economic isolation, reconciliation, security sector reform, widespread malnutrition, recurrent drought, and poverty. Limited fiscal space also constrains service delivery by the Federal Government of Somalia (FGS) leading to low trust in the state, and the COVID-19 pandemic has deepened the country's challenges at a time when the country is already shaken by an infestation of desert locusts and



reoccurring climate change related shocks (floods and droughts). The developing political and security situation in 2021 is further exacerbating security risks in the country.

Sectoral and Institutional Context

3. The private sector, which has been a major driver of economic growth and employment generation in Somalia, is being adversely affected by the on-going COVID-19 pandemic in several ways. These include but are not limited to curfews and restrictions that disrupted commercial operations, increased business vulnerabilities, disruptions to key supply-chains, closed borders, decreased capital and venture inflows, and diminished access to finance. According to Round 1 of the Somalia COVID-19 Enterprise Survey, 75 percent of firms saw a decline in sales, and 71 percent experienced a decrease in the supply of needed inputs by mid-year in 2020. Round 2 of that survey evidences that about 52 percent and 44 percent of firms remain in these respective situations by early 2021. Accordingly, about 37 percent of firms remain closed, 46 percent of firms are still decreasing their total number of permanent workers, and 54 percent of firms are still reducing the wages and salaries of their staff. The financial health of Somali firms is also impacted, with 49 percent of firms still facing liquidity and cash flow challenges, and 80 percent of firms having to delay payments to their service providers and tax authorities. Access to credit is thus one of the two most desired COVID-19 support options for private enterprises. However, a large proportion of firms are unable to acquire this financing, because financial intermediation in the Somali credit market is still modest, leaving a large but unmet market demand for financing in the real economy.

4. The COVID-19 pandemic has also increased the urgency of resolution of financial integrity issues and de-risking, including the heightened need to introduce a foundational digital ID. The Central Bank of Somalia (CBS) needs to diversify transmittal channels for Official Development Assistance (ODA) and extend Use of Country Systems (UCS) to Federal Member States (FMS) to mitigate over-reliance on a few transmittal channels given disruptions associated with the pandemic. Furthermore, the pandemic and the need for social distancing has increased reliance on digital financial services (DFS), digital communications and service platforms, as a means of ensuring remote and uninterrupted access to information, financial assistance, and critical public and private services. While several digital systems have been introduced by the FGS, Government's digital services capabilities remain nascent and vulnerable in the absence of foundational shared digital infrastructure and platforms that can enable greater readiness for digital service delivery.

Original PDO

5. The Project Development Objective (PDO) is to support progress towards increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women.

Current PDO

C. Proposed Development Objective(s)

6. Project Development Objective (PDO) of the parent remains unchanged and achievable.

7. Achievement of PDOs will be measured by the following indicators:

- Number of people who have received their unique ID number
- Number of unique transactional accounts opened using a digital Customer Verification System (CVS) to enable electronic KYC (eKYC) protocols
- Total accumulated number of MSME loans disbursed from the Retail PFIs
- Number of firms that benefit from reformed business registration requirements



D. Project Description

8. Designed as a COVID-19 relief and recovery operation, the SCALED-UP AF scales-up the parent project's existing activities by: (i) expanding access to finance for MSMEs; and (ii) accelerating critical reform and capacity building initiatives needed to underpin resilient recovery and safeguard sustainable livelihoods, particularly among women and women-owned businesses. As the project components and implementation arrangements needed to respond to this request are materially the same as those under the SCALED-UP parent project, this AF enables a swifter response than preparing a new project would entail thereby helping accelerate FGS COVID-19 response activities. The AF would build on the parent project activities to ensure continuity, timeliness, and effectiveness of the FGS response to COVID-19.

9. The AF activities proposed are in line with the Components of the parent SCALED-UP (P168115) project. The AF project description, PDO, project components, safeguards, fiduciary, and implementation arrangements will remain materially unchanged, continuing to support progress towards increased access to basic digital financial and government services targeting entrepreneurship and employment, particularly for women. Activities financed will merely expand the reach of the parent project's activities, to tackle the negative effects of the COVID-19 pandemic on Somali MSMEs and strengthen FGS's ability to build back better. The AF also includes a restructuring, featuring (i) updates to the Results Framework; (ii) changes in disbursement arrangements; (iii) changes in disbursement projections; (iv) changes to components and costs, and; (v) an extension of the project closing date by 30 months to December 31, 2025.

10. The project will retain the same component structure under the AF. Component 1 will continue to focus on strengthening institutions, Component 2 will continue to support sustainable and digitally enabled mechanisms to increase individuals' and businesses' access to services. Component 3 will cover project management and coordination.

Project Components
Component 1: Strengthening Institutions
1.1 Support to CBS
1.2 Support to FRC
1.3 Support to MoCT and NCA
1.4 Support to ID Authority
Component 2: Enabling Financial and Digital Services
2.1 Financial Intermediary Financing to MSMEs
2.2 Digital ID Services
2.3 Government and Retail Payment Services
2.4 e-registration Services for SMEs
Component 3: Project Management and Coordination

11. Activities to be funded under each Component through the AF are as follows:

- *Under Component 1 (Strengthening Institutions):* scale up support to select project beneficiaries to deepen and accelerate reforms needed to sharpen and strengthen government's COVID-19 response and recovery.
- *Under Component 2 (Enabling Financial and Digital Services):* scale up activities focusing on supporting individuals' and businesses' recovery and resilience. Accordingly, the AF will support the development of sustainable and digitally enabled mechanisms for expanding access to financial and digital services to mitigate COVID-19 impacts on communities and businesses.



- *Under Component 3 (Project Management and Coordination):* The project's management and coordination arrangements will be scaled up to ensure appropriate implementation of the AF in the context of COVID-19 restrictions.

E. Implementation

Institutional and Implementation Arrangements

12. Under Component 3, the parent project has established the organizational arrangements necessary to support project implementation. A functioning Project Implementation Unit (PIU) has been established to implement the project and is anchored in the MoF in Mogadishu. The PIU is responsible for day-to-day project management and coordination, working closely with MDAs covering the project target areas. The project also has a well-functioning Project Steering Committee (PSC) comprising representatives of the beneficiary MDAs. A project level Grievance Redress Mechanism (GRM) has been set up to enable systematic handling of project-related complaints and grievances.

13. The AF is closely aligned with the parent project's structure and components with no new safeguards triggered. Project components, implementation arrangements and target beneficiaries will remain unchanged – the existing implementing arrangements, safeguards mechanisms, and financial reporting mechanisms in place will continue to ensure sound implementation.

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

The project will be implemented throughout the country. Context wise, Poverty levels are stubbornly high, with an estimated 69 percent of the population living below the poverty line, although this is estimated to have worsened to 71 percent following the triple crisis. Just over half of the population is employed or actively seeking employment. Of those who are actively engaged in the labor market, only 43 percent are women compared with 67 percent of men. Somalia is vulnerable to various shocks including natural disasters, epidemics, and the COVID-19 pandemic. A slowdown in economic activities, containment measures to prevent the spread of the pandemic and falling exports of goods and services have contributed to economic contraction in 2020 through to 2021. Specifically, the pandemic combined with the locust's infestation and the floods is a triple crisis that has interrupted Somalia's economic recovery, from a projected 3.2 percent prior to the crisis, to an estimated contraction of 1.5 percent in 2020. The project will therefore be implemented in areas of fragility due to endemic poverty, acute drought and protracted conflict and insecurity which may make direct access to beneficiaries challenging. The additional financing (AF) will support an immediate response to the COVID-19 pandemic by scaling up Micro, Small and Medium Enterprise (MSME) access to finance, accelerating the roll-out of the digital ID system in Somalia, as well as boosting government's capacity for digital communication and service delivery. The activities proposed under AF build on and/or expand the activities under the parent project, specifically activities under component 1 on strengthening institutions and component 2 to establish the MSME Financing Facility,



facilitate the roll-out of the digital ID system, and expand government's digital service capabilities. The PDO of the project remains unchanged.

G. Environmental and Social Safeguards Specialists on the Team

Tracy Hart, Environmental Specialist
Raymond Simon Maina Kirwa, Social Specialist
Haroub Ahmed Haroub, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

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

The parent project is category B, and Environmental Assessment Operational Policy (OP/BP 4.01) was triggered and



appropriate safeguard instruments prepared. An Environment and Social Management Framework (ESMF) that details measures to identify, manage and mitigate these risks has been developed and is being implemented. As the project activities under the additional financing (AF) are not expected to materially change from what was designed under parent project, the mitigation measures put in place under the parent project will be utilized for the AF activities as well. The activities proposed under the AF will neither be significantly different nor raise the category definition of the Project. The project AF will strengthen PFI participatory agreements to entrench World Bank Requirements on Environmental and Social Safeguards, Fiduciary and corruption Requirements and beneficiary loan application to include E&S condition covenants.

The SCALED-UP parent project is in the early phases of implementation and had anticipated possible environment risks and impact resulting from project activities to be minimal, site specific and easy to mitigate. These are: environmental pollution from livestock activities and battery disposal and recycle from off-grid renewable energy sector. Key possible social risks and impacts are identified as; a) exclusion of the target population and particularly poor, vulnerable and minority groups from project benefits such as the identification (ID) system; b) selection bias where local community dynamics may lead to attempts to capture the benefits of the project for a particular group; c) security and political fragility where the use of MSME's Financing Facility might lead to further marginalization of poor applicants from vulnerable groups, female-headed households, and IDPs who have no ability to access credits; d) Gender dynamics that can be restrictive for women and children leading to exacerbation of GBV/SEA-H where registration for IDs or qualification for MSME credits is exchanged for sexual favors; e) Remoteness and other security risks that restrict access to areas in Somalia for effective stakeholder engagement, community participation and grievance redress, and; f) breach of data security related to the collection, use and storage of data for the ID component.

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

The project may affect or benefit different groups or individuals who are vulnerable or disadvantaged. The project targets informal microenterprises through competitively priced loans. The degree or magnitude of potential Environmental and Social (E&S) Risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence. Given the nature of the design of project specific E&S risks may be present from a variety of factors such as the issues associated with a client or investee's operations, the industry sector, the regulatory climate, and the geographic context. Some risks include poor MSME practice in the control of emissions and waste, community safety, labor health and welfare; gender exclusion and differentiated access to funds for differently empowered groups; failure to provide full access to information to all persons; credit risks for lenders, associated liability, and reputation of lenders.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The justification for use of AF includes the assessment of risks of not granting the waiver. The AF is justified on the grounds of the benefits to the end-beneficiaries due to timely and effective response to COVID-19 crisis, compared to preparing a new IPF project. As the project components and implementation arrangements needed to respond to this request are materially the same as those under the SCALED-UP parent project, this AF enables a swifter response than preparing a new project and help accelerate Government's COVID-19 response activities. The AF will build on parent project activities of the original project to ensure continuity, timeliness, and effectiveness of the response to COVID-19.

Specifically, the AF activities are for scale up and will (i) build on or expand the parent Project's activities; (ii) will not include activities that are substantially different from the parent Project's activities, with the exception of technical



assistance and capacity enhancement activities to support a robust COVID-19 immediate response; and (iii) will support the PDO. Moreover, the additional support for the ID system sought will primarily address a financing gap that has arisen.

The AF is an immediate response to the COVID-19 crisis by scaling up MSME access to finance, accelerating the roll-out of the digital ID system in Somalia, as well as boosting government's capacity for digital communication and service delivery. The activities proposed under AF build on and/or expand the activities under the parent project, specifically activities under component 1 to strengthen key institutions and component 2 to establish the MSME Financing Facility, facilitate the roll-out of the digital ID system, and expand government's digital service capabilities. The PDO of the project thus remains unchanged.

A waiver to process the additional financing activities under the Safeguards Policies rather than the Environmental and Social Framework (ESF) has been secured in September 2020. A rapid assessment will be conducted to identify and contextualize E&S risks and mitigation measures for the AF. These mitigation measures will be reflected in an updated Environmental and Social Management Framework (ESMF) and a Stakeholder Engagement Plan (SEP). The ESMF and SEP will be consulted on and disclosed prior to roll out AF activities. The rapid social assessment, updates to the ESMF and the SEP including the inclusion of the additional measures on environmental and social risk management (Occupational Health and Safety, GBV/SEA-H and Security) will be completed within three months of project effectiveness.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

SCALED-UP safeguards compliance activities, including safeguards monitoring and reporting is managed by the environmental and social management specialist consultant at the PIU. The specialist is responsible for:

- ensuring that all activities (including procurement related activities) that have the potential to have E&S risks are managed according to relevant laws, the World Bank Safeguard Policies and the ESMF
- Ensuring PFIs and Gargaara activities adequately reflect the need for E&S risks management and these risks are appropriately managed
- ensuring that contracts with PFIs include clear covenants on the E&S risks management. PFIs will mainstream those requirements in their engagement and agreements with MSMEs.
- Provide support to PFIs (as needed) on the implementation of E&S issues as stipulated in the ESMF,
- in the case of refinancing, the specialist will assess to ensure that the refinanced portfolios meet E&S requirements prior to approving loans to PFIs
- monitor loan portfolios ex-poste to ensure that PFIs portfolios are in compliance with E&S requirements
- conduct evaluation on the implementation of E&S issues

All participating PFIs are required to appoint a designated staff member or consultants who will be accountable for implementing the PFI E&S requirements. This should be done within four months of project effectiveness. The E&S specialist at the PIU has conducted awareness workshop with Gargaara and PFIs mainly focused on E&S due diligence of the PFIs. After selection of the PFIs, the PIU E&S specialist, Gargaara and respective PFI loan officers have formulated the loan application E&S risk screening tool based on ESMF to filter loan application. This will require further E&S risk review based on the revised ESMF.

The AF activities are expected to continue to enhance the borrower capacity including safeguards and the Bank task team will continue to provide capacity building training to the PIUs and other key stakeholders. The AF also has



included a TA facility that will be used by PFIs to meet other KPIs agreed in the Institutional Development Plans (IDPs) (such as transparent reporting, environmental and social safeguards, outreach to women lenders etc.).

To sufficiently resource the PIU through the preparation and implementation of AF safeguards instruments, a dedicated social specialist and a part time GBV advisor will be recruited to support the environmental specialist currently engaged with the PIU. This recruitment should be done within three months of project effectiveness. This augmented capacity is expected to result in a strengthened project Grievance Redress Mechanism (GRM), robust monitoring and reporting requirements and meaningful stakeholder consultation and information dissemination. In addition, additional safeguards specialists may be hired by Gargaara to strengthen Gargaara and PFI E&S capabilities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Direct beneficiaries of the Project will be the residents as well as owners of MSMEs that will benefit from improved access to basic financial and digital services. Female and female owned MSMEs will derive direct benefit from improved access to finance through transaction accounts linked to the digital identification (ID) system and the MSME financing facility. Other beneficiaries of this project will be the key institutions responsible for delivery of services. These include the Central Bank of Somalia (CBS), the Financial Reporting Center (FRC), Ministry of Commerce and Industry (MoCI), Ministry of Communication and Technology National Communications Authority (NCA), Ministry of Interior, Federal Affairs and Reconciliation (MoIFAR) and the new ID Authority (once established) and Gargaara Company Limited, the implementing entity for the MSME financing facility, as well as the participating financial institutions.

To guide meaningful consultations and engagements with target communities for both the MSME and the Digital ID subcomponents, a stakeholder engagement plan that will incorporate a citizen engagement strategy is being developed and will be implemented. For the digital ID component, a rapid social assessment intended to identify barriers to inclusive access to registration of vulnerable and marginalized populations will be conducted and its recommendations implemented. This will be conducted within four months of project effectiveness. The assessment will assist the FGS with the design and inclusive roll-out of the proposed digital ID system and the mitigation of exclusion and privacy/data protection risks in line with the Principles on Identification for Development, the Personal Data Protection and Privacy Principles, and the FGS' Digital ID Policy. This will include: 1) synthesizing lessons learned and good practices related to inclusive outreach and large-scale registration in Somalia and in countries with similar contexts; 2) undertaking a qualitative field study of end users of ID in Somalia to understand how people verify their identities currently for accessing services and transactions, what risks they perceive and trade-offs they consider when sharing personal information with public entities, and the challenges they may face in enrolling for the digital ID system; and, based on the findings from this research, 3) the development of an inclusion- and privacy-conscious enrollment strategy that is well-suited for Somalia's geographic, political, socio-cultural, and security context.

The enrollment strategy will mitigate the risk of exclusion, discrimination, backlash, and misuse of personal data to the greatest extent possible. Specific considerations will be taken for women, girls, people with protection concerns and minority groups. The enrollment strategy should include a plan for conducting successful outreach to build trust and encourage registration in the ID system for a diverse set of potential registrants, including women, girls and members of vulnerable and marginalized groups .

Similarly, a project-level Grievance Redress Mechanisms (GRM) has been established by the PIU to enable the project



systematically and effectively uptake and resolve project related complaints and grievances. Areas of the GRM needing strengthening are those around redress efforts and responsibilities for actions to implement. There is also a need for adoption of Gargaara specific GRM approaches in PFI agreements. A grievance redress strategy is under development and the project is in the process of engaging a firm to design GRM for the Digital ID System and the MSME Financing Facility as well as social research/advisory services to support development of Stakeholder/Citizen engagement strategy for both the MSME facility and the digital ID registration with a functional/effective GRMs. The advisory services will include requirement for GRM GBV aspects on reporting on SEA/SH and other forms of GBV, as well as response, referral and information sharing. The redesign and implementation of the GRM will be completed within three months of project effectiveness. Stakeholder engagement and grievance redress mechanisms will be adapted to Covid-19 regulations for the safety of beneficiaries and project workers.

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

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

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

CONTACT POINT



The World Bank

Additional Financing-SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP,
THROUGH DIGITAL UPLIFT PROJECT (SCALED-UP) (P174769)

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APPROVAL

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Approved By

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The World Bank

Additional Financing-SOMALIA CAPACITY ADVANCEMENT, LIVELIHOODS AND ENTREPRENEURSHIP,
THROUGH DIGITAL UPLIFT PROJECT (SCALED-UP) (P174769)

Country Director:	Kristina Svensson	07-May-2021
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