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Report No: 97861-SO

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$40 MILLION

TO THE

FEDERAL GOVERNMENT OF SOMALIA

FOR A

SOMALIA CAPACITY INJECTION PROJECT

August 14, 2015

Governance Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective {30 July, 2015})

Currency Unit = Somali Shillings (SOS)  
668.50 SOS = US\$1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AfDB	Africa Development Bank
CIM	Capacity Injection Modality
CSR	Country Status Report
DFID	United Kingdom Department for International Development
EAFS	External Assistance Fiduciary Section
ERP	Economic Recovery Plan
FAO	Food and Agriculture Organization
FCS	Fragile and Conflict States
FGS	Federal Government of Somalia
FM	Financial Management
GDP	Gross Domestic Product
HRM	Human Resource Management
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDPs	Internally Displaced Persons
IFRs	Interim Unaudited Financial Reports
IPF	Investment Project Financing
IMF	International Monetary Fund
IOM	International Organization for Migration
IPSAS	International Public Sector Accounting Standards
ISN	Interim Strategy Note
MoF	Ministry of Finance
MoPIC	Ministry of Planning and International Cooperation
MoLSA	Ministry of Labor and Social Affairs
MPF	Multi Partner Fund
NCSC	National Civil Service Commission
NGO	Non-Governmental Organization
OM	Operations Manual
OP/BP	Operational Policy/Bank Policy
PCU	Project Coordinating Unit
PDO	Project Development Objective
PFM	Public Financial Management
PMU	Project Management Unit

PSC	Project Steering Committees
PSCIIS	Public Sector Capacity Injection and Institutional Strengthening
PSGs	Peacebuilding and Statebuilding Goals
SDRF	Somalia Development and Reconstruction Fund
SIDP	Somali Institutional Development Project
SFMIS	Somalia Financial Management Information System
SORT	Systematic Operations Risk-rating Tool
TA	Technical Assistance
TTL	Task Team Leader
UN	United Nations
UNDP	United Nations Development Program
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank

Regional Vice President:	Makhtar Diop
Country Director:	Bella Bird
Senior Director:	Mario Marcel Cullell
Practice Manager:	Guenter Heidenhof
Task Team Leader:	Alex Appiah-Koranteng
Co-Task Team Leader:	Stephan Massing

**SOMALIA**  
Somalia Capacity Injection Project

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**PAD DATA SHEET**

*Federal Government of Somalia*

Somalia Capacity Injection Project (P149971)

**PROJECT APPRAISAL DOCUMENT**

Governance Global Practice  
Africa Region

Report No.: 97861-SO

**Basic Information**

Project ID P149971	EA Category C - Not Required	Task Team Leader Alex Appiah-Koranteng
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ X ]	
	Financial Intermediaries [ ]	
	Series of Projects [ X ]	
Project Implementation Start Date 14-Aug-2015	Project Implementation End Date June-30-2020	
Expected Effectiveness Date 12-Nov-2015	Expected Closing Date June-30-2020	
Joint IFC: No		
Practice Manager Guenter Heidenhof	Senior Director Mario Marcel Cullell	Country Director Bella Bird
		Regional Vice President Makhtar Diop

**Approval Authority**

The project will be financed by the Somalia Multi-Partner Fund (MPF) (TF072283) (MPF Board Document, December 17, 2013). The Somali New Deal Compact established a new aid framework that provides joint oversight (donor and Government) of the strategic direction, implementation, and results of the World Bank administered MPF.

**BORROWER: Federal Government of Somalia - Ministry Of Finance**

**(1) Implementing Agency: Office of the Prime Minister (OPM)**

Contact: H.E. Mohamed Adan Ibrahim	Title: Email:	Minister of Finance <a href="mailto:minister@mofa.gov.so">minister@mofa.gov.so</a>
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Telephone No.:+252 616310844		farkeeti@gmail.com
Contact: Mr. Bashir Tani Telephone No.:	Title: Email:	Capacity Development Directorate, Office of the Prime Minister tanibashi@yahoo.co.in
Contact: Mr. Abdi Dirshe Telephone No.: +252 6169999904	Title: Email:	Permanent Secretary, Ministry of Planning and International Cooperation dirsheabdi@gmail.com
Contact: Mr. Aweis Sheikh Haddad Telephone No.:	Title: Email:	Director General, Ministry of Labor and Social Affairs aweis100@hotmail.com
Contact: Mr. Ali Mohamed Ibrahim Telephone No.:	Title: Email:	Chair, National Civil Service Commission somalia_ncsc@yahoo.com
<b>(2) Implementing Agency Puntland State Government – Office of the President (OOP)</b>		
Contact: Mr. Deeq S. Yusuf Telephone No.: +252 907080605, +252 907080376	Title: Email:	Chief of Staff, Office of the President (OOP) deeqyusuf03@gmail.com
Contact: H.E. Said Farah Mohamoud Telephone No.: +252 907566666	Title: Email:	Deputy Minister, Ministry of Planning and International Cooperations said.mohamoud@gmail.com
Contact: H.E Abdirizak Shire Ismail Telephone No.:	Title: Email:	Deputy Minister, Ministry of Labor and Youth cabdirizak21@hotmail.com
Contact: Mustafe Said Shabac Telephone No.: +252 907264776	Title: Email:	Chairman, Puntland Civil Service Commission cscpuntland@gmail.com
Contact: Abshir Mohamed Abshir Telephone No.: +252 907793715	Title: Email:	PFM Technical Advisor , Ministry of Finance abshirdhagawel@gmail.com
<b>Safeguards Deferral (from Decision Review Decision Note)</b>		
Will the review of Safeguards be deferred? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>Project Financing Data (in USD 40.0 Million)</b>		
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Guarantee
<input type="checkbox"/> Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Other
Total Project Cost:	40.0	Total Bank Financing:

Financing Gap:	0.00				
<b>Financing Source</b>					
					<b>Amount</b>
BORROWER/RECIPIENT					0.00
Somalia Multi-Partner Fund (SOMPF)					40.0
Total					40.0
<b>Expected Disbursements (in USD Million)</b>					
Fiscal Year	2016	2017	2018	2019	2020
FGS	6.3	6	5.25	3.75	3
PL	3.5	3.75	3	2.75	1.5
Unallocated	0.2	0.5	0.5	0.5	0.5
Annual	10	10.25	8.75	7	5
Cumulative	10	20	28	35	40
<b>Proposed Development Objective(s)</b>					
The project development objective is to strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core Government functions.					
<b>Components</b>					
<b>Component Name</b>					<b>Cost (USD Millions)</b>
Component 1 - Developing capacity for key cross-cutting Government functions					13.0
Component 2 - Strengthening the Policies and Procedures for Civil Service Management					12.25
Component 3 - Strengthening Policy Management, Coordination and Monitoring Capabilities at the Centre of Government					6.75
Component 4 - Project management and coordination					6
Unallocated (contingency planning)					2
<b>Systematic Operations Risk- Rating Tool (SORT)</b>					
<b>Risk Category</b>					<b>Rating</b>
1. Political and Governance					Substantial



2. Macroeconomic	High
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	High
<b>OVERALL</b>	High

### Institutional Data

#### Sector Board

Governance

### Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	General Public Administration Sector	65		
Public Administration, Law, and Justice	Public Administration other Social Service	10		
Public Administration, Law, and Justice	Public Administration Financial Services	25		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

### Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Public sector governance	Administrative and civil service reform	60

Public sector governance	Other public sector governance	40
Total		100
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS/ISN in content or in other significant respects?		Yes[ ] No [ X ]
Does the project require any waivers of Bank policies?		Yes[ ] No [ X ]
Have these been approved by Bank management?		Yes[ ] No [ ]
Is approval for any policy waiver sought from the Board?		Yes[ ] No [ X ]
Does the project meet the Regional criteria for readiness for implementation?		Yes[ X ] No [ ]
<b>Safeguard Policies Triggered by the Project</b>		
	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01		<b>X</b>
Natural Habitats OP/BP 4.04		<b>X</b>
Forests OP/BP 4.36		<b>X</b>
Pest Management OP 4.09		<b>X</b>
Physical Cultural Resources OP/BP 4.11		<b>X</b>
Indigenous Peoples OP/BP 4.10		<b>X</b>
Involuntary Resettlement OP/BP 4.12		<b>X</b>
Safety of Dams OP/BP 4.37		<b>X</b>
Projects on International Waterways OP/BP 7.50		<b>X</b>
Projects in Disputed Areas OP/BP 7.60		<b>X</b>
<b>Conditions</b>		
<b>Source of Fund</b>	<b>Name</b>	<b>Type</b>
SOMPF	Subsidiary Agreement	Effectiveness
The Subsidiary Agreement between the Recipient and the Puntland State of Somalia has been executed in accordance with the provisions of Section I.B of Schedule 2 to the Grant Agreement.		

<b>Source of Fund</b>	<b>Name</b>	<b>Type</b>	
SOMPF	Federal Steering Committee	Effectiveness	
The Recipient has established the Federal Steering Committee, the Federal Technical Implementation Committees and the Federal Project Coordination Unit in accordance with the provisions of Section I.A of Schedule 2 to the Grant Agreement.			
<b>Source of Fund</b>	<b>Name</b>	<b>Type</b>	
SOMPF	Puntland Steering Committee	Effectiveness	
The Puntland State of Somalia has established the Puntland Steering Committee, the Puntland Technical Implementation Committees, Puntland External Assistance Fiduciary Section and the Puntland Project Coordination Unit in accordance with the provisions of Section I.A of Schedule 2 to the Grant Agreement.			
<b>Source of Fund</b>	<b>Name</b>	<b>Type</b>	
SOMPF	Project Implementation Manual	Effectiveness	
The Recipient has prepared and adopted a Project Implementation Manual in accordance with the provisions of Section I.C of Schedule 2 to the Grant Agreement.			
<b>TASK TEAM</b>			
<b>Name</b>	<b>Title</b>	<b>Responsibility</b>	<b>Global Practice</b>
Alex Appiah-Koranteng	Senior Governance and Public Sector Specialist	Task Team Leader	GGODR
Stephan Massing	Senior Public Sector Governance Specialist	Co-Task Team Leader	GGODR
Paolo Zacchia	Program Leader	Overall Guidance	AFCE4 - MFM
George Larbi	Lead Public Sector Management Specialist and Governance Cluster Leader	Technical Guidance	GGODR
Satyendra Prasad	Senior Governance Specialist	Cross Support	GGODR
Hugh Riddell	Country Representative	Coordination with overall World Bank Program	AFCE4
Adenike Sherifat Oyeyiola	Sr. FM Specialist/Sector Leader (Somalia, Sudan, South Sudan)	Fiduciary and PFM	GGODR
Leonard Mutuku Matheka	Consultant – Financial Management Specialist	Financial Management	GGODR

John Etidau	Consultant- Procurement Specialist	Fiduciary and Procurement	GGODR		
Christiaan Johannes Nieuwoudt	Finance Officer	Disbursement support	CTRLA		
John Bryant Collier	Sr. Operations Officer	Environmental Safeguards Assessment and Advice	GENDR		
Mary Bitekerezo	Senior Social Development Specialist	Social Safeguards Assessment and Advice	GURDR		
Stephen Mugendi Mukaindo	Sr. Counsel	Legal Advice	LEGAM		
Verena Phipps	Social Development Specialist	Gender and Women's Participation	GGODR		
Diego Garrido Martin	Senior Operations Officer	Monitoring and Evaluation	GCFDR		
Sarah Cramer	Consultant	Monitoring and Evaluation	AFCE4		
Geoff Handley	PFM Specialist	Macro-economic and Expenditure Analysis	GGODR		
Nancy Visavilwa	Research Assistant	Operational Support and HRM	GGODR		
Janerose Lubisia	Team Assistant	Administrative support	AFCE4		
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Somalia		Mogadishu	US\$24M		Both Mogadishu and Garowe have an unallocated sum of US\$2M to be used for contingency planning
Somalia		Garowe	US\$14M		

## I. STRATEGIC CONTEXT

### A. Country Context

1. **The Federal Government of Somalia is faced with the challenge of rebuilding state institutions in the midst of recurrent and protracted conflict.** Since the collapse of the Siad Barre Government in 1991, Somalia has experienced cycles of conflict that fragmented the country, destroyed legitimate institutions and created widespread vulnerability. Past transitional Governments were undermined by warlordism, mismanagement and external interference, giving rise to militia-based opposition and the al Shabab insurgency. The fragile governance context is further exacerbated by competition over key economic resources by groups with an active interest in sustaining conflict primarily to gain access to the economic and financial resources of the country.

2. **Decades of conflict have led to the degradation and disintegration of state institutions, weak governance and poor service delivery.** A violent insurgency orchestrated by al Shabab continues to pose a direct threat to the stability of the country and the region limiting opportunities for economic growth, institutional rebuilding and improvements in service delivery to citizens. The African Union force (AMISOM) has played an important role in re-claiming key cities previously controlled by al Shabab in the south, opening the way for political dialogue and stabilization. However, conditions on the ground remain volatile and prospects for national reconciliation depend on a sensitive process of political negotiation.

3. **The collapse of central Government also led to the fragmentation of the Somali state into regional Governments with varying degrees of autonomy.** Somaliland, in the northwest, has largely been peaceful and is governed by a democratically-elected Government that claimed independence in 1991 but without international recognition. Puntland, in the northeast, is a member state of the Federal Government of Somalia (FGS) and its Government has gradually increased control over localized conflicts and militia groups. In January 2014, Puntland elected its fifth President in what has been broadly accepted as a fair and transparent election process. In recent months, Somalia has made significant progress in the formation of interim regional administrations through dialogue and consultation. The FGS recognizes Puntland as a Federal Member State, while the formation of other federal states is on-going.

4. **Somalia's human development indicators are among the lowest in the world.** Poverty incidence is 73 percent - 61 percent in urban centers and 80 percent in rural areas, with extreme poverty estimated to be 43 percent. Most Somalis live in rural areas where traditional coping mechanisms, clan affiliations and pastoral mobility have been undermined by conflict. Only 7 percent of the rural population enjoys access to improved water sources, in contrast to 66 percent of people living in urban areas.

5. **The economy of Somalia is predominantly livestock based and heavily dependent on aid and remittances.** The livestock trade remains the backbone of the economy: 60 percent of the population derives a livelihood from pastoralism-based livestock production. In the absence of a formal commercial banking sector, remittance companies have enabled the diaspora to remit around US\$1.3 billion annually to families in Somalia. According to the UN, humanitarian and development aid in 2012 was US\$750 million, which on a per capita basis is one of the highest in the world.

6. **The transfer of power from a transitional to a full federal Government in Mogadishu (August 2012) generated domestic political momentum and triggered a step-change in international re-engagement.** Addressing the country's most challenging issue, the FGS has initiated political dialogue with the regions as a basis for incremental state formation. The new Government's main political priority is to enable consensus on a federal model, navigating a variety of positions that segment along regional or clan lines. Puntland has been a major player in the formation of the FGS and the adoption of a federal system of Government in 2012.

7. **The Brussels Conference (September 2013) galvanized further domestic and international support for the Government.** The event culminated in the endorsement of the Somali Compact, which establishes a framework for partnership between the Government and international community. The Compact translates the FGS' Six Pillar Policy into selective political, security and development priorities structured around five Peacebuilding and Statebuilding Goals (PSGs). The compact recognizes capacity development as a key enabler essential for delivering on the Compact's peacebuilding and statebuilding priorities. Puntland was an active partner in endorsing the Compact.

8. **While positive momentum has been generated, the need to demonstrate results to the people of Somalia is an increasingly urgent challenge for Government to establish credibility.** The FGS lacks the capacity – in terms of both skill and manpower – necessary to advance priority initiatives and to provide services, which could generate legitimacy dividends and thus contribute to greater stability. This project addresses the critical need to inject capacity in the Somali civil service, creating the foundational capacity on which international development partners and Government can build to address the immense challenge of rebuilding institutions and supporting security and economic progress. Amongst the most pressing needs, the Government must establish credible public finance institutions and strengthen its basic management and other core functions and operating capability in order to demonstrate its commitment to improved governance and to delivering services and key infrastructure. This will be essential to re-establish trust and credibility with the Somali people, as well as with the international community.

## **B. Situations of Urgent Need of Assistance or Capacity Constraints (if applicable)**

9. Under the existing exceptional circumstances of acute conflict and insecurity and institutional capacity constraints, pursuant to OP/BP 10.0, this project is being processed as an emergency operation under paragraph 12. Somalia meets these requirements because: (i) it has experienced violent conflicts for the past twenty years; (ii) it is currently still facing an active al Shabab insurgency; and (iii) it is at risk of future violence. Additionally, there is an urgent need to provide the Government with rapid staffing and capacity assistance to re-establish core functionality in critical public sector institutions. This will provide the Government with the means to initiate and make progress in selected areas of the Somali Compact and more effectively use international assistance.

10. The World Bank Multi Partner Fund (MPF) under the Somalia Development and Reconstruction Fund (SDRF) will be the main source of funding for the Capacity Injection and Institutional Strengthening (CIIS) project over its 5-year implementation period. The project will be phased with critical priority activities implemented in the first three years (operational phase 1) and on the basis of satisfactory results, additional demand driven activities will be implemented in the fourth and fifth year (phase 2).

## C. Sectoral and Institutional Context

### *Fragility of Somalia's state institutions*

11. **Somali society is highly segmented, complicating the development of a unifying vision of the Somali state.** More recently, competing concepts of the state in Somalia have manifested themselves in stark and often violent opposition, and today de-facto authority remains contested between customary and modern institutions. While the legal framework evolves, political negotiations, as in the case of the recent Jubbaland agreement, will continue to play a key role. This process is further complicated by actual and anticipated competition over access to and division of revenue streams, land, grazing, water, and the potential exploitation of sub-soil assets.

12. **Against this backdrop of fragmentation and resource competition, Somalia's institutions have failed to build inclusive coalitions,** further contributing to a crisis of legitimacy. During the conflict, armed non-state groups took control of key revenue generating assets such as the ports of Mogadishu and Kismayo, presenting today's leadership with a key institutional and fiscal challenge. The capture of public resources by the elite weakened Somalia's state institutions and undermined public trust. It is a classic case of state failure, with inability of the state to maintain law and order and perform other functions of the state.

13. **In the absence of effective public financial management and integrity institutions, international assistance and humanitarian supplies proved vulnerable to diversion.** The new Government's priority of reforming public financial management is a clear recognition that a failure to do so could undermine the legitimacy of an already fragile state. In addition to its PFM Action Plan, which the World Bank and other international partners are supporting with technical assistance, the Government recently established a Financial Governance Program.<sup>1</sup>

14. **There is lack of clarity on the mandates and functions across federal Government institutions and between the federal and subnational levels of Government.** In many cases, legal frameworks and policy or strategic frameworks to guide ministries' work are absent or if they exist, they are not being implemented. This is particularly problematic in the area of service delivery given that non-state actors are the primary providers of services. Lack of clarity of mandates has resulted in unnecessary duplication of roles and competition between ministries and waste of scarce resources. The functional assignments of revenue and expenditure for each level of Government entailed by the Provisional Constitution have not been clearly spelled out.

15. **The long civil war and looting have destroyed physical infrastructure, equipment and records of most Government agencies and ministries.** Many Government buildings sustained heavy damage during the civil war and were co-opted for other purposes. The administration also lacks basic ICT infrastructure and internet connectivity, and transportation facilities.

### *Civil service and human resource capacity*

16. **The key challenge for the civil service lies not in its overall size (Box 1), but in the quality of recruited staff.** As a result of state collapse and conflict, a significant proportion of skilled labor left the country. Many institutions report to be under-staffed and operate below their

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<sup>1</sup> Under this program, which covers Central Bank reform, PFM Reform, procurement and concessions, and asset recovery a Financial Governance Committee has been set up to increase oversight and to guide the implementation of a short-term program of actions and to ensure that capacities are built within Somali government institutions.

staff establishment levels. A number of senior level posts remain vacant, while many senior level posts are occupied by staff without clear qualifications and skills for the role.<sup>2</sup> Besides a lack of managerial experience there is also a clear shortage of technical and policy expertise as well as in cross-cutting areas such as human resources management and financial management (accounting and auditing).

**Box 1. Size and cost of the civil service**

The total number of civil service staff at the federal Government level for 2014 is estimated at 3,776 and has largely remained constant over the past three years. Approximately 3,200 civil servants are registered with the Civil Service Commission. A Public Institution Continuity Assessment conducted by UNDP in 2012 found that only 27% of staff across surveyed institutions had a degree.

In Puntland, a 2013 survey found the civil service size to be 4,638, most of whom lack university degrees or the requisite skills to perform their functions. Of interviewed civil servants, 98% reported they were appointed by decree and did not pass an examination or participate in a competitive recruitment process. With a population of 1.1 million people, the size and low quality of the civil service represents a huge burden on Government finances.

17. **Recruitment systems and human resource management are weak.** Apart from the lack of uniform recruitment systems across the FGS<sup>3</sup>, the mechanisms for human resource management, including for employee performance evaluation, promotion, disciplinary actions and termination are weak and lack a clear policy framework and related regulations. In addition, there is currently no reliable personnel database and capacities for documentation, data management and archiving in the Civil Service Commission are weak. Furthermore a number of employees have been hired outside of the regular civil service system and are thus not registered with the Civil Service Commission.

18. **Low remuneration combined with the insecure environment appears to be one of the reasons why Somalia’s civil service has not been able to attract qualified staff.** Civil service pay is an important determinant of employee motivation and retention. Attracting staff that have reasonable capacity to perform Government functions in a conflict and insecure environment is difficult at current salary levels. With only four levels, the pay and grading structure for the civil service is also highly compressed (Table 1). Recent salary increases have been ad-hoc and not based on any labor market survey. In addition, there is a growing gap between civil service salaries and salaries paid directly by development partners to nationals engaged on development programs.<sup>4</sup>

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<sup>2</sup> A rapid survey of key FGS institutions by the AfDB in 2013 indicated skills shortages in many core areas and identified the limited personnel resources within these institutions as a serious constraint to carry out institutional mandates and work programs effectively. See AfDB (2013), “Institutional Capacity in the Federal Government of Somalia.”

<sup>3</sup> There are three systems of recruitments: (i) Political level appointments made directly by the President; (ii) Regular recruitments into the public service, which are supposed to be competitive, especially for degree holders; and (iii) recruitment of interns and volunteers, which does not seem to be regulated but can provide an entry point for formal recruitment into the civil service after a probationary period.

<sup>4</sup> An assessment of donor-funded TA found that salary scales for externally paid advisors average between US\$3,000-4,500 a month across organizations, with few exceptions. *Source:* Research Solutions Africa (2013), “Harmonisation of Technical Assistance for the Government of Somalia,” report prepared for USAID.



**Table 1. Civil Service Grade and Salary Levels**

Grade Level	No. of Civil Servants	Monthly salary per civil servant (US\$)	Total salaries paid per month (US\$)	Total salaries paid annually (US\$)
1A/Y	920	735	676,200	8,114,400
B/F	1,146	415	475,590	5,707,080
C/X	649	330	214,170	2,570,040
D	473	198	93,654	1,123,848
Total No. of Civil Servants	3,188			
<b>Total Salary Cost</b>			<b>1,459,614</b>	<b>17,515,368</b>

Source: FRS, Ministry of Finance and Planning 2014 Budget Policy Framework Paper

19. **Institutional arrangements, mechanisms and incentives to identify and redress critical capacity gaps are limited.** Almost all the FGS institutions have recruited advisors to assist with highly technical functions and to support senior management. However, these are generally ad-hoc and donor-funded interventions of a short-term nature that operate without a clear framework of rules and regulations. There are very few examples where arrangements for the provision of on-the-job training and coaching are in place. The Somali diaspora represents an important resource for addressing capacity gaps in the public sector (Box 2). Currently, however, institutional arrangements and incentives for harnessing the potential of the Somali Diasporas are still weak and limited to a few arrangements, notably the QUEST-MIDA Program.

**Box 2. What role for the Somali diaspora in the future?**

With up to 1.5 million Somalis living abroad and many returnees and dual citizens currently serving in Government, the diaspora plays a significant role in Somalia’s development through the provision of technical skills and leadership. A 2011 UNDP-commissioned study found that members of the diaspora were heavily involved in promoting education, healthcare, public infrastructure and private enterprise. Many returning Somalis were highly skilled workers, coming from cities with large diaspora communities such as Dubai, London, Minneapolis, Nairobi, Oslo and Toronto. The attraction of more fulfilling work, paired with the desire to escape marginalization and exclusion, were found to be two key drivers of temporary return. Support came not only from older people, but also from young Somalis who had been born and raised outside the Horn of Africa.

While the return of the diaspora provides much-needed capacity, there are also drawbacks to be aware of. The UNDP study revealed concern amongst local Somalis that people from the diaspora were taking their jobs. Others complained that, while diaspora members had money and degrees, they lacked an understanding of the political realities of living in present-day Somalia. Meanwhile, diaspora returnees reported that local people did not appreciate what they were trying to do for them. Successful returnees from the diaspora overcome this mistrust and build legitimacy by investing time in building partnership and communicating with local Somalis.

Source: Hammond, Laura et al. (2011), “Cash and Compassion: The Role of the Somali Diaspora in Relief, Development and Peacebuilding,” UNDP, [http://eprints.soas.ac.uk/13076/1/Cash\\_and\\_compassion\\_final.pdf](http://eprints.soas.ac.uk/13076/1/Cash_and_compassion_final.pdf).

20. **There is no structured training available for Government employees, the majority of whom lost the opportunity to develop technical and professional skills through the formal education system.** Most of the training provided by local training institutions to the Government employees so far has been dominated by basic training which is often not based on any training needs assessment. However, there are positive examples. The PFM Capacity Strengthening Project

provides specialized training to produce a cohort of suitably qualified PFM practitioners pairing practical training with change management efforts encompassing attitudinal and behavioral change. The Government initiatives envisaged under the Somali Compact and the ERP over the next few years will require similarly specialized training in skills in several fields not currently offered by local institutions. Annex 9 provides additional information on the civil service of the FGS.

### *Center of Government*

21. **At the center of Government, capacities for planning, policy development and coordination are weak.** Formal mechanisms for information sharing or intra-Governmental coordination are weak or non-existent. The Prime Minister's Office plays a central role in this regard and also performs the secretariat role for Cabinet. However, cabinet management is weak and there is as yet no effective structure of standing cabinet committees and reform committees in place. Policy formulation and legal drafting takes place in isolation or in the absence of guidelines and procedures from the center, leading to conflicting approaches and inconsistencies. There is no functioning national statistics office to support policy analysis, planning and evidence-based decision-making.

22. To fill the need for a centralized coordination body on issues related to aid, the FGS and Government of Puntland have established Aid Coordination Units (ACU) to maintain oversight over aid mobilization, management, and coordination while setting aid effectiveness policy. The ACU at the federal level is situated in the Ministry of Planning and serves as the technical secretariat for the Somalia Development and Reconstruction Facility (SDRF), the primary vehicle for guiding implementation of the Somali Compact. However, as new Government units operating with limited staffing, both the federal and Puntland ACU are in need of strengthened capacity.

23. **Moreover, there are no clear mechanisms for monitoring and evaluation, except for selected donor-funded programs.** The FGS plans to establish a range of flagship programs to implement the Somali Compact and the ERP. However, one missing link is the tracking of activities and their impact on achieving these plans. The Government will need to establish a monitoring mechanism at the center of Government to track its flagship programs and link it to a national level monitoring and evaluation mechanism to assess overall progress in delivering the Somali Compact.

### *Past and on-going donor engagement*

24. **Donor engagement in the area of public sector capacity development has been limited.** In the past few years, development partner support has focused primarily on providing humanitarian assistance and building capacity and accountability at the local level. This support has been largely channeled through the UN Joint Program on Local Governance (JPLG) and bilateral donor support, most recently through a range of stabilization projects. Since the establishment of the transitional Government and a recognized federal Government in 2012, increasing assistance has been provided to Government institutions at the federal level.

25. Support at the federal level has focused mainly on strengthening security institutions (e.g., army and police) and more recently on establishing good public financial management with strong engagement by the World Bank. The main beneficiaries of assistance have been the ministries of

interior, finance and planning, human development and public services, the Central Bank and the Auditor General and Accountant General.

26. Support to capacity development has been led by UNDP and the Strengthening Institutions for Development Project (SIDP), now closed. Since 2013, short-term bi-lateral support by DFID, EU and USAID has focused on supporting the Prime Minister's and President's offices but is expected to be carried forward under the joint flagship program. Human resource development has also been assisted by several development partners supporting mechanisms and financing the return of Somalis in the diaspora, notably through the IOM-UNDP QUEST MIDA Project, which was part of the SIDP program.

27. The Norwegian funded Special Financing Facility (SFF), operationalized in September 2013, has provided support to the FGS by financing recurrent expenditures, including civil service salaries of the Federal Government. In mid-2014, this support was taken over by the World Bank's recurrent cost financing facility project under its newly established Multi-Partner Fund.

28. Puntland authorities have received donor support to improve governance and public administration. In June 2013, the Government of Puntland, with the support of UNDP and the EU, developed a 3-year public sector reform framework to improve public finance and procurement, human resource capacity development, institutional performance and service delivery. However, translating the strategies into real achievements still remains a challenge.

***Looking forward: Somali Compact as basis for a new joint approach to capacity development in Somalia***

29. The Somali Compact identified "building core public sector capacities" as an immediate objective. It called for dedicated support to the center of Government, civil service management, and to building public sector capacities. It also emphasized "the coordinated roll out of basic cross-cutting administrative systems." It envisioned a two-track approach responding to the immediate needs whilst building the systems and institutions to ensure that improvements are sustainable. The Compact also highlighted the need to ensure that international assistance is delivered in line with the principles of the New Deal for Engagement in Fragile States. It committed development partners to provide assistance in a way that contributes to institution building and does not undermine local capacities.

30. The Economic Recovery Plan (ERP) elaborated on these priorities and identified a number of costed activities for implementation. To deliver on the priorities and commitments on public sector capacity development identified in the Somali Compact and the ERP, the Government requested joint support by the World Bank, UNDP and development partners to establish a Government Flagship Program (Box 3). Given the closure of SIDP and the decision of the World Bank to engage in this sector, the Government and its partners had a unique opportunity to design a joint approach in line with the principles of the New Deal and the Somali Compact. The FGS does not have a Country Status Report (CSR) or related strategic framework for public sector reform; therefore, the Compact and ERP served as the guideposts for developing the joint approach.

31. The flagship program will be implemented through complementary projects financed from separate windows of the Somalia Development and Reconstruction Facility (SDRF). These

projects will operate under a shared results framework and common management arrangements in support of the Government's stated priorities. It is expected that the joint program will be the primary vehicle for channeling development partner resources to the Government's public sector capacity development priorities. As outlined in the framework document, the flagship program "seeks to foster synergy and complementarity in international support for capacity development and to enable a response at scale. It promotes a harmonized approach to capacity development support, in particular the provision of technical assistance and the use of country systems". Annex 7 provides details of activities to be supported by the World Bank and UNDP under the joint approach.

### **Box 3. Federal Government of Somalia Flagship Program**

The World Bank and UNDP have supported the Government in developing a flagship program on public sector capacity development, which provides a programmatic framework closely aligned with the Government priorities for public sector capacity development identified in the Compact and ERP. Broad agreement to this program has been reached in May 2014 based on close consultations with the Government. The program covers the following main components:

#### ***Component 1 - Developing capacity for core Government functions***

- 1.1 Supporting harmonized and Government-led capacity injection in priority institutions
- 1.2 Providing targeted TA, training and coaching support for new recruits and their teams

#### ***Component 2 - Strengthening the frameworks and procedures for civil service management***

- 2.1 Strengthening basic framework for civil service management
- 2.2 Pay and grading policy, pension and work force management

#### ***Component 3 - Strengthening capacity at the center of Government to effectively coordinate policy and lead reform***

- 3.1 Supporting priority ministries in re-organization and change management
- 3.2 Supporting central policy and coordination functions

32. The Government of Puntland has made public sector reform a priority reform objective. In June 2013, the Government developed a 3-year framework that included strategies, approaches and implementation arrangements for public sector reform in Puntland. Under this framework, four components of reform have been identified: a) public finance and procurement; b) human resource and capacity development; c) improving institutional performance; and d) service delivery. Priorities under the human resources pillar, include human resource management, developing capacities and technical competencies of the civil servants and rightsizing. The overall direction of the Public Sector Reform Framework were included in Puntland's second five year development plan adopted in 2013.

### ***Rationale for Bank engagement***

33. The FGS has requested rapid World Bank and UNDP support to help raise the capacity of the Government as articulated in the Somali Compact. This request has been reaffirmed by the Minister of Finance and the Prime Minister who has made institutional capacity development one of the top priorities of his administration. Discussions in the context of the establishment of the

Financial Governance Program have also repeatedly raised the lack of capacity as a major bottleneck and highlighted the urgent need for assistance in providing advisors and qualified Somalis to work within key Government institutions.

34. Ultimately, the success of the program is highly reliant on strong Government ownership and commitment to capacity development and institutional strengthening. Inputs from the Government, including political commitment and leadership, are required to achieve the desired results. Allocating requisite time and resources to implement program components will be an absolute necessity. Moreover, Government will need to demonstrate strong leadership to maintain the strategic focus of the program.

35. The project is part of a strategic programmatic package designed to strengthen core Government functions, building the necessary foundations for achieving PSGs 4 and 5 (economic foundations and revenue and services, respectively). This objective is in line with the World Bank’s Interim Strategy Note, which has made “strengthening core economic institutions” one of its two main pillars.<sup>5</sup> The suite of projects include the following:

- **Recurrent Cost and Reform Financing Facility:** Financing and supporting an operational payroll and payment system for the non-security sectors.
- **PFM Reform Project:** Establishing systems and capacity for more transparent and accountable management of public funds.
- **Public Sector Capacity Injection Project:** Strengthening staffing levels and institutional capacity in selected MDAs to perform core Government functions.

36. The design of the capacity injection project has been closely harmonized with the PFM and recurrent cost projects and developed in close consultation with the respective Task Teams to ensure linkages and synergies (see Table 2). Annex 8 provides a graphic representation of the integrated framework for managing World Bank governance projects.

**Table 2. Bank project portfolio to strengthen core economic and financial institutions**

Project	Description
Recurrent Cost & Reform Financing (RCRF) Project	The Phase I project is effective and finances recurrent costs of core Government functions and support to expert services. This includes the payment of civil service salaries in non-security sectors. The recurrent cost payments will be integrated in the Somalia Financial Management Information System (SFMIS) and Treasury Single Account, and will include the financing for advisors and civil servants recruited under the PSCIIS project.
Public Financial Management (PFM) Reform Project	The PFM reform projects (phase 1 already under implementation) aims at establishing systems for more transparent and accountable management and use of public funds. It focuses on the

<sup>5</sup> Within this priority, the ISN identifies two focus areas: *i*) improving economic governance, including macro-fiscal and PFM, as well as statistical capacity; and *ii*) supporting the establishment and implementation of a sound regulatory framework in strategic economic sectors.

Project	Description
	implementation of medium-term fiscal frameworks to underpin planning and annual budget preparation; revenue mobilization and tax administration; financial management information system; expenditure control; procurement, accounting and financial reporting; auditing; monitoring; and establishment of structures to oversee PFM reform in Somalia.
Public Sector Capacity Injection and Institutional Strengthening (PSCIIS)	This project will strengthen staffing levels and capacity in selected line ministries and central agencies to perform core Government functions, including ability to i) formulate and implement strategies, policies and regulations, ii) develop, manage and execute flagship programs and projects that deliver visible benefits to the Somali people, and iii) perform public financial management, procurement and human resource management in a standardized, rules-based manner.

37. The project will also help to improve delivery of other Bank and donor-funded projects in the area of socio-economic recovery. The initial MPF pipeline in the area of socio-economic recovery (Table 3) focuses on: i) infrastructure; ii) productive sectors; and iii) natural resources management and resilience. Success across the World Bank’s portfolio depends critically on improvements in the quality of the civil service. Task Teams have identified weak Government capacity as a key constraint and risk factor for project delivery. This project will help address capacity gaps in ministries that are key counterparts for the World Bank. Instead of adopting ad-hoc measures at sector level, this project will support a harmonized and sustainable approach for building core functionality and institutional capacity.

**Table 3. Bank project portfolio to strengthen socio-economic recovery**

Sectors	Projects	Key Government counterparts
Infrastructure	Somalia Urban Development Project (SUDP)	Ministries of Public Works and Planning and municipalities
Productive Sectors	Financial and Private Sector Development	Central Bank of Somalia, Ministries of Planning and Finance
	ICT Sector Support	Ministry of Posts and Telecommunications, Ministry of Finance
Natural Resource Management & Resilience	Water for Agro-Pastoral Livelihoods Pilot Project (WALP)	Ministries of Water and Livestock
	Strengthening Pastoral and Agro-Pastoral Resilience in Somalia (SPARS)	Ministries of Water and Livestock
	Petroleum Sector Inclusive Development	Ministry of Petroleum and Mineral Resources

38. Further, if World Bank is to be in a position to support and influence important policy reforms that could improve the capability and performance of the public service and/or may impact the sustainability of the wage bill in the future, it is important for the World Bank to provide support at a time when the Government most needs it. This intervention offers the opportunity to initiate and sustain a policy dialogue on public service reform issues which are critical for Somalia's peacebuilding and statebuilding trajectory.

39. Finally, the World Bank now has a significant wealth of experience in delivering capacity development and institutional development projects in fragile and conflict affected states and will draw on lessons learned in other countries such as Afghanistan, Sierra Leone, Timor-Leste and DRC. These have informed the design of the current operation (see section III, D on lessons learned).

#### **D. Higher Level Objectives to which the Project Contributes**

40. The project responds to the strategic objective of the New Deal Compact "to strengthen basic sectoral and core Government functions in support of the establishment of a responsive, inclusive and accountable public sector" at the federal level. It is further aligned with the priorities outlined in the ERP of the FGS relating to improvement in center of Government operations, civil service management and public sector capacity. The project is also aligned with the priorities of Puntland's public sector reform strategy and its second five year development plan. It is fundamentally consistent with the objectives of the FGS's Flagship Program on Public Sector Capacity Development which in the absence of a civil service reform strategy serves as the main framework for public sector capacity development and institution building in Somalia. Finally, the project is consistent with the first strategic objective of World Bank's Interim Strategy Note that seeks to build and strengthen core economic institutions, as the basis for national and international trust in Somali public institutions.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

41. The project development objective is to *strengthen the staffing and institutional capacity of selected line ministries and central agencies to perform core Government functions.*

42. Core Government functions include: (i) Policy and strategy management (planning, implementation and M&E); (ii) Financial management (budgeting, accounting and auditing); (iii) Procurement management; and (iv) Human resource management.

### **B. Project Beneficiaries**

43. This project is the first under a series of projects (SOP). The primary beneficiaries of the project are institutions of the federal Government and the Puntland state Government performing core Government functions. A separate project will be designed for the Government of Somaliland (see section on 'series of project objective and phases' below). In the near future, and as the state formation process and the establishment of regional administrations advances, additional state

Governments may become beneficiaries under the SOP. These projects will be developed on the basis of the public sector capacity development flagship program agreed with the FGS to ensure a harmonized approach across the country.

44. At the federal Government level, beneficiary institutions include: Ministries of Finance, Planning and International Cooperation, Labor and Social Affairs, National Civil Service Commission, Office of the Prime Minister, Office of the President, Central Bank of Somalia and selected key line ministries with focus on economic and infrastructure ministries such as Agriculture, Energy and Water, and Public Works and Reconstruction. Beneficiary institutions in Puntland will include the Office of the President, Ministries of Finance, Planning, Labor, Livestock, Agriculture, Fisheries, Civil Service Commission and the State Bank. Indirectly, the public service as a whole will benefit from increased capacity and improved functioning of the public sector both at the federal and regional level. The population will benefit from expected improvement in public service delivery and the private sector will also be indirect beneficiaries due to improvement in policy management and the enabling environment created as a result of improved public sector performance.

### **C. PDO Level Results Indicators**

45. The main outcomes envisaged by the project are: i) developed capacity of civil servants to perform key cross-cutting Government functions (e.g., HR, procurement, FM and policy management) within targeted ministries and agencies; ii) strengthened civil service management through the establishment of clear frameworks and procedures; and iii) improved policy coordination and monitoring capabilities at the center of Government.

46. The achievement of the outcomes will be measured by the following key indicators:

- (i) Staff appointed to key positions by the Capacity Injection Modality (CIM) through approved procedure (disaggregated by gender and professional categories);
- (ii) Proportion of injected staff remaining in service more than 12 months;
- (iii) Change management plans developed and at least partially implemented; and
- (iv) Ministries / agencies with operational HR and FM functions.

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

47. The project will have four main components and will adopt a phased and flexible approach to gradually increase the number of beneficiary ministries. The project components aim at: (1) supporting the recruitment and placement of a small number of highly qualified advisors and civil servants; (2) strengthening the Government's framework for civil service management; (3) developing management capacities at the center of Government to strengthen policy coordination and development, and monitoring and (4) Project management and coordination.



48. A limited number of core institutions will benefit from the capacity injection modality and related support as of the first phase of operation. A mechanism for prioritizing and sequencing will be established to allow the Government to make adjustments to the list of beneficiary institutions and respond to changes in priorities. The ministries receiving support under World Bank project will be complementary to those targeted under the UNDP project. The selection of additional priority institutions will be based on criteria defined in Annex 2.

49. The project components and activities will be implemented over a five-year time period, which is broken down in two operational phases. A first operational phase (2016 - 2017) will focus on generating some quick wins to help build confidence in Somalia's on-going transition process and demonstrate concrete life improvements for Somali people in the short-term. These short-term gains will be strategically aligned with the project's long-term capacity development and change management objectives (see Box 4 for further detail). The operational phase will also provide the groundwork for improved civil service management, e.g., by advising on policy options in the area of pay and pension reform. An amount of US\$20 million has been allocated to implement the first operational phase of the project. However, support to implementation of new policies, scaling up of capacity injection and further strengthening of common functions in line ministries will be covered in the second operational phase (2018-2020). An amount of US\$20 million has been allocated to implement the second operational phase of the project. Details on project phasing and sequencing can be found in Annex 6.

#### **Box 4. "Quick Win" Strategy**

The quick win strategy will combine three critical areas of intervention: i) capacity injection, ii) leadership development, iii) strengthening policy management and monitoring capacity at the center of Government. A first wave of capacity injection will aim to demonstrate initial change and tangible results for citizens in the following areas:

- Enhanced financial and economic governance functions (e.g., improving revenue generation, strengthening pay roll control, managing concessions). This is an area where Government urgently needs to build confidence with internal and external stakeholders.
- Transparent and rules-based recruitment processes for injecting new capacity into Government. While this reform will focus on a limited number of staff, it will have an important signaling effect and can help prepare the ground for further reform in the civil service.
- Improvements in service delivery in targeted sectors (e.g., water, public works, agriculture). For example, the project will help strengthen ministry functions related to provision of extension and veterinary services to farmers and cattle owners respectively.

Capacity injection will be complemented by targeted interventions to strengthen leadership at various levels by building a coalition for change and building capacity of reform teams to use rapid results tools to deliver on shorter-term 'stretch goals' that are aligned with longer-term plans. Finally, support to the central policy oversight and monitoring functions will strengthen accountability for results, allow tracking of short-term progress and enable learning and course corrections.

50. The project will be implemented in close collaboration with UNDP. Together, the World Bank and UNDP have designed complementary approaches in support of the Government's flagship program on institutional capacity development. Flexibility in project implementation and

the partnership with UNDP will enable quick responses to any issues that will emerge during project implementation. See Annex 7 on World Bank – UNDP division of labor.

**Component 1: Developing capacity for key cross-cutting Government functions (US\$13 million)**

51. This component will support the injection of core staffing capacity into key Government ministries, departments and agencies through the Government’s capacity injection modality (CIM). Capacity injection will focus on advisory, managerial and technical staff to fill urgent capacity gaps identified by the Government. Component 1 will have two sub-components: (1) Supporting harmonized and Government-led capacity injection in priority institutions; and (2) providing specialized training and coaching support for new recruits and their teams.

***Sub-Component 1.1 Supporting harmonized and Government-led capacity injection in priority institutions***

52. This sub-component will support the following activities: (i) recruitment, placement, management, and if required, salary payment of qualified Somalis in critical functions in targeted institutions at the federal and Puntland state Government levels, with focus on the most important staffing priorities of the Government; (ii) provision of short-term and long-term technical assistance to develop recruitment and placement modalities and to establish and operate appropriate management structures; (iii) support to the development, application and monitoring of a harmonized pay scale; (iv) support to the recruitment unit in performing recruitment functions, including advertisement, headhunting, selection and on-boarding; (v) conducting regular performance monitoring of CIM staff and (vi) undertaking a regular audit to review and monitor whether recruitment is carried out in compliance with the policies and procedures established for the program, including diversity and equal opportunity.

***Sub-component 1.2 Providing specialized training and coaching support for new recruits and their teams***

53. The sub-component will support the following activities: (i) development and implementation of training modules for short-term training of senior advisors and managers of the civil service; (ii) specialized short-term training courses for staff performing common functions in FM, procurement, HRM and policy management; (iii) development and implementation of a young graduate scheme; (iv) provision of support to existing training institutions at the Federal level and in Puntland including partnership arrangements with governance and public administration institutions in other countries to develop curricula and training modules, establish certification and evaluation and implement training-of-trainers programs; (v) provision of long-term training to develop cadres of professionals in FM, procurement, HRM and policy management; and (vi) provision of coaching, mentoring and training and development of advisory services to civil servants.

**Component 2: Strengthening the policies and procedures for civil service management (US\$12.25 million)**

54. The component seeks to facilitate solutions of the Federal Government and Puntland State of Somalia to manage and implement their civil service and capacity development agenda. The project will support interventions for strengthening civil service management capacity of

Government and development of related frameworks. Component 2 will have four sub-components: (1) Supporting priority ministries in re-organization and change management; (2) Strengthening basic frameworks for civil service management; (3) Civil service work force management; and (4) Strengthening the ethical foundation of the civil service.

***Sub-Component 2.1: Supporting priority ministries in re-organization and change management***

55. This sub-component will support the following activities: (i) Conduct basic organizational assessments of targeted institutions to define mandates, functions and institutional responsibilities; (ii) Conduct skills and personnel mix assessments and develop staffing plans; (iii) Develop and implement change management plans to implement agreed changes to improve organizational and staff performance. This sub-component will be implemented after competent teams have been formed in target ministries and agencies to support organizational assessments and implementation of change management plans. Due to capacity constraints and the fragility of Somali public sector institutions, the approach to organizational assessments will provide Government with a menu of options including the application of simple assessment tools designed to overcome basic challenges, deliver mandates and contribute to the functionality of Government.

***Sub-Component 2.2: Strengthening basic policies for civil service management***

56. The sub-component will support the FGS and Puntland state Government to develop basic policy management frameworks and regulations for the civil service. The following activities will be funded: (i) development of a public sector pay and grading policy and an implementation plan; and (ii) development of a public sector pension policy and implementation plan.

***Sub-Component 2.3: Civil service work force management***

57. The sub-component will support the following activities: (i) Conducting a human resource audit across the civil service to identify gaps in critical and strategic positions that are vacant or filled temporarily by unqualified and absentee staff that may need to be redeployed, retired or removed from the payroll; (ii) Establishing credible personnel management data system, strengthening controls on the payroll process and the management of civil servants including professional development and retirement; and (iii) development of a severance policy and procedures of administration, and an implementation plan.

***Sub-component 2.4 Strengthening the ethical foundation of the civil service***

58. The sub-component will provide support to the following activities: (i) promote dialogue and discussion on ethical standards for public service; (ii) develop a civil service code of ethics to define principles and standards civil servants are expected to apply; (iii) ensure ethical standards are reflected in the revised civil service legal and regulatory framework; (iv) mainstream the code of conduct in the ministry-level change management processes and integrate related training modules in the various training programs including leadership training; (v) support the establishment of adequate mechanisms for enforcement, accountability and complaints, i.e., for dealing with illegal or unethical practices within the civil service; and (vi) develop and implement a communication strategy to disseminate and socialize the code of conduct among civil servants, civil society, business community and international partners.

**Component 3: Strengthening policy management, coordination and monitoring capabilities at the center of Government (US\$6.75 million)**

59. The Federal Government and Puntland State Government seek to significantly improve their ability to develop policies and oversee policy and program implementation at the Cabinet level. The project will selectively target its support towards capacity development in key areas of policy development and monitoring. Component 3 will have three sub-components: (1) Strengthening capacity for aid coordination, and monitoring and evaluation of the Somali Compact; (2) Developing basic policy management capabilities; and (3) Strengthening leadership for change and delivery.

***Sub-Component 3.1: Strengthening capacity for aid coordination and monitoring and evaluation of the Somali Compact***

60. The sub-component will provide support to the following: (i) Strengthen the capacity of the Aid Coordination Unit (ACU) in the Ministry of Planning (Federal Government) to serve as an efficient and effective Secretariat of the SDRF; (ii) Strengthen the technical capabilities of the ACU including that of the Ministry of Planning of Puntland State to collect, curate, analyze and publish aid data in an open and accessible format and record aid against the Government's chart of accounts; (iii) Strengthen M&E capacity in the Government to enable the FGS and international community to track progress of implementation of the compact including its peacebuilding and statebuilding priorities; (iv) Strengthen the statistics departments of the ministries of planning at both federal and Puntland state levels to enable them to collect and analyze data, measure PSG outcomes, write reports and disseminate appropriate information.

***Sub-Component 3.2: Developing basic policy management capabilities***

61. The sub-component will support the following activities: (i) Establish a policy coordination and monitoring oversight unit in the Office of the Prime Minister of the FGS and the Office of the President of Puntland and strengthen the Cabinet Office of the Government of Puntland; (ii) Establish policy planning units in targeted ministries and agencies and develop their policy analysis and management capability; (iii) Strengthen the capacity development units in the Office of the Prime Minister of the federal Government and that of the Office of the President of Puntland in the areas of staffing, training, office equipment and technical assistance to improve performance of their functions.

***Sub-component 3.3: Strengthening leadership for change and delivery***

62. To help target ministries accelerate the implementation of internal change and delivery of results, this sub-component will strengthen collaborative leadership at various levels. It will support the following activities: (i) facilitate high-level review or retreat sessions at the top-level of Government to build trust and consensus on priority reforms, strengthen a focus on results and resolve issues between agencies and across Government; (ii) build capacity of ministry-based reform teams to implement rapid results initiatives to advance organizational change processes and delivery of short-term results; (iii) link rapid result initiatives to the tracking of progress at the center of Government (see sub-component 3.2); (iv) design and implement a leadership development training and networking program for Ministers and Permanent Secretaries/Director

Generals with a focus on promoting a new Civil Service culture; and (v) support the institutionalization of leadership training to ensure sustainability.

#### **Component 4: Project management and coordination (US\$6 million)**

63. This component will support the management, coordination and monitoring and evaluation of project activities. It will fund the following two sub-components: (1) Project management; and (2) demonstrating results.

##### ***Sub-Component 4.1 Project management***

64. This sub-component will support the following activities: (i) establish a central Project Coordination Unit in the Prime Minister's Office at the federal Government level and in the Office of the President at Puntland state Government level; (ii) Fund the salaries of key staff including Coordinators, Financial Management, Procurement, M&E and Communications Specialists; (iii) Build the capacity of institutions responsible for direct implementation of project activities; and (iv) Provide procurement of limited office equipment, furniture and essential logistics for managing the project.

##### ***Sub-Component 4.2 Demonstrating results***

65. This sub-component will support the following activities: (i) Develop capacity for regular monitoring and evaluation at different implementation levels of the project, including writing and disseminating reports on progress of implementation; and (ii) finance an independent M&E consultant for verification of results and qualitative assessment of progress (e.g., improvements in line ministry capacity).

## **B. Project Financing**

### ***Project Cost and Financing***

66. The project will be financed by a US\$40 million Grant from the Multi-Partner Fund (MPF) to support project implementation. The approach for managing project expenditures will have the following features. First, disbursements for salaries of newly recruited staff under the project will be made under the Recurrent Cost Reforms Financing project being implemented by World Bank. The salaries of injected staff are therefore not included in the project cost of US\$40 million. However, a contingency budget for salary payment has been allocated to provide bridge funding on an interim basis, if required. Disbursement of all other eligible project expenditures will be made through a dedicated project account and drawn upon in accordance with the governing Financing Agreement.

67. The Federal Government and Puntland State Government shares of project funds amount to US\$24 million and US\$14 million respectively. An amount of US\$2 million is unallocated to support the management of contingencies. According to the multi-year funding schedule for the Somalia Multi Partner Fund (MPF) agreed to with donors and the Somali authorities, an allocation of US\$10 million will be allocated to project implementation activities for the first year. A second tranche of US\$10 million is planned to be released in year two, the remaining US\$20 million will be released in year three, all based on the multi-year funding schedule of the MPF. Table 4 below

sets out the expenditure categories and percentages to be financed out of the MPF proceeds of US\$40 million. US\$13 million will be used to finance CIM related consultancies, training and if required, salaries in component 1. US\$12.25 million will be used to support Component 2 in improving the regulatory environment of the civil service and pay initial costs of severance. US\$6.75 million will be used to support Component 3 on policy development and management and aid coordination and US\$6 million will support Component 4 on project coordination, monitoring and evaluation, and accountability for results.

**Table 4. Project Costs**

<b>Project Components</b>	<b>Amount Allocated (US\$)</b>	<b>Percentage of Expenditure to be Financed (inclusive of taxes)</b>
<b>Component 1: Developing Civil Service Capacity for Key Cross-Cutting Government Functions</b>	<b>13,000,000</b>	100%
Federal Government	8,000,000	
Puntland State	5,000,000	
<b>Component 2: Establishing Management Frameworks and Structures to Support Capacity Development</b>	<b>12,250,000</b>	100%
Federal Government	8,000,000	
Puntland State	4,250,000	
<b>Component 3: Strengthening Policy Management Capabilities</b>	<b>6,750,000</b>	100%
Federal Government	4,000,000	
Puntland State	2,750,000	
<b>Component 4: Project Management</b>	<b>6,000,000</b>	100%
Federal Government	4,000,000	
Puntland State	2,000,000	
<b>Contingency Costs (unallocated)</b>	<b>2,000,000</b>	100%
Total for Federal Government	24,000,000	
Total for Puntland State	14,000,000	
<b>Total Financing Required</b>	<b>40,000,000</b>	100%

### C. Series of Project Objective and Phases

68. **The Investment Project Financing (IPF) Series of Projects (SOP) instrument will be used as the lending instrument.** The overarching development objective for the SOP is to strengthen capacity of the Somali Government to perform core Government functions and thus contribute to building the legitimacy of the state. The SOP will combine (i) a time series of projects (i.e., sequential projects) and (ii) a series of two interdependent projects sharing a common framework. See Table 5 for an overview.

**Table 5. Series of Projects Phases**

	<b>Focus of First SOP (2016-2020)</b>	<b>Focus of Second SOP (2020-2025)</b>
FGS and PL	<ul style="list-style-type: none"> <li>i. Injecting qualified staff and developing capacity of civil servants to support core Government functions in selected ministries;</li> <li>ii. Building foundations for civil service management through the establishment of basic frameworks , procedures and organizational structures;</li> <li>iii. Establishing basic policy coordination and monitoring capabilities at the center of Government.</li> </ul>	<ul style="list-style-type: none"> <li>i. Professionalization of the civil service and development of capacity for short- and long-term training of civil servants in Somali institutions</li> <li>ii. Deepening institutional reforms and enforcing standards on public sector governance in HRM, FM, Procurement, policy management;</li> <li>iii. Deepening reform at center of Government and strengthening policy and M&amp;E capacity in line ministries.</li> </ul>
Somaliland	Similar focus but with different emphasis taking into account the specific context. Will join the SOP later in February 2016	Similar focus but with different emphasis taking into account the specific context.

69. The first SOP in the time series will contain two projects that will be implemented between 2016 and 2020: a project for the FGS and the State Government of Puntland and a project for the Government of Somaliland. A further project for other regional states may be added. Projects will be prepared and appraised according to established provisions for IPF and separate grant agreements will be signed. This approach has been adopted to ensure that the regional variations within Somalia are appropriately taken into account but within the program framework of the Federal Government (see section on lessons learned).

70. The purpose of the first time series will be to provide rapid capacity injection and establish the basic frameworks for civil service management at the central level. The second time series will aim at sustained capacity development and deepening of institutional reform in the participating Governments, building on lessons learned and achievements from the first SOP. The rationale for this approach is that institution building efforts, in particular in fragile states require a long-term perspective (see WDR 2011 on Conflict) which cannot be achieved with a single investment

operation. Such an approach will also allow experimentation and learning while adopting a long-term perspective from the start.

#### **D. Lessons Learned and Reflected in the Project Design**

71. The project draws on substantial lessons learned over the past decade, drawing on experiences from Somalia and other interventions in fragile and conflict-affected states including Afghanistan, Timor-Leste, Liberia and South Sudan. These lessons are clustered in three areas: i) capacity injection, ii) civil service reform, and iii) project implementation. These lessons have also informed the risk framework and the identification of related risk mitigation measures.

##### ***Capacity Injection***

72. **Establishing an authorizing framework for placing externally-funded staff into the civil service early on can avoid harmful practices.** In many post-conflict countries, donor capacity development efforts have relied on high cost, externally funded staff not accountable to Government to manage and implement development programs. This has often resulted in the establishment of a parallel civil service and a proliferation of ad hoc and asymmetric arrangements which have undermined civil service capacity and sustainability as has been the experience, for example, in South Sudan and Liberia. This project is designed to build capacity from within the civil service by recruiting qualified Somalis as contract civil servants and advisors through a Government-led scheme and on a harmonized pay scale.

73. **Capacity injection has to be strategic, at scale and linked to ministry reform efforts to have meaningful impact.** Thinly dispersing injected staff across numerous ministries is highly unlikely to have a substantive impact on culture change and on institutional reform efforts. Capacity injection is also more likely to be effective if it is targeted towards entities that are willing to undertake a reform process and have both the requisite leadership and a minimum of human capacity to undertake reform. These lessons are confirmed by Somalia's own experience with the UNDP-IOM Qualified Expatriate Somali Technical Support Project (QUEST-MIDA). An evaluation of the project also highlighted the need to think strategically about gender, both in terms of women's participation in the program and the impact of the program on women in Somalia.

74. The project will therefore provide clusters of targeted capacity to a limited number of ministries and agencies and adopt a sequenced approach and flexibility to adapt and change approach during implementation. The number of targeted ministries will only be increased gradually, taking into account selection criteria such as leadership and minimum human resource capacity and ability to gain traction. The project will also provide support to ministries to undertake a basic organizational assessment and develop a simple ministry reform plan. This will help ensure that capacity injection supports clearer and specific ministry-agency level objectives. Finally, it will adopt a specific gender strategy to increase women's participation.

75. **The injection of capacity needs to be supported by improvements in public financial management, procurement and related systems in order to have an impact, however small, on the quality and pace of the implementation of development programs.** The project therefore places a strong emphasis on developing common administrative functions in beneficiary institutions. It combines the injection of generic management and policy-specific capacity with



staffing in common function areas. It also works in close partnership with the World Bank's PFM reform project and helps to roll out financial management and procurement reforms to line ministries and agencies.

76. **Placement of injected staff is more effective if it is combined with additional capacity development interventions.** Evaluations and reviews from past capacity injection schemes have identified the absence of dedicated resources to support staff once appointed to ministries, as a shortcoming. The project addresses this issue by integrating professional and job related development training for new recruits and will extend this support to their teams. Additional resources have been budgeted to address logistical problems, i.e., providing access to a work space, computer or phone. The project will also complement training with innovative capacity development activities such as leadership development, coaching/mentoring and establishing a young graduate scheme.

77. **A dedicated focus needs to be placed on monitoring and/or collecting data to measure whether the placement of recruits is helpful and contributes to meeting strategic objectives.** Past capacity injection mechanisms have sometimes seen the recruitment of individuals and monitoring of each individual's performance through an appraisal process as an end in itself and have neglected monitoring the development effectiveness of the overall capacity injection intervention. The project will therefore invest in a monitoring mechanism upfront to understand the effective performance of experts and their impact within their ministry and beyond. This will be achieved with support of an external M&E firm and will rely on qualitative reviews (e.g., through interviews).

### *Civil Service Reform*

78. **There is a well-established consensus that whole-sale Government-wide civil service reform does not work.** The WDR 2011 made the case for pursuing incremental civil service reforms in fragile environments without seeking the ideal harmonization of Government structures. It also argued for programming interventions over a longer time frame than the traditional three-year project cycle. The project design has taken these lessons into account and adopts a selective approach for reforming the public service focusing on policy design in the areas of pay and pension policies and providing targeted support to selected functions at the center of Government. In addition, the project adopts the series of projects modality to pursue an incremental approach and will limit support to a small number of ministries in order to build confidence in the reform process.

79. **Supporting the establishment of a functional pension system has often been neglected in post-conflict states and should be prioritized early on.** A forthcoming Bank study on rebuilding public service capability in post-conflict countries found that the public work force in many post-conflict countries is characterized by a dramatic shortage of skilled professionals and increasingly old staff who do not retire due to the lack of pension schemes. The project will therefore provide policy and implementation advice for setting up a pension scheme from the start. At the same time, it recognizes that building consensus within Government on an appropriate pension system and related implementation options will take time. The project therefore takes an incremental approach and will focus on design of policy options in its first phase.

## *Implementation*

80. **High-level Government commitment to project objectives and design is a pre-requisite for successful implementation.** Lessons learned from UNDP’s Somali Institutional Development Project (SIDP) and from other interventions in fragile states demonstrate that the design of reforms by the Government itself contributes to a high degree of ownership and helps to accelerate implementation of these reforms. Moreover, UNDP’s experience with SIDP revealed that reform processes must be closely linked with policy dialogue. SIDP relied on an overly technocratic approach to reform that failed to build the necessary political will and momentum to implement reforms.

81. Lessons from other public sector reform operations show that reforms have more probability of success when Governments are able to see visible results within a predictable political horizon. By prioritizing recruitment and placement of highly skilled and experienced Advisers and Senior Managers at strategic positions in the civil service and ensuring that young graduate civil servants are adequately mentored, evidence of positive changes in Government operations and service delivery will improve credibility. The project will be coordinated through the Prime Minister’s Office (Federal level) and President’s Office (Puntland), thereby providing high-level leadership of reform activities.

82. **In situations of acute capacity constraints, successful project implementation requires the establishment, mentoring and coaching of a competent project management team.** This is evidenced from several recipient executed projects of the World Bank. The project will accordingly ensure that staff of the Project Coordination Unit (PCU) and Technical Implementation Committees are adequately trained and on-the-job coaching support offered to them in critical project management areas including World Bank procurement and financial management procedures, thereby reducing mistakes and accelerate implementation.

83. **Interventions in Somalia require a differentiated approach tailored to the regions of the country.** While recognizing the contextual differences between regions, past interventions have applied overly generic approaches across South-Central Somalia, Puntland and Somaliland. A single approach fails to meet regional needs, accommodate different absorption capacities and build on varying levels of readiness for reform. Similarly, past capacity development initiatives in Somalia have been criticized for not being sufficiently adapted to the realities of a fragile situation, using approaches drawn from LDCs that were not post-conflict and arguably not “fragile”. The project therefore adopts the series of project modality which allows interventions to be tailored to the regional context while using a common framework.

## **IV. IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

84. The project will be recipient-executed to ensure ownership and capacity internalization for sustainability. The institutional arrangements envisaged for implementation of the project are aligned with the governance arrangements for the overall FGS public sector capacity development flagship program to ensure close harmonization and alignment of activities under World Bank and

UNDP projects. Separate implementation structures will be established for the federal Government and Puntland state Government. Overall, implementation arrangements will be as follows:

85. **Steering Committee:** This Committee will be responsible for providing strategic and policy guidance for the overall flagship program as well as the project including, endorsement and/or revisions of the program framework, management and implementation arrangements, and results framework. It will review plans and budgets and oversee individual component implementation committees and receive regular progress reports by implementation committees. It will also monitor the overall performance of the project, and discuss progress, impediments and required changes.

86. The Steering Committee at the federal Government level will be chaired by the Prime Minister to ensure Government commitment to achieve project objectives. Its membership will include the Ministers of Finance, Planning, Labor and Social Affairs, Chair of National Civil Service Commission, a senior representative from the Office of the President and a representative of civil society knowledgeable in public sector reform.

87. The Steering Committee at the level of Puntland state Government will be chaired by the President and will have members from targeted institutions including ministries of finance, planning, labor and Puntland Civil Service Commission.

88. **Technical Implementation Committees:** For each project component, a Technical Implementation Committee will be established to provide technical guidance on the implementation of related project activities. They will be responsible for implementing and tracking progress and results of activities in beneficiary ministries and agencies. The Implementation Committees will also be responsible for ensuring the strategic alignment of the project with the directives of the Steering Committee, the UNDP project and capacity development activities of other partners.

89. Technical Implementation Committees will be chaired by the Permanent Secretary or Director General of the lead ministry and will report to the responsible Minister. Implementation Committee Chairs will act as a focal point for the related project activities. Members of the Committees will include the Directors General/Directors or Heads of Departments and key technical staff responsible for project activities. Implementation Committees will submit bi-monthly progress reports to the Steering Committee through the Project Coordination Unit.

90. **Project Coordination Unit:** The Project Coordination Unit (PCU) will be established in the Prime Minister's office for the federal Government project and in the Office of the President for the Puntland state project. The unit will perform the dual responsibilities of project management and providing secretarial and technical support to the Steering Committee. It will be responsible for the overall coordination of implementation progress and reporting to the Steering Committee through effective data collection and analysis, and tracking and evaluation of results indicators. It will also play a communications role for the program and related reforms.

91. The PCU will be headed by a Project Coordinator and a small team, including: (i) Financial Management Specialist; (ii) Procurement Specialist; (iii) Monitoring and Evaluation Specialist; and (iv) Communications Specialist. Details of the implementation arrangements are provided in Annex 3.

92. **Federal – Regional State Coordination:** A regular forum for coordination and information-sharing between the FGS and the Puntland State Government will be established. This forum will allow for the harmonization of approaches (for example, on policy issues such as pay and grading reform and implementation modalities such as monitoring and evaluation) and for lesson learning including the transfer of experience on approaches that have worked well and less well in different contexts. This could also prove a useful forum for supporting the extension of the work of the flagship program to other states of Somalia seeking to develop their capacities.

## **B. Results Monitoring and Evaluation**

93. The project will design and use a dedicated M&E system that incorporates PDO and intermediate indicators to track performance of project activities (details of the Results Framework are outlined in Annex 1). The project M&E system will be part and parcel of the broader M&E system which will track the performance of the overall flagship program objective. A consultant will be contracted to design the results framework and monitoring methodology for the public sector capacity development flagship program drawing on the interrelated UN and World Bank activities. Monitoring multiple, related activities in a coordinated fashion will encourage learning across projects and provide information that will allow teams to better leverage the impact of activities delivered concurrently. All M&E will be in alignment with broader national efforts to monitor implementation of the Somali Compact.

94. The indicators in the results framework place a heavy emphasis on the foundational outputs that will be necessary to achieve more strategic outcomes in later phases of the project. However, this quantitative, output-focused approach will be complemented by qualitative, outcome-focused monitoring and evaluation tailored to the particularities of capacity development and governance activities.

95. Standard evaluation techniques (e.g., basic results chains) often fail to capture the change processes targeted by capacity development interventions. The World Bank Institute (WBI) recommends a more comprehensive approach to “describe the transformative change that occurs when potential change agents gain an improved ability or disposition to affect institutional changes that contribute to a targeted development goal.”<sup>6</sup>

96. The qualitative evaluation methodology being developed for this program will adopt this approach, placing greater emphasis on “change agents” — the critical individuals or groups with potential for playing key roles in initiating or managing necessary changes. Qualitative assessments will consider intermediate capacity outcomes required to effect institutional changes toward a development goal, which takes much longer to achieve, especially in a fragile context.<sup>7</sup>

97. The results framework outlines some of the qualitative reports that will be collected for different project components, to provide the necessary information for project management and

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<sup>6</sup> WBI (2012), “Guide to Evaluating Capacity Development Results: A collection of guidance notes to help development practitioners and evaluators assess capacity development efforts,” [https://wbi.worldbank.org/wbi/Data/wbi/wbicms/files/drupal-acquia/wbi/Guide%20to%20Evaluating%20Capacity%20Development%20Results\\_0.pdf](https://wbi.worldbank.org/wbi/Data/wbi/wbicms/files/drupal-acquia/wbi/Guide%20to%20Evaluating%20Capacity%20Development%20Results_0.pdf).

<sup>7</sup> WBI, for example, distinguishes six types intermediate capacity outcomes: i) raised awareness, ii) enhanced knowledge or skills, iii) improved consensus and teamwork, iv) strengthened coalitions, v) enhanced networks, vi) new implementation know-how.

oversight. A fund-level evaluation of the impact of capacity development is also envisioned, encompassing the three MPF projects strengthening core Government functions (capacity injection, PFM reform and RCRF). This evaluation will examine the impact of capacity development efforts for men, women and institutions within Government, with a broader look at how these three projects work together.

98. Monitoring and evaluation of results will occur at different levels of project implementation. At the overall project level, the PCU will carry out M&E activities, relying on reports from the Technical Implementation Committees and other sources that may include independent verifiers. Progress will be measured through results indicators outlined in the results monitoring framework. M&E will be conducted on regular basis to assess the achievement of project objectives, including improvements in performance of ministries and agencies and data collection on results indicators. Results will feed into recalibrating further implementation efforts, including necessary mid-course corrections. The M&E reports will be validated by the Steering Committee and directives for corrective action implemented.

99. At the component level, Implementation Committees will be responsible for monitoring and evaluation of specific component activities being implemented in their ministries and agencies. Implementation Committees will submit reports to the Project M&E Specialist. A consolidated M&E report will be prepared and submitted to the Steering Committee by the Project Coordinator.

100. A bi-annual Public Sector and Institutional Capacity Development forum will be organized by the Project Coordination Unit to deliberate on progress and impact of the project and other capacity development initiatives on the reconstruction and development of Somalia.

101. The World Bank will also monitor the project through its supervision and implementation support missions and third parties contracted to perform specific supervision, monitoring and evaluation activities on behalf of the World Bank. Annex 5 provides details of implementation support activities of the World Bank Task Team.

### **C. Sustainability**

102. **The sustainability of the project is underscored by the high levels of Government commitment to the project and by the results-driven approach adopted.** The incorporation of Government-identified development priorities in the project has strengthened ownership of targeted activities by the Government. This is evidenced by the ERP and Somali Compact adopted by the Government. The size of the civil service has been managed reasonably well, the total number of civil servants from 3,383 and 3,338 in 2012 and 2014 respectively. Though revenue projections are positive, the Government will require fiscal discipline to check increasing expenditure projection on public sector wages. The specific sustainability risks will however apply if Somalia slides back into serious national conflict that threatens the survival of key governance and public sector institutions. Current political commitment, however, provides some assurance that Government will ensure effective implementation and build on achievements of the project. The project design also directly targets sustainability. It supports the testing of public sector governance to achieve tangible results in key Government institutions including sector ministries. The demonstrated effect expected from this design is likely to promote the continuation and scaling up of governance and public sector reform in Somalia. The capacity injection, particularly the

combination of experienced staff and young graduates, and the overhaul of the civil service regulatory environment will create the necessary foundation for sustained reform implementation and improved public sector performance.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

Risk Categories	
1. Political and governance	Substantial
2. Macroeconomic	High
3. Sector strategies and policies	Substantial
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	High
7. Environment and social	Moderate
8. Stakeholders	Moderate
9. Other (Security)	High
<b>Overall</b>	<b>High</b>

### B. Overall Risk Rating Explanation

103. In a context of on-going conflict, Somalia's institutions face considerable challenges related to security, political settlement, and acute capacity constraints. These challenges create an extremely difficult operating environment for the capacity injection project, which has a **high overall risk rating**. However, as international experience has demonstrated, the risk of inaction often outweighs the risks associated with challenging operating environments. Along with the World Bank's recurrent costs and PFM reform projects, this project addresses core Government functions that need to be urgently strengthened in order for the World Bank to engage in Somalia. While the project comes with a number of high risks, the design of the project provides a number of mitigation measures that will benefit ongoing and future projects.

104. **Macroeconomic risks are high.** Somalia needs to move towards fiscally sustainable budgets and steps towards fiscal sustainability will need to be incorporated in the revised 2015 and subsequent budgets. Further steps towards fiscal sustainability will need to be incorporated in the revised 2015 and subsequent budgets. Recent budgets have been characterized by overly optimistic revenue forecasts, leading to severe cash rationing and generation of expenditure arrears and domestic borrowings. The domestic tax base is narrow, with trade taxes providing 70% of domestic revenues. Donor funding whilst providing about half the revenue, comes with its risks, as pledges for on-budget assistance fail to materialize in the quantum and timelines indicated. The budget is largely salary centric, with little money available for the provision of goods and services to the citizenry. To this end, a Medium Term Fiscal Framework accompanied by a set of fiscal rules and targets is needed to manage the return to sustainable budgets; deal with the increasing problems of

arrears; and to manage anticipated future revenue growth. Monetary policy is nonexistent for Somalia as most transactions are in US dollars. The CBS has weak capacity to license, regulate and supervise the banking sector. To mitigate these risks, the project will work with the Recurrent Costs & Reform Financing Phase 2 project in collaboration with the Ministry of Finance to implement a balanced budget which does not accrue arrears. Through the Somali Core Economic Institutions and Opportunities Program (SCORE) and the IMF, the World Bank will work with the Central Bank of Somalia to improve its capacity and capability to regulate and supervise commercial banks.

105. **Political and governance risks are substantial.** Changes in political leadership could undermine Government ownership of the project, while high levels of political and clan-based rivalries within Government could lead to internal division and competition for project resources. To mitigate these risks, the project team will engage with multiple levels of leadership and hold transparent discussions with stakeholders regarding the allocation of resources.

106. **Risks pertaining to sector strategies and policies are substantial.** The capacity injection project could establish a level of staffing and salary expectations that the Government will not be able to sustain after the conclusion of the project. To mitigate this risk, the project will ensure that salary levels for new graduate recruits who form over 65% of planned recruitments into the civil service are based on Government future salary projections with possible convergence of salaries at the end of the project period.

107. Potential fragmentation of development partner support is also a substantial risk within this sector, especially if there is a lack of coordination between the UN and World Bank. Although project preparation reflects a highly consultative process and a joined-up approach with UNDP, it is necessary to maintain dialogue with other donors throughout project implementation. There is also the risk of insufficient coordination between Bank projects particularly PFM, RCRF and this project. Project implementation could suffer if there is insufficient coordination as the three projects are very interdependent. To mitigate this risk, an integrated framework has already been developed to provide effective coordination and maximize efficiency gains across the PFM, RCRF and this project. The framework also reinforces strong Government commitment and leadership, and effective donor-Government partnership. A mechanism has also been established to facilitate regular meetings of the task teams of the three projects to strengthen project linkages and synergies. There are also regular meetings with the Government and donors to ensure further strengthening of coordination, participation and ownership.

108. **Technical design risks are moderate.** Capacity constraints within Ministries could potentially slow implementation. The World Bank's limited physical access to Somalia's institutions hampers the task team's ability to engage with the client directly and provide direct oversight, thereby exacerbating the risks posed by low Government capacity.

109. The capacity injection component presents a number of risks related to recruitment, notably the use of patronage and political influence. Nepotism, political ties and clan-based affiliations currently drive recruitment in Somalia. Implementation of a more transparent recruitment system is likely to face resistance and may revert to patronage-based practices. The project may also struggle to attract national talent or qualified international technical assistance, in which case the project would face difficulties to inject the necessary capacity to strengthen core Government systems.

110. Lack of knowledge transfer is another substantial threat to the sustainability of the project's impact. Given the acute capacity constraints and urgency to deliver results, advisors risk dedicating their time to performing the functions of the individuals they support, rather than transferring knowledge and building their capacity.

111. **Institutional capacity for implementation and sustainability risks are high.** Targeted Government institutions are staffed with employees who are either not qualified to perform the jobs they are assigned, or are due for retirement. There is also evidence of employees who do no work at the institutions but show up at the end of the month to collect salaries. Therefore, the project may struggle to achieve the critical mass of capacity necessary to strengthen institutional capacity and implement reform. The client's lack of familiarity with World Bank procedures may lead to delays in implementation. To exacerbate these risks, the World Bank will have limited oversight of activities due to restrictions on access and movement because of insecurity.

112. To mitigate these risks, the project will focus on the critical staffing priorities of the Government within a limited set of institutions, strategically focusing capacity development efforts to achieve the necessary critical mass to strengthen targeted core Government functions. By maintaining a narrow, programmatic focus, the project resources are directed at incremental, achievable objectives. The World Bank will provide expanded support to the client through an implementation support team, to familiarize clients with Bank procedures. The project team will also build enough flexibility into its implementation support arrangements such that it is able to take advantage of periods of relatively improved security on advice from the World Bank's corporate security. Independent monitoring agents will also be used to fill essential delivery monitoring gaps.

113. **Fiduciary risks are high.** Given the absence of a robust public financial legal framework and the nascent rudimentary banking systems, the potential risk of fraud and corruption related cases is high. Mitigation measures for misappropriation of funds will be a key focus of the project's risk management strategies. Lack of capacity in key areas such as financial management and procurement, could potentially slow implementation or create opportunities for corruption.

114. The project intends to mitigate these potential threats through: (i) targeted independent monitoring and risk management mechanism at the MPF and project specific level; (ii) specific aspects on corruption auditing will be included in the TORs for the external audit; (iii) targeted FM procedures and internal control mechanisms across the project activities shall be detailed in the project operational manual; (iv) strong FM staffing arrangements (including qualified project accountants in the EAFS); (v) periodic FM supervisions; (vi) stringent reviews and monitoring recommendations of the MPF and project specific monitoring reports and IFRs reviews; (vii) measures to improve social accountability and transparency shall be integrated into the project design, for instance, ensuring that project reports are available to the public and finally; and (viii) frequent annual PFM forums with the project counterpart staff. For more detail on the project's Financial Management risk mitigation strategy, see Section VI.C.

115. **Environmental and social risks are moderate.** The potential for such risks is limited based on the types of activities included in the project components. The primary risks relate to the social relationships and dynamics between injected staff and regular civil servants. Mistrust and poor communication can negatively impact project outcomes, but can be sufficiently mitigated through planning and monitoring.



116. **Stakeholder risks are moderate.** The potential impact of changes in leadership and lack of intra-Governmental coordination on project outcomes is significant, but can be mitigated through careful project design and implementation. Changes in political leadership could undermine Government ownership of the project and gains in capacity development. Within the Government, there is a lack of clarity on the division of labor amongst ministries, agencies and departments. Government entities often have overlapping functions and exhibit poor communication. This lack of internal coordination could slow project progress.

117. **Security risks are high. Insecurity poses a risk to the personal security of both World Bank staff and the client.** It also threatens project implementation and sustainability by creating severe limitations on access to the operating environment. Political crisis or breakdown, a potential outcome of this insecurity, would have a severe impact on the project. In such a scenario, the project would need to be put on hold and potentially discontinued, based on the severity of the situation. The risks posed by insecurity cannot be completely mitigated; however, the project has been designed to incorporate agile and flexible implementation planning to adapt to changing circumstances.

118. The management of these risks and proposed mitigating measures are discussed in the Systematic Operations Risk-rating Tool (SORT) in Annex 4.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

119. **The proposed project is likely to have a significant impact on the economic growth and social welfare of the country.** As public institutions improve their capacity to prepare and execute their policies and development programs through adequate resource mobilization, cost-effective procurement, reduction in resource wastage as a result of improved management and effective monitoring, the likelihood of spurring economic growth and achieving development objectives will increase. The project seeks to boost performance of key priority institutions, which have been identified as sources of policy formulation and implementation to facilitate growth and poverty reduction in Somalia.

120. **The project will strengthen core macroeconomic and fiscal management functions, thereby supporting macroeconomic stability and growth.** In particular, by providing additional capacity to the Central Bank of Somalia and Ministry of Finance in the FGS, and Puntland State Ministry of Finance, it will support improved revenue management, budget preparation and execution, monetary policy, financial sector regulation, and data and statistics. Moreover, the sustainable nature of the support through the use of standardized pay scales will help to ensure these gains last beyond the lifetime of the project. The macro-fiscal management effect will become increasingly important as the size of the public sector relative to the economy gradually increases.

121. **Strengthened revenue mobilization by the FGS and Puntland State Governments will be a particularly important economic benefit of the project.** Both the FGS and Puntland State Governments are in dire need of additional revenues to support public service delivery. In 2012, the Federal Government collected US\$30 million in domestic revenue and Puntland State

Government almost US\$38 million, both administrations relying predominantly on customs revenues. However, there is significant potential for additional revenue collection in both cases. For instance, low capacity of the FGS hinders the transformation from volume-based customs collections to value-based or *ad valorem* customs collections. Further, as the joint offensive by the Somali National Army / African Union Mission in Somalia (AMISOM) to recover territory from al Shabab advances, both economy activity and revenue potential should increase.

**122. Somalia is ranked bottom of the 177 countries surveyed by Transparency International in the 2013 Corruption Perceptions Index.**<sup>8</sup> Corruption can significantly undermine good fiscal management, both in terms of revenue mobilization and budget execution, and can result in diversion of scarce public revenues away from public service delivery. Working closely with the PFM project, this project will contribute to improving capacity for revenue administration, budget management and accountability systems, increase transparency in public financial management and make systems less vulnerable to abuse. Increased capacity across the PFM and management levels of Government will help to increase the FGS's ability to plan and execute its budgets efficiently and effectively.

**123. The project aims to attract qualified and experienced Somalia citizens working in the region and international organisations to work for the Somali public service by offering competitive salaries.** There is a significant number of qualified Somalis working in public and private institutions including international NGOs and embassies in East African countries and also in North America, Europe and Australia who have expressed their willingness to serve their Government in various capacities. To recruit and retain staff of a high level of skill, experience and integrity essential to the Somali public sector, a study was conducted to evaluate regional labor market conditions, identify salary levels of leading employers and establish accurate comparisons with staff salaries paid by these employers. This is to ensure that civil servants salaries paid by the project reflect best prevailing conditions to help provide indicative costs for the project (see Table 6). The World Bank, UNDP, donors and the Government are optimistic that the relatively higher salary scales would attract qualified Somalis working in regional and international organisations to work in the Somalia public sector to improve Government performance.

**124. Full implementation of the salary component of the capacity injection program will cost US\$25.8 million over five years.** It is estimated that the program will consist of 25 senior advisors for the ministries, 30 senior managers, 45 mid-level managers or technical staff, and 108 young professionals. Table 6 shows the division of labor of the project between Federal and Puntland regions during implementation of this project. This will provide a direct boost to economic activity in Mogadishu and Garowe. It is important to note here the very close relationship between the capacity injection project and the Recurrent Cost and Reform Financing (RCRF) program: the latter will provide the financing for the advisors and civil servants to be recruited under the former.

**125. The project will contribute to the fiscal sustainability of the public sector in Somalia.** It is a common feature of international support to fragile contexts that multiple different development partner projects support different pay scales for both advisory and line function roles, creating inflationary pressure on the Government wage bill, and undermining morale in the core civil service. By using standardized fixed salary scales for the different categories of civil servants

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<sup>8</sup> Source: 'Corruption Perceptions Index 2013.' Transparency International.

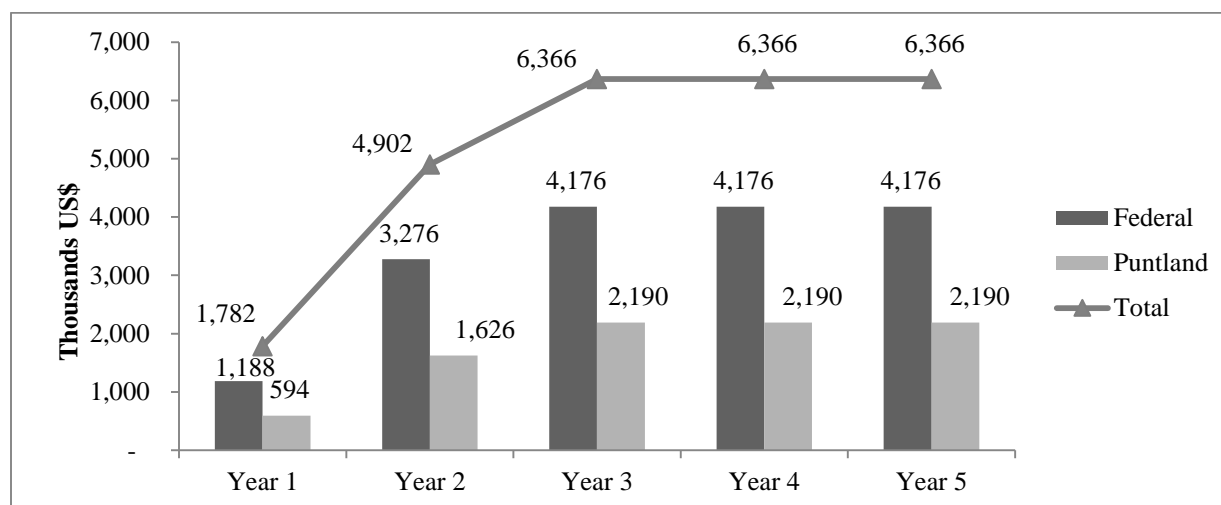
supported under the project, the CIM will help mitigate inflationary pressures on the civil service wage bill. Further, the adoption by Government of a single common salary scale for capacity injection should encourage other development partners to adhere to these scales, thereby amplifying the fiscal sustainability effect more broadly across international support to the public sector. By adopting a common, transparent, Government-led process for recruitment, including contracting and salary negotiations, and by providing support to broader HR systems, this should help to both mitigate morale effects on core civil servants, and help to improve civil service recruitment processes more broadly.

126. **The project itself will be fiscally sustainable.** The total FGS salary budget for 2015 is \$87 million (January to December budget year). While this is likely to grow in future years, the project will add only \$3.1 million or an additional 3.6% percent to FGS salary expenditures in 2016 as per the amounts appropriated in the Revised Budget for 2015. In Puntland, although the current budget is very low, it is estimated that the project can support the administration in mobilizing revenue in the next five years to a level that can integrate the cost of this project. The Puntland State Government currently budgets approximately \$23 million for salaries, of which the estimated \$1.1 million project expenditure in 2015 would represent around 4.8%. However, it seems likely that in future years the relative fiscal impact of the project will be lower as improvements in domestic revenue collections, in part resulting from additional capacity and better organization provided under the project, are realized.

**Table 6. Indicative Cost structure of the Capacity Injection Project**

Grade	Personnel		Total Number of staff	Month salary per person	Relocation allowance per person	Number of months during the project	Total Salary Cost	Total Relocation costs	Relocation costs
	<i>A (Federal)</i>	<i>B (Puntland)</i>							
			$C=A+B$	$D$	$E$	$F$	$G=C*D*F$	$H=E*F$	$I=G+H$
Senior Advisors	15	10	25	7,000	2,000	60	10,500,000	120,000	10,620,000
Senior Managers	20	10	30	2,000	2,000	60	3,600,000	120,000	3,720,000
Mid-level Management or technical staff	30	15	45	1,800	2,000	60	4,860,000	120,000	4,980,000
Young graduates	78	30	108	1,000	500	60	6,480,000	30,000	6,510,000
<b>Total</b>	<b>143</b>	<b>65</b>	<b>208</b>				<b>25,440,000</b>	<b>390,000</b>	<b>25,830,000</b>

**Figure 1: Five-year project expenditure trends in Federal and Puntland Governments**



## B. Technical

127. The project is technically viable and sound. It incorporates the Government of Somalia’s development priorities as outlined in the ERP and Somali Compact. The Project is based on an extensive body of analytical work on public sector reform and capacity development. It has also been influenced by a number of lessons from World Bank experience around the world on governance and public sector management, as well as on results-based lending. The Project builds on the achievements, and draws from the shortcomings, of existing World Bank support to Governments in fragile and post-conflict countries. Project preparation has relied heavily upon the active engagement of expertise both within the World Bank, UNDP and other international development partners. The technical merits of the project design have been examined by World Bank staff over the course of project preparation and are considered in line with international standards.

## C. Financial Management

128. The financial management risk is ranked as high. From a regulatory perspective, the existing Public Financial Management (PFM) framework is not sufficiently robust to support the required financial management functions. Intergovernmental fiscal relations framework between the Federal Government and State Government of Puntland is undeveloped. This is likely to negatively impact on the project financial management arrangements particularly fiduciary risk management, banking and funds flow arrangements. There are a number of financial management challenges that are likely to affect the implementation of the project. These include among others the lack of key financial management competencies and weak PFM systems and framework.

129. The project will seek opportunities for integrating the financial management function into the Use of Country Systems (UCS). The project financial management will be managed by the respective Federal and Puntland State Ministries of Finance. A dedicated project accounting Unit (External Assistance Fiduciary Section- EAFS) has already been established at the federal level. Plans are underway to establish a similar unit in the office of the Accountant General, Puntland

State Ministry of Finance. The Federal and Puntland EAFS units will be charged with the responsibility of financial management function for all the projects funded by development partners through the UCS. In particular, the Units will manage all the project's aspects of accounting, reporting, funds flow, banking arrangements, internal controls as well as liaison with internal and external auditors. To mitigate the existing capacity gaps, the dedicated unit will be supported by targeted technical assistance.

130. Federal and Puntland will each recruit a dedicated Project Financial Management Specialist (FMS) through use of Terms of Reference (TOR) to be aligned with the respective EAFS structures. The FMSs will work in close coordination and collaboration with the staff in the respective Project Coordination Units (PCU), EAFS units and the Technical Implementation Units (TIUs). The FMS TOR will have clear provisions on capacity building and knowledge transfer to the local TIUs finance staff. The project accounting and reporting will be done on the Government Financial Information Management System (FMIS) supported by the PFM Project. This will be supplemented with excel based analytical tools as may be necessary.

131. The need to tap into external technical assistance to support the project internal audit function will be considered. The respective Offices of the Auditor General at the FGS and Puntland will have the overall responsibility over the project external audit. However, to mitigate any internal capacity constraints, external technical assistance acceptable to the World Bank will be identified to support the Auditor General in carrying out the necessary project periodic external monitoring and annual external audits.

#### **D. Procurement**

132. The FGS public procurement legal framework and institutions are not yet in place. The country has neither the institutional capacity nor a legislative framework to handle robust public procurement. The private sector and civil society have limited capacity or functionality (due to total lack of regulatory law and business norms). A new public procurement, Concessions & Disposal Bill has been approved by Council of Ministers and is now in the Somalia National Parliament for discussion. If enacted, the new Act foresees a decentralized system of procurement. The Act further provides for an independent oversight body that will foster the regulatory and the policy framework in public procurement in the country.

133. As regards to Puntland, the situation is more or less the same as FRS as it too has neither the institutional capacity nor a legislative framework to handle robust public procurement. The Puntland administration is yet to enact a procurement bill to regulate the public sector procurement environment in the state. The private sector is in its infancy. The private sector and civil society have limited capacity or functionality (due to ineffective regulation and business norms, as well as the political unrest that weakened the governance system). The Puntland administration commissioned a consultant to draft a bill to regulate the public procurement environment. The draft Bill has been presented to Cabinet for review. The public procurement Bill will, after enactment, repeal all the procurement provisions in the financial and accounting procedure of the state. The Act further provides for an independent oversight body to formulate policy and regulate public procurement, concessions and disposal of assets practices in the country.

134. Procurement for the proposed project will be carried out in accordance with the latest revision of the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grant by the World Bank Borrowers” dated January 2011(revised July 2014); and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grant by the World Bank Borrowers” dated January 2011 (revised July 2014), that facilitates dealing with the emergency and fragile situations in Bank-financed projects and Recipient –Executed Trust Funds. “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)” dated October 15, 2006 and revised in January 2011, and the provisions stipulated in the Legal Agreement will be applied. Somalia being a FCS country, Procurement under the project will be processed under special procurement arrangements referred to in paragraph 20 of OP 11.00.

135. Project Procurement implementation arrangement and risk identification: (a) In the FRS the procurement of the proposed project will be carried out by the Project Coordination Unit (PCU) to be established in the Office of the Prime Minister. As the said unit will be newly established, there will be significant capacity limitations to undertake proper and efficient project procurement; (b) In Puntland, the procurement of the proposed project will be carried out by the Project Management Unit (PMU) to be established in the Office of the President. As this unit will also be newly established there will be capacity limitations to undertake proper and efficient project procurement. Thus, the procurement activities both in PCU and in PMU will be supported by hiring qualified procurement specialists. As the result of the overall operational challenge and weak institutional capacity, the project procurement risk is rated as High. The major challenges related to the overall procurement environment and institutional capacity aspects and possible risk mitigation measures have been included in the Annex 3.

#### **E. Social (including Safeguards)**

136. The project will focus on providing capacity development and advisory services to public institutions. Therefore there is no social safeguards related risk that may result from the implementation of this project. However, due to the fragile nature of the state, there may arise challenging group dynamics between staff hired under the project and those already existing in the civil service. Therefore, measures to address such challenges like continuous team building activities, etc., will be included in the project. The project will also conduct analytical comparative study on pensions as a basis for developing an evidence-based pension policy for Somalia in the second phase of the project with intentions of promoting equity among Government staff irrespective of age or gender.

#### **F. Environment (including Safeguards)**

137. The project Category is C and no safeguards policies are triggered. The project activities will not include any civil works or utilization of materials that pose any environmental risk. The client will however be advised to promote and adhere to World Bank safeguard policies and measures.

## **G. World Bank Grievance Redress**

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



## VII. ANNEXES

### Annex 1: Results Framework and Monitoring

#### Somalia Capacity Injection Project

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
<i>Staff appointed to key positions by CIM through approved procedure (disaggregated by gender and professional categories)</i>	□	Number & % women	Federal	0	50 (20% women)	90 (20% women)	130 (20% women)	170 (20% women)	210 (20% women)	annual	Appointment records & qualitative assessment (HR Firm)	CSC/CIM Unit (FGS)	<i>Measures total number of staff appointed by CIM in accordance with approved recruitment procedure. Includes senior advisors, senior managers, technical experts and young graduates strategically placed to inject technical qualifications in critical positions.</i>
			Puntland	0	25 (20% women)	50 (20% women)	70 (20% women)	90 (20% women)	110 (20% women)			CSC/CIM Unit (Puntland)	
<i>Proportion of injected staff remaining in service more than 12 months</i>	□	Percent	Federal	0	N/A	70%	70%	70% (more than 24 months)	70% (more than 24 months)	annual	Personnel and payroll data	CSC/CIM Unit (FGS)	<i>Assesses stability of staffing in participating ministries/agencies 12 months after placement. The project will also track and report the number of months injected</i>
			Puntland	0	N/A	70%	70%	70%	70%			CSC/CIM Unit (Puntland)	

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
													<i>staff remain in service beyond 12 months.</i>
<i>Change management plans developed and at least partially implemented</i>	<input type="checkbox"/>	Number	Federal	0	0	1	3	5	7	annual	Ministry progress reports & qualitative assessment	OPM/PCU & target ministries (FGS)	<i>A ministry is considered to have partially implemented a change management plan when at least three of the five criteria below are met: i) organizational structure defined, ii) establishment posts determined, iii) job descriptions developed, iv) staff placement undertaken, v) capacity development plan developed. Supported ministries will submit qualitative reports on change management plan implementation to the project</i>
			Puntland	0	0	1	3	5	7			PCU & target ministries (Puntland)	

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
													<i>coordinator upon completion.</i>
<i>Ministries / agencies with operational HR and FM functions</i>		Number	Federal	0	0	1	3	5	7	annual	Ministry progress reports & qualitative assessment	OPM/PCU & target ministries (FGS)	<i>A ministry/agency is considered to have an operational HR and FM function in place when at least three of the four criteria below are met: i) organigram developed, ii) Unit staffed (at least 60%), iii) Unit staff trained, iv) produces key outputs (e.g., financial reports, HR records). Functionality will be further assessed through qualitative assessment conducted by the implementing partner or M&amp;E firm.</i>
			Puntland	0	0	1	3	5	7			PCU & target ministries (Puntland)	

**INTERMEDIATE RESULTS**

**Intermediate Result (Component One): Developing civil service capacity for key cross-cutting Government functions**

- *Sub-Component 1.1 Supporting harmonized and Government-led capacity injection in priority institutions*
- *Sub-component 1.2 Providing specialized training and coaching support for new recruits and their teams*

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
<i>Guidelines for recruitment and performance appraisal developed and approved by Steering Committee</i>	<input type="checkbox"/>	Yes / No	Federal	No	No	Yes	Yes	Yes	Yes	annual	Guidelines (CIM – HR Firm)	CSC/CIM Unit & MoLSA (FGS)	<i>Whether or not guidelines have been established and approved for recruitment and performance appraisal.</i>
			Puntland	No	No	Yes	Yes	Yes	Yes			CSC/CIM Unit & MoLSA (Puntland)	
<i>Proportion of injected staff with salaries compliant with harmonized pay scale</i>	<input type="checkbox"/>	Percent	Federal	N/A	80%	80%	80%	90%	90%	annual	Appointment records (CIM – HR Firm)	CSC/CIM Unit & MoF (FGS)	<i>Proportion of injected staff with salaries compliant with harmonized pay scale. The Government is expected to approve a harmonized pay scale before hiring for injected capacity commences.</i>
			Puntland	N/A	80%	80%	80%	90%	90%			CSC/CIM Unit & MoF (Puntland)	
<i>The number of staff who state that they have used the training that they received on the job.</i>	<input checked="" type="checkbox"/>	Number & %	Federal	N/A	24 80%	48 80%	72 80%	96 80%	120 80%		Staff survey	Implementing agency	<i>Survey results demonstrating application of training in 1-3 months following training completion. Survey to be administered by phone by M&amp;E firm as part of</i>
			Puntland	N/A	16 80%	32 80%	48 80%	64 80%	80 80%			Implementing agency	

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
													<i>their contractual requirements. Survey methodology to be reviewed by Bank staff before administering.</i>
<i>The number of staff who have achieved improvements in skill/knowledge compared to a pre-training baseline (measured by test results)</i>	<input checked="" type="checkbox"/>	Number & %	Federal	N/A	30 70% pass rate	60 70% pass rate	90 70% pass rate	120 70% pass rate	150 70% pass rate	annual	Training records (pre-training baseline and test results)	Implementing agency	<i>Measured by demonstrated improvement in test results, compared with pre-test baselines. Testing to be administered by implementing agency providing training as a part of their contractual requirements. Test quality to be reviewed by Bank staff before administering.</i>
			Puntland	N/A	20 70% pass rate	40 70% pass rate	60 70% pass rate	80 70% pass rate	100 70% pass rate			Implementing agency	
<b>Intermediate Result (Component Two): Strengthening the frameworks and procedures for civil service management</b> <ul style="list-style-type: none"> <li>• <i>Sub-Component 2.1: Supporting Priority Ministries in Re-organization and change management</i></li> <li>• <i>Sub-Component 2.2: Strengthening Basic Frameworks for Civil Service Management</i></li> <li>• <i>Sub-Component 2.3: Civil Service Work Force Management</i></li> </ul>													
<i>% of senior staff in supported institutions</i>	<input type="checkbox"/>	Percent	Federal	10%	20%	30%	50%	70%	90%	annual	CSC job description documents	CSC (FGS)	<i>Clarity of roles and responsibilities for senior staff</i>
			Puntland	10%	20%	30%	50%	70%	90%			CSC (Puntland)	

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
<i>with job descriptions</i>													<i>positions within supported institutions. Senior staff are defined as Director Generals, Directors and head of units. Indicative baseline and targets will be reviewed and updated after baseline assessment is conducted.</i>
<i>Civil Service Pay Policy and phased plan for implementation developed and submitted for Cabinet approval</i>	<input type="checkbox"/>	Yes / No	Federal	No	No	No	Yes	Yes	Yes	annual	CSC Pay Policy document	MoLSA & MoF (FGS)	<i>Assesses whether or not FGS has established a draft civil service pay policy with a phased approach for implementation (step 1), and whether or not it has submitted a final draft to the Cabinet for approval (step 2).</i>
			Puntland	No	No	No	Yes	Yes	Yes			MoLSA & MoF (Puntland)	
<i>Pension Policy and phased plan for</i>	<input type="checkbox"/>	Yes / No	Federal	No	No	No	Yes	Yes	Yes	annual	CSC Pension	MoLSA (FGS)	<i>Assess whether or not FGS has established a draft</i>
			Puntland	No	No	No	Yes	Yes	Yes			MoLSA	

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
<i>implementation developed and submitted for Cabinet approval</i>											Policy document	(Puntland)	<i>civil service pension policy with a phased approach for implementation (step 1), and whether or not it has submitted it to the Cabinet for approval (step 2).</i>
<i>Civil servants with complete electronic personal records (participating ministries)</i>	<input type="checkbox"/>	Percent	Federal	0	0	40%	60%	80%	95%	annual	Electronic personal records	CSC (FGS)	<i>Proportion of civil servants with electronic personal records within supported Ministries and agencies. The rate of record keeping will be compared with those seen across the civil service</i>
			Puntland	0	0	40%	60%	80%	95%			CSC (Puntland)	
<b>Intermediate Result (Component Three): Strengthening policy management, coordination and monitoring capabilities at the center of Government</b> <ul style="list-style-type: none"> <li><i>Sub-Component 3.1: Strengthening Capacity for Aid Coordination and Monitoring and Evaluation of the Somali Compact</i></li> <li><i>Sub-Component 3.2: Developing Basic Policy Management Capabilities</i></li> </ul>													
<i>Annual publishing of aid data by ACU</i>	<input type="checkbox"/>	Yes / No	Federal	No	Yes	Yes	Yes	Yes	Yes		ACU aid data platform and/or annual reports	MoF/ACU	<i>Assesses whether or not the Aid Coordination Unit (ACU) curates, analyzes and publishes aid data on an annual</i>
			Puntland	N / A	<i>Federal level only - aid data covers Puntland</i>						--		

PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
													<i>basis (in electronic or hard copy report format)</i>
<i>Participants in Executive Leadership Program (disaggregated by gender)</i>	<input type="checkbox"/>	Number & % women	Federal	N/A	10 (20% women)	20 (20% women)	30 (20% women)	40 (20% women)	50 (20% women)	annual	Attendance records and qualitative assessment	Implementing agency	<i>Number of politicians and senior civil servants who have participated in the executive leadership program. Minimum levels of engagement (e.g., # of sessions) will be set based on program design.</i>
			Puntland	N/A	5 (20% women)	10 (20% women)	15 (20% women)	20 (20% women)	25 (20% women)			Implementing agency	
<i>Development and approval of guidelines by the OPM and OOP for policy submissions to the Cabinet</i>	<input type="checkbox"/>	Yes / No	Federal	No	No	Yes	Yes	Yes	Yes	annual	OPM records	OPM/Policy and Oversight Department & Cabinet Secretariat	<i>Assesses the extent to which the OPM and OOP have provided clear guidance to facilitate the development and Cabinet approval of policy submissions. Once approved, the extent of adherence to guidelines could be monitored in a</i>
			Puntland	No	No	Yes	Yes	Yes	Yes			OOP	



PDO Level Results Indicators	Core	Unit of Measure	Level of Government	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
					YR 1	YR 2	YR3	YR4	YR5				
												<i>second phase of the project.</i>	
<i>Government priority initiatives for which OPM and OOP have received bi-annual progress reports by line ministries and provided feedback</i>		Number	Federal	0	0	2	4	6	8	annual	Progress updates/reports	OPM/Policy and Oversight Department	<i>Assesses the function of the OPM's Policy and Oversight Department (federal level) and OOP (Puntland) to identify and track progress on high priority Government initiatives</i>
			Puntland	0	0	2	4	6	8			OOP	

## Annex 2: Detailed Project Description

### Somalia Capacity Injection Project

- 1. For the Government to be able to deliver its ambitious reform agenda, it will require rapid increase in staffing capacity within better defined core structures of Government.** The project will support the FGS to fill critical capacity gaps in key ministries and central agencies and strengthen their capacity to perform core Government functions. Core Government functions are defined as the ability to i) formulate strategies, policies and regulations, ii) manage and execute flagship programs and projects that deliver visible benefits to the Somali people, and iii) perform public financial management, procurement and human resource management in a standardized, rules-based manner.
- 2. The project will have four main components and will adopt a phased and flexible approach to gradually increase the number of beneficiary ministries.** A limited number of core institutions will benefit from the capacity injection modality and related support as of the first phase of operation.
- 3. The first component of the project will support the recruitment and placement of a small number of highly qualified advisors and civil servants** to core Government agencies through a central mechanism and at enhanced pay scales using national, regional and diaspora sources. The project will provide complementary short-term technical advice and training and mentoring to new recruits and their teams carrying out the targeted core functions. In addition, the project will recruit batches of young graduates and support them through training and work assignments to take up regular middle level civil service posts.
- 4. The second component will strengthen the Government's framework for civil service management.** It will support basic organizational assessments of selected institutions to clarify functions and responsibilities and to develop staffing plans as basis for scaling up capacity injection under the first component. This component will support the development of civil service pay and pension policies and strengthen the Government's management of its work force by improving personnel record management and the development of a severance policy and implementation plan.
- 5. The third component will develop management capacities at the center of Government to strengthen policy coordination, development and monitoring,** including the coordination of the Government's public sector capacity development flagship program itself. It will also provide direct support to improve aid transparency and monitoring capacities under the SDRF.
- 6. The fourth component will support the management, coordination and monitoring and evaluation of project activities.** It will seek to strengthen project management, build capacity for implementation, results tracking and publishing of information on the project.
- 7. The project will pursue opportunities to ensure diversity of qualified personnel and to adopt hiring and retention policies that promote overall inclusion.** Targeted attention and activities will be dedicated in particular, to ensure the identification and hiring of qualified female personnel under the capacity injection component (see Box 5 for details).

8. In selecting target institutions, the project places emphasis on ministries and central Government agencies of particular importance to the country's economic and social development (i.e., responsible for the delivery of the Compact's PSG 4 and 5 priorities). The project focuses on key institutions whose improved capacity will have a cascading reform impact across the public administration system and lead to sustained improvement in the policy and service delivery environment.

**Table 7. Project Phasing and Sequencing**

Component		Phase 1		Phase 2		
		yr 1	yr 2	yr 3	yr 4	yr 5
<b>Component 1: Developing civil service capacity for key cross-cutting Government functions</b>						
1.1	Support establishment and capacity development of capacity injection unit	*	*	*		
	Support recruitment, placement and performance monitoring of staff under the capacity injection mechanism	*	*	*	*	*
1.2	Design and delivery of training package, including induction training, senior management training and specialized technical training courses (in core institutions with gradual support to line ministries)		*	*	*	*
	Design and delivery of a young graduate scheme and 'on the job' and coaching support (in core institutions with gradual support to line ministries)		*	*	*	*
<b>Component 2: Strengthening the frameworks and procedures for civil service management</b>						
2.1	Support to organizational assessment in core beneficiary institutions with gradual support to selected line ministries		*	*	*	*
	Support change management and re-organization in selected ministries		*	*	*	*
2.2	Support to development of pay and grading policy			*	*	
	Support to development of pensions policy			*	*	
	Support to implementation of pay and grading and pension policies				*	*
2.3	Support to human resource assessment and HR data management	*	*	*		
	Support to development of severance policy and implementation Plan	*	*	*		
	Implementation of voluntary severance and retirement packages		*	*	*	*
2.4	Strengthening the Ethical Foundation of the Civil Service		*	*	*	
<b>Component 3: Strengthening policy management, coordination and monitoring capabilities at the center of Government</b>						

Component		Phase 1		Phase 2		
		yr 1	yr 2	yr 3	yr 4	yr 5
3.1	Strengthen aid information management and aid tracking capability of the Aid Coordination Unit (ACU) in the Ministry of Finance	*	*	*		
	Strengthen M&E capacity to track Compact implementation in MoPIC's M&E department		*	*		
	Establish and strengthen M&E capability and linkages with MoPIC in selected line ministries				*	*
3.2	Support establishment and capacity development of policy coordination and oversight unit in the Prime Minister's Office	*	*	*		
	Support establishment and capacity development of the Capacity Development Unit in the Prime Minister's Office	*	*	*		
	Support design and delivery of an Executive Leadership Program		*	*	*	*
	Establish and strengthen policy functionality and linkages with Cabinet Office in selected line ministries				*	*
3.3	Strengthening leadership for change and delivery		*	*	*	*
<b>Component 4: Project management and coordination</b>						
4.1	Strengthen project management, coordination and implementation capacity of the Project Coordination Unit	*	*	*	*	*
	Strengthen the capacity of Technical Implementation Committees	*	*	*	*	*
	Establish a functional Secretariat to provide support to the Project Steering Committee	*	*	*	*	*
4.2	Strengthen the capacity for monitoring and evaluating project activities	*	*	*	*	*
	Support the publishing of project information including progress reports and results	*	*	*	*	*

### Component 1: Developing capacity for key cross-cutting Government functions

9. The Somalia Capacity Injection Modality (CIM) will provide key Government ministries, departments and agencies for the Federal and Puntland state Government with a cadre of technical and managerial civil servants and advisors to fill immediate capacity gaps. Expected results from the provision of this emergency capacity are: firstly, the formulation of key Government strategies, policies and regulations; secondly, the development of basic functionalities in areas such as financial management and human resource management; and thirdly the introduction of basic organizational reform steps necessary to establish ministry functions.

10. An important lesson from previous experiences is that capacity injection has to be at scale and linked to ministry reform efforts. Placing a few people into a ministry and expecting them to

achieve real impact is unrealistic. The CIM will therefore provide clusters of targeted capacity to selected ministries and agencies and link capacity injection with efforts to build ministry functions and structures and implement Government flagship programs. Building on lessons from capacity injection experiences in other FCS, the CIM will also include a dedicated capacity development component for staff.

***Sub-Component 1.1 Supporting harmonized and Government-led capacity injection in priority institutions***

11. The CIM will adopt a prioritized approach that focuses on a limited number of critical Government institutions and focus staffing support on specific areas. Box 4 sets out the criteria that will be applied to guide prioritization.

**Box 4. Criteria for Priority institutions**

- Institution plays a vital role in strengthening financial governance and/or in developing core Government work processes and systems;
- Institution performs critical role and functions to deliver priorities identified in the Somali Compact;
- Institution performs critical role in managing Government flagship programs and in delivering visible benefits to the Somali people and/or building citizen's confidence;
- Institution has a clear mandate with agreed functions and demonstrated commitment to a re-organization and change management process
- Institution is committed to deliver required reforms or make significant impact within project timeframe;
- Institution's selection is consistent with principles of the World Bank/UNDP joined-up approach that seek to avoid unnecessary duplication of donor effort, reduce waste, enhance synergies and maximize results.

12. A limited number of institutions that will benefit from the CIM in the first year of operation will be identified upfront. At the federal level, these will include the Ministry of Finance, the Central Bank of Somalia, the Prime Minister's Office, the Ministry of Planning and International Cooperation, the Ministry of Labor and Social Affairs, the National Civil Service Commission, the ministries of Energy and Water, Public Works and Agriculture. At the Puntland State level, these will include the Ministry of Finance, the State Bank of Puntland, the Office of the President, the Ministry of Planning, the Ministry of Labor and Social Affairs, the Puntland Civil Service Commission, the Ministry of Livestock and the Ministry of Fisheries.

13. In addition, a mechanism for prioritizing and sequencing additional institutions based on the criteria above will be established (see implementation arrangements below). This will allow Government to make adjustments to the list of beneficiary institutions and respond to changes in priorities.

14. **Priority staffing areas:** The CIM will focus on the most important staffing priorities of the Government as well as those areas where a common approach across ministries is necessary to strengthen core Government functionality. The following areas will be addressed:

- *Senior Advisors:* This will provide the ministerial leadership with a cadre of senior advisors who can provide high-level policy and strategic advice, support policy development, strengthen coordination within Government and with external stakeholders, and drive internal reform. This cadre will also include a small group of institutional development experts who will be responsible to support ministries in carrying out a basic institutional capacity assessment, develop a ministry reform plan and support implementation of organizational reform and change management.
- *Senior Managers:* the recruitment of senior managers is a key priority for Government. Recruitment will focus on critical positions at Director General and Director level. Recruited staff will perform line functions and have decision-making and representative powers. Positions will need to be part of the existing or proposed ministry staffing establishment and aligned with the ministry's strategic objectives.
- *Policy and Technical staff:* This will provide Government with professional experts (e.g., health specialists, economists, engineers) to help ministries and agencies execute their mandate. Positions will need to be part of the existing or proposed ministry staffing establishment and aligned with the ministries strategic objectives.
- *Common services staff:* This will provide selected ministries with a cadre of staff for common Government functions (i.e., activities which cut across all ministries). The common service staffing areas covered are, i) financial management and procurement, ii) human resource management, iii) project management (e.g., planning, M&E) and iv) common administrative functions (e.g., records management). Recruitment under this staffing area will include senior managers (e.g., HR Directors) as well as middle-level and operational civil servants to execute these functions. Recruitment into the Common Function groups may be organized in batches.
- *Young Graduates Scheme:* This is a critical staffing area to ensure sustainability of external capacity injection. Young graduates represent the future managers in the Government. Young graduates will be recruited in the common services areas as well as in selected professional fields. They will have ministry specific work assignments over a 2-year period, possibly including employment experiences at regional level. A focused training and mentoring program will be set up to ensure professional development. It is expected that young graduates would transition into junior civil service posts on a competitive basis after completion of the scheme.

15. **Sequencing of capacity injection:** Given the urgency of filling a wide range of capacity gaps in the civil service and the challenges in attracting qualified applicants in high numbers, the CIM will need to adopt a sequenced approach which includes the following phases.

16. A first phase will concentrate on critical senior advisors and policy and technical functions in priority institutions. It is expected that a small team will provide technical and policy expertise, help to define the ministry's work plan and priorities and develop a ministry reform plan as basis for internal organizational reform. This will allow ministries to scale up staffing and fill key and management and line posts.

17. A second phase will focus more explicitly on key cross-Government service areas to build functionality in Government, and scale up recruitment for managerial, technical and common services. Recruitment of common services staff will be prioritized in those institutions where solid internal reform or improvement plans are available or are under development and where the reform is supported by an appropriate senior management establishment.

18. **Implementation modalities:** A detailed program implementation manual will be developed to describe the stages and detailed processes and procedures involved in the implementation of the CIM. The manual will cover the following topics: i) application process; ii) selection process; iii) contracting and salary negotiation; iv) on-boarding and induction; v) salary payment, and vi) performance monitoring. The manual will describe the roles and responsibilities performed by the CIM Secretariat and the external support (e.g., HR firm) for all of these tasks. It will include annexes with templates for letter of offer, contract, MoUs to be signed with line ministries, CIM salary scales etc. Basic workflow and key implementation features are detailed as follows:

19. *Application:* The participating Government institution identifies the positions for which staffing support is requested and submits a request to the CIM recruitment unit. Consolidated requests for support (“clusters”) rather than requests for individual positions would be preferred. The request is peer reviewed by the CIM Implementation Board and would include additional technical experts in the sector/policy area to be supported. The Implementation Board would determine whether the application meets the requirements of the CIM, verify required qualifications and match positions with appropriate salary levels. If the application fails to meet the requirements it will be returned to the requesting ministry for rectification (with support of the CIM recruitment unit).

20. *Advertisement and selection process:* Once staffing requests have been accepted the NCSC CIM team will undertake specific searches. Recognizing the different skills and qualifications required, and the difficulty of reaching out to qualified Somali nationals in different labor markets, the recruitment unit will deploy multiple recruitment channels. These are:

- Recruitment through an HR firm located inside the NCSC (mainly for senior positions that would require head-hunting, for batch recruitment in common function areas and for large scale recruitment).
- Recruitment through locally managed process managed by NCSC CIM team internally with assistance of consultants or HR Firm.
- Recruitment through partner organizations such as IOM and NRC, especially for reaching out to the Diaspora – using amended modalities with existing partners.

21. Regardless of the channel, a harmonized selection process (i.e., screening, short-listing, testing, and interviews) will be established. This will include a selection committee with technical experts in the area to be filled, a representative from the requesting ministry, the NCSC, and Ministry of Labor and Social Affairs. An external audit firm will perform an oversight and monitoring function for all CIM recruitments.

22. *Contracting and salary negotiations:* Successful candidates will be given a contract dependent on the status of their position:

- Staff in Line management function: senior managers, policy and technical staff and common service staff, will be contracted on regular Government of Somalia Civil Service Contracts.
- Short or Long-term Advisory staff: advisors will be directly contracted by the Government of Somalia, or may be assisted through direct contracting arrangements in exceptional circumstances.

23. The monthly salary will be determined by the CIM team based on fixed salary scales for the different categories of civil servants supported under the CIM. Salary will be based on the skills, qualifications and experience required for the positions rather than personal salary history. Salary recommendations outside of this scale for exceptional circumstances would have to be approved by the Implementation Committee.

24. *Salary payments:* Salary payments for Government contracts will be made through the regular payroll process, staff on other contractual arrangements will follow the precise modality of these specific contracts. In cases where the CIM has directly contracted staff, payments will be processed through the PCU to ensure timely payment of salaries. Monthly salary payments will be made on the basis of confirmed attendance.

25. *Performance monitoring:* Performance monitoring will initially be the responsibility of the NCSC CIM team until functioning HR units and Government performance monitoring standards have been established in the relevant ministry. Performance monitoring will be conducted with support of the HR firm. This would involve reviewing and verifying staff performance reports and reviewing results that are being achieved by the presence of the experts in their respective posts.

26. **Support delivered under the project** will include:

- Financial support to equip the NCSC for the first two years of operation (operational costs will then be transferred to the recurrent cost budget);
- Long-term and short-term technical assistance to the NCSC to mentor and coach the CIM team, to support outreach to ministries and identification of staffing needs and to develop CIM implementation modalities;
- HR firm to support recruitment function, including advertisement, executive search, selection, contracting, on-boarding and placement;
- Audit firm to perform oversight function for recruitment and to conduct regular spot-checks and monitoring compliance with CIM rules and regulations.

***Sub-component 1.2 Providing specialized training and coaching support for new recruits and their teams***

27. It will be important to provide CIM recruits and their teams with additional capacity development support. This is an important lesson from past capacity injection schemes. The CIM will therefore include a dedicated capacity development component for staff brought in under the CIM. The following capacity development services will be developed:

28. **Short-term training:** Three forms of short-term training programs will be established:



- **Induction Training:** This basic induction course for all new recruits will familiarize them with the basics of working in the Somali public service. The training will cover structure, and mandate of the FGS and its civil service, and basic rules and procedures of Government, and its development framework and priorities. The training will also cover basic information about CIM operations, including practical arrangements related to salary payments, performance monitoring and logistics.
- **Senior Management Training:** This will target senior advisors and senior managers. It will aim to improve policy development, strategic planning and change management. A specific focus will be on senior advisors and managers with organizational development responsibilities within their ministry. This will build the capacity of a cadre of experts to carry out basic institutional capacity assessment, develop a ministry reform plan and implement initial organizational reform.
- **Specialized technical training courses:** This will target common Government function staff and equip cadres with the knowledge and skills to carry out expected functions in a consistent manner and in line with the Government's rules and regulations. It is expected that training modules will be delivered in the areas of financial management, procurement, human resource management, organizational and individual performance management, project management and administration. Existing training modules (e.g., in the area of PFM) will be scaled up and training delivered to common Government function staff in line ministries. Training courses will not be off-the shelf products but build around the Government's evolving policies, rules and regulations.

29. **Long-term training:** To ensure sustainability of future civil service training and development efforts it will be necessary to develop the capacity of Somali training and development providers, including in the tertiary education sector. The curricula developed under this sub-component and lessons from the implementation of training will be valuable for building longer-term training capacity within the country and for defining the Government's civil service training and development framework (which will be developed with UNDP support). The sub-component will support existing training institutions to build capacity for long-term training of civil servants in core public administration and management functions. In Puntland, the feasibility of building capacity for public administration and civil service management at Puntland State University (PSU) will be explored.<sup>9</sup> Specifically, the project will support the development of curricula and training modules, establish certification and evaluation, and training of trainers in conjunction with partner institutions in the Africa Region.

30. Finally, the sub-component will also support the monitoring and evaluation of all training efforts and preparation of regular progress reports to the Program Steering Committee.

31. Training will be reinforced with dedicated schemes targeting particular young graduates and common functions staff.

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<sup>9</sup> The PSU already has academic affiliations with a number of institutions including Kenya Institute of Administration; Jomo Kenyatta University of Agriculture and Technology, Kenya; Kampala International University, Uganda; Scuola Superiore Sant' Anna, Pisa Italy; and Botho University of Botswana.

- **Young graduate scheme:** Young graduates will have ministry specific work assignments over a 2-year period, possibly including employment experiences at regional level. A focused training and mentoring program will be set up to ensure professional development.
- **‘On the Job’ and Coaching<sup>10</sup> support:** This will target common Government function staff and provide cadres with “on-the-job” training and on-demand technical support in their area of expertise. A small pool of Somali and international coaches and advisors will be recruited for key common functions areas. Coaches and advisors will not perform line management or classic TA functions but work with counterpart teams in several ministries. They will be selected from various sources, including current public service employees who demonstrate a potential to help build up peers, Somali and regional training institutes or private sector organizations, Somali diaspora with relevant skills and attributes and possibly countries in the region with established civil services (“south-south cooperation”).

32. Support delivered under the project will include:

- Long-term and short term technical assistance to the Ministry of Labor and NCSC CIM team to develop the capacity development interventions;
- Training firm(s) or institute(s) to develop and deliver senior management training courses, induction training, specialized common function training courses;
- Training firm to develop and deliver young graduate and coaching and mentoring scheme;
- Financial support for team of coaches and advisors;
- Financial support for exposure visits and other specialized training courses.

#### **Box 5. Promoting female participation and inclusion through capacity injection**

The CIM will pursue opportunities to ensure diversity of qualified personnel and to adopt targeted activities that promote inclusion overall. Particular attention will be dedicated to ensuring identification and hire of qualified female personnel. Women currently account for 18% percent of the civil service, however, the majority occupy low-level support or service functions. Furthermore, review of the experience of the QUEST-MIDA project and capacity injection programs in other countries reveals that the absence of systematic attention to and consideration for gender programming often translates into low hiring and retention rates of female staff.

The CIM will therefore introduce a series of targeted interventions in order to attract and retain qualified, senior-level female candidates for the identified advisory positions. A short assessment will be undertaken in order to explore conditions and challenges current female personnel confront in the public sector, in order to identify in greater detail appropriate mechanisms to address them. Findings from the assessment will then be leveraged to inform final design of the proposed package of interventions. Preliminary features of this package will include:

#### **Recruitment**

<sup>10</sup> Unlike traditional classroom training coaching is an “on-the-job” learning process in which a coach/advisor accompanies a counterpart in regular work activities and helps the recipient better understand and address the matters at hand. Learning is directly applied to resolve daily issues in the workplace: It is tailor-made for situations as they arise, which increases retention of new ways of operating, especially if entry-level capacity is relatively low.

- Establishment of an affirmative action target for recruitment of female candidates of at least 20 percent. Consideration will be given to establish a minimum quota for the recruitment of young graduates.
- Consideration will be given for how best to incentivize outreach and recruitment activities to achieve this target, e.g. by requesting recruitment firms to target/head hunt female candidates and/or rewarding firms for achieving recruitment targets.
- Development of user-friendly information packages across multi-media platforms (e.g., internet, radio, print media) specifically targeting female candidates outlining facets of employment in the civil service, associated benefits with relevance for female candidate, opportunities, application procedures, etc.
- Consideration for dedicated outreach and recruitment events targeting female candidates both within Somalia and in the diaspora.
- Consideration for implementing a standardized practice of including at least one woman on interview and selection panels.
- Provision of training to help female candidates pass written tests and to learn interview skills.

#### **Retention**

- Development of a package of benefits to promote women’s participation and inclusion in the civil service, such as child care services, transportation stipends, and other benefits to be identified during the assessment phase outlined above. Clear articulation of these benefits should be incorporated into outreach materials developed.
- Development and inclusion of robust content on gender equality and gender-sensitivity in the workplace as part of the overarching induction training, with particular emphasis on gender-relevant features of a proposed code of conduct.
- Inclusion of specific leadership training modules to promote and strengthen women’s inclusion and participation in technical activities and decision-making processes. Training may also include guidance on navigating gender-specific challenges that may arise in the workplace.
- Introduction of a mentorship model pairing senior female professionals, including those from the QUESTS-MIDA program, with new recruits.

#### **Monitoring**

- Collecting and monitoring relevant data related to recruitment and retention of female candidates (e.g., number of female applicants, number of candidates interviewed, number of women hired). Additional data may include responses from exit interviews of departing staff to capture reasons for leaving and potential areas requiring additional attention.
- Periodic review and analysis of captured data to monitor progress to identify areas of additional need.

### **Component 2: Strengthening the policies and procedures for civil service management**

33. The component seeks to facilitate solutions of the FGS and the State Government of Puntland to implement its civil service and capacity development agenda. The project will support

interventions for establishing the basic common functions of Government and development of appropriate incentive systems to attract and retain qualified staff into the civil service. Specifically, this component will support restructuring of selected ministries and agencies in a logical and systematic manner and establish the basis for recruitment and placement of staff under the CIM. The component will review mandates of selected institutions, rationalize ministry and agency functions, establish both core and non-core responsibilities and determine optimal capacities including organizational structures and systems, processes and administrative policies required to improve the functioning of the institutions.

***Sub-Component 2.1: Supporting Priority Ministries in Re-organization and change management***

34. This sub-component will support basic organizational assessments of selected institutions to define mandates, functions and institutional responsibilities and to develop staffing plans. It will also support implementation of a re-organization and change management on the basis of new mandates and strategic functions. A change management team will be established in each selected implementing ministry/agency to guide and oversee the process.

35. At the federal level, these will include the Ministry of Finance, the Central Bank of Somalia, the Prime Minister's Office, the Ministry of Planning and International Cooperation (statistics and M&E function), the Ministry of Labor and Social Affairs (training and workforce planning), the National Civil Service Commission (personnel management), the ministries of Energy and Water, Public Works and Agriculture.

36. At the Puntland State level, these will include the Office of the President, Ministry of Finance, the Ministry of Planning, the Ministry of Labor, the Ministry of Livestock, the Ministry of Agriculture and the Ministry of Fisheries.

37. The process activities will include:

- Organizational assessments, and definition of new mandate and strategic functions
- Determination of establishment posts
- Development of job descriptions
- Right-sizing and placement of existing and new qualified staff
- Development of capacity development plan for staff
- Supporting work planning processes
- Monitoring of change management process

38. *Organizational assessments*: will be conducted for selected institutions through a participatory process to internalize skills and ensure ownership of both the process and final output to facilitate implementation. The organizational assessments will form the basis of restructuring/re-organization of ministries and agencies taking into account their new roles, mandates, priority objectives and implementation strategies.

39. *Determination of Establishment Posts*: The purpose of this procedure is to provide assurance that staff who occupy approved positions in the organizational structure are funded appropriately by the recurrent window of the Government budget. The establishment posts procedure is also to ensure that any funded staff position is:

- Accurately identified, documented and administered in the new organizational design, relevant civil service employment details captured in the payroll;
- All associated costs are covered under the budget; and
- Employment risks are minimized.

40. The procedure will be applied to all positions listed in the organizational structure, including filled and vacant positions. Vacant positions need to be filled on the basis of specified job descriptions taking full cognizance of merit-based appointment procedures and other processes approved under the CIM.

41. *Development of Job Descriptions:* Job descriptions for all key positions determined in the establishment posts will be prepared. Job descriptions will provide details on title of position, directorate/department, grade of position, superior and subordinate positions and functional relationship within the organizational structure. The objectives of the position and related qualifications, and skills and competency requirements will also be clearly stated. Significant effort will be invested in defining the duties and responsibilities and the deliverables expected of each position with the aim of strengthening the accountability of occupants of the positions and ensuring appropriate streamlining of mandates and functions.

42. *Right-Sizing and Placement of Existing and New Qualified Staff:* Skills of individual staff will be identified through one-on-one interviews conducted by both Government and a qualified HR consultant. Qualified staff will then be placed in positions where they may be more productive and critical positions not filled or filled by people who are generally absent will be filled through the CIM or the regular but improved civil service appointment process.

43. *Development of capacity development plan:* A comprehensive training and development plan will be prepared to provide a framework for upgrading skills and competencies of staff and to ensure that skills gaps identified through training analysis conducted earlier in the process are filled, ensuring consistency with the training policy under the CIM. The primary objective of the training plan is to set out the skills and competencies that the institution and its staff require to carry out assigned functions and responsibilities.

44. *Supporting Work Planning Processes:* A work plan for the selected institutions will be prepared through a participatory process involving senior management and individual staff. The plan will be based on the agreed functions and deliverables of the institution and will further be disaggregated and distributed among the different departments that make up the ministry or agency. The purpose and rationale of the work plan is to provide a framework for implementing agreed functions in a way that maximize the use of knowledge, skills, available budget and tools to support the efficient and effective delivery of functions. The plan will be designed for a 3-Year time horizon to ensure adequate budgeting, continuity of planned development and administrative activities, and consistency with Government priorities during the first phase of the project.

45. *Monitoring of change management process:* Coordination and implementation of change management will be monitored on regular basis by the Change Management Team. Regular reviews of the change process, its outputs and outcomes will be done to assess progress of implementation and impact on institutional performance and organizational growth.

### ***Sub-Component 2.2: Strengthening Basic Policies for Civil Service Management***

46. This sub-component will support FGS and Puntland to develop basic policy and management frameworks to provide the enabling environment for civil service performance. It seeks to improve the legal, regulatory, policy and administrative environment for fiduciary, human and policy management, and other civil service administration functions to be satisfactorily performed. Due to the urgent demand for capacity injection, the development of the policy frameworks will be supported at a later period during project implementation but sequenced in such a way that provides support to staff performance and improved delivery of Government functions.

47. **Pay and Grading:** This sub-component will support the development of a civil service pay policy and an action plan to include reclassification of civil service jobs through a pay and grading exercise. This sub-component will be closely aligned to the design and implementation of the World Bank's recurrent cost project relating to salaries and salary administration for Somali civil servants. The policy will define key principles relating to fairness, competitiveness, work activity alignment, payroll costs controls and compliance with laws and regulations. The project will support the recruitment of a qualified consultant to work with Government and facilitate a technical process to conduct job analysis and classification and facilitate the development of civil service salary structures and relativities, pay practices and salary administration including leadership and management roles and responsibilities, and transitional arrangements from RCRF salary administration to a more permanent civil service wages and salary management structure. The component will also support the development of a Pay/Salary Administration Handbook.

48. **Pension Policy:** The sub-component will also fund the development of a pension policy for civil servants. The process will bring together all key stakeholders including Government (employer), civil servants (employees), and representatives of the business community and civil society. The policy will recommend the type of retirement plans suitable for adoption by FGS and Puntland and provide a roadmap for validation, approval by the Council of Ministers and eventual legislation and implementation. The absence of a pensions policy is often mentioned as one of the main reasons for keeping retired people on the payroll as this appears to be the only means of social security. The Government has acknowledged the negative impact of the situation on productivity and has requested support to address the situation. The project will hire an experienced expert to work with Government and facilitate a process leading to the adoption of the policy and its implementation plan.

### ***Sub-Component 2.3: Civil Service Work Force Management***

49. This sub-component will support the FGS and Puntland to develop a civil service staff rationalization policy to ensure optimal civil service establishment and processes for maintaining and reviewing establishment positions in accordance with demands of ministries and agencies, and budget allocations in support of wage bill management. A mechanism for manpower policy hearings will be established to enable ministries and agencies to discuss human resource needs and establishment ceilings with the Ministries of Labor and Finance. The project will support three major activities under this sub-component. They are (i) human resource audit; (ii) human resource data management; (iii) development of severance policy and implementation plan.

50. **Human Resource Audit:** The sub-component will fund a human resource audit across the civil service to identify gaps in critical and strategic positions that are vacant or filled temporary by unqualified and absentee staff that may need to be redeployed, retired or removed from the payroll for reasons of non-availability. The assessment will provide information on numbers, salaries, age, sex and skills of existing civil service staff and will make provisions for managing potential exit of staff from the civil service. The project will support the recruitment of a human resource audit firm to work with Government to undertake the exercise and also develop a plan to implement results/outcome of the audit,

51. **Human Resource Data Management:** Data collected from the survey will be processed to form the basis of a credible personnel data management system and consequent strengthening of controls on the payroll process and management of civil servants, including managing their retirement and professional development. Relevant HR data will feed into the Somalia Financial Management Information System (SFMIS) being developed under the PFM project.

52. **Severance policy and implementation Plan:** The sub-component will also fund the development and implementation of a severance policy with participation of key stakeholders including affected retired staff (primary stakeholders). The sub-component will support development of severance packages and systems and procedures for administration of the packages including pre- and post-retirement counseling. The policy and its implementation will be based on the outcome of the human resource audit particularly numbers of retired people and absentee workers who need to leave the civil service. The project will support the recruitment of a consultant who will work with a Technical Committee under the auspices of Ministry of Labor and Social Affairs. The terms of reference of the committee will include coordination of relevant opinions from stakeholders to design the policy and suitable severance packages taking into account best practice and Somalia country contexts including social, economic and political situations. The terms of reference will further ensure delivery of appropriate counseling and business support services to help affected people invest part of their benefits in income generating activities to prevent them from falling into poverty after exiting the civil service.

#### ***Sub-component 2.4 Strengthening the Ethical Foundation of the Civil Service***

53. The sub-component will provide support to the following activities: (i) promote dialogue and discussion on ethical standards for public service; (ii) develop a civil service code of ethics to define principles and standards civil servants are expected to apply; (iii) ensure ethical standards are reflected in the revised civil service legal and regulatory framework; (iv) mainstream the code of conduct in the ministry-level change management processes and integrate related training modules in the various training programs including leadership training; (v) support the establishment of adequate mechanisms for enforcement, accountability and complaints, i.e., for dealing with illegal or unethical practices within the civil service; and (vi) develop and implement a communication strategy to disseminate and socialize the code of conduct among civil servants, civil society, business community and international partners.

### **Component 3: Strengthening Policy Management, Coordination and Monitoring Capabilities at the Center of Government**

#### ***Sub-component 3.1: Strengthening Capacity for Aid Coordination and Monitoring and Evaluation of the Somali Compact***

54. The sub-component will provide support to improve aid transparency and effectiveness under the Somali Development and Reconstruction Facility (SDRF) and build capacity for monitoring the implementation of the Somali Compact.

55. **Aid coordination:** Targeted support will be provided to support the Aid Coordination Unit (ACU) in the Ministry of Finance at the federal level, including its role as a Secretariat of the SDRF. The SDRF groups a number of Multi-Partner Funds (MPFs) under a common umbrella, including the World Bank-administered MPF. The World Bank support will strengthen ACU's ability to collect, curate, analyze and publish aid data in an open and accessible format; to record aid against the Government's chart of accounts, to facilitate budget planning; and to track allocations at the sub-national level. This support will be delivered in partnership with the World Bank Institute's Open Aid Partnership. In addition to quantitative analysis of aid flows, the ACU and relevant Government entities will be provided with technical assistance and south-south learning opportunities to facilitate aid effectiveness monitoring through qualitative analysis. Additional, targeted support in the area of aid transparency will be provided to the aid effectiveness function of the Ministry of Planning in Puntland.

56. **Monitoring and Evaluation:** The project will also strengthen M&E capacity in Government to enable the FGS and international community to track progress of implementation of the compact including its peacebuilding and statebuilding priorities. Targeted support will be provided to the Ministries of Planning both at the federal and at the Puntland level and respective units in charge of national M&E and statistics. Capacity development needs include statistical capacity for measuring PSG outcomes and qualitative survey skills at both the implementation and analytical level. Support will also be provided to the FGS' ACU in strengthening its capacity to effectively coordinate reporting and analysis, including for the SDRF overall.

#### ***Sub-Component 3.2: Developing Basic Policy Management Capabilities***

57. This sub-component seeks to build capacities for policy planning and coordination at the center of Government and in line ministries both at the federal level and at the Puntland State Government level. The objective is to improve significantly capabilities to plan future policy development, to coordinate key policies across Government, to set and enforce policy development standards and to monitor policy implementation, and to improve significantly capacity in line ministries to comply with these requirements, in particular capacities for policy development and analysis.

58. **Policy Coordination and oversight:** This activity will support the FGS Prime Minister's Office (PMO) and Puntland's President Office to set and enforce policy standards. This will include supporting a new Policy and Oversight function within these offices to track implementation of major policies and flagship development programs of Government. This will also include support to these units in implementing a new system of ministerial committees; creating procedures and capacities to devise an annual Government work plan that will permit



forward planning of Council of Minister (CoM) and committee business; to establish a template for papers to be submitted to the CoM and committees, specifying minimum standards of information and analysis; to review the quality of policy proposals submitted for CoM and committee consideration; and to monitor implementation of CoM decisions and of the implementation of the Government work plan.

59. In Puntland, specific support will be provided to strengthen the Cabinet Office in the President's Office. Support will mainly target improvements in Cabinet procedures, documentation, archiving and capacity development to facilitate cabinet agenda setting and communication of cabinet decisions. The project will support the procurement of the services of a Cabinet Process Expert to work with staff of the Cabinet Office.

60. **Line ministry policy capacity:** This activity will provide support to line ministries to comply with requirements. This will include helping each line Ministry to establish a "focal point" to act as counterpart for policy-related requirements, including the implementation of the work planning and monitoring systems and issues relating to CoM and committee business. Building on this, support will be provided to ministries to develop more robust and realistic policies including creation of a standard policy development framework; and development in ministries of a core of staff capable of implementing this. This may possibly take the form of development of policy units in targeted ministries.

61. **Capacity Development Coordination:** This activity will support the Capacity Development Units in the FGS Prime Minister's Office and Puntland's President's Office in the areas of adequate staffing, training and office equipment. Technical assistance will be provided to build change management and public sector reform coordination. The project will support the development of the units enhance their capacity to deliver on their mandate. A consultant will be recruited to assist the Unit to design and implement multi-sectoral coordination mechanisms and introduce modern systems to facilitate capacity development coordination across Government. At the Federal level, technical assistance will be provided to the unit to provide effective Secretariat support to the SDRF Capacity Development Working Group.

### ***Sub-component 3.3: Strengthening leadership for change and delivery***

62. To help target ministries accelerate the implementation of internal change and delivery of results this sub-component will strengthen collaborative leadership at various level. It will support the following activities: (i) facilitate high-level review or retreat sessions at the top-level of Government to build trust and consensus on priority reforms, strengthen a focus on results and resolve issues between agencies and across Government; (ii) build capacity of ministry-based reform teams to implement rapid results initiatives to advance organizational change processes and delivery of short-term results; (iii) link rapid result initiatives to the tracking of progress at the centre of Government (see sub-component 3.2); (iv) design and implement a leadership development training and networking program for Ministers and Permanent Secretaries/Director Generals with a focus on promoting a new Civil Service culture; and (v) support the institutionalization of leadership training to ensure sustainability.

## **Component 4: Project management and coordination**

### ***Sub-Component 4.1 Project Management***

63. This sub-component will establish a central Project Coordination Unit in the Prime Minister's Office at the federal Government level and in the Office of the President at Puntland state Government level. It will fund the salaries of key staff including Coordinators, Financial Management, Procurement and M&E Specialists. It will also build the capacity of institutions responsible for project implementation. The sub-component will provide support for the procurement of office equipment, furniture and stationery for managing the project.

### ***Sub-Component 4.2 Demonstrating results (Monitoring and Evaluation)***

64. The project will be regularly monitored using the project results framework. On this basis a more comprehensive methodology for measuring and reporting project progress at various implementation levels will be developed. While many of the indicators are quantitative, the developed methodology will complement this data with qualitative analysis (e.g., for monitoring improvements in line ministry capacity). An M&E firm will be hired to support monitoring of the FGS public sector flagship program and the project. It will develop M&E capacity in implementing ministries to collect and analyze data. Staff with key M&E roles will be trained to monitor and report on project progress.

65. Periodic evaluations will be conducted to provide a deeper understanding of the project's impact on capacity development. These impact evaluations will be coordinated with the other MPF projects supporting core Government functions. A joint approach to M&E will reduce costs while providing an opportunity to better understand how the projects complement one another to support capacity development in supported Government institutions. The sub-component will co-finance a firm to conduct the periodic evaluations of the project.

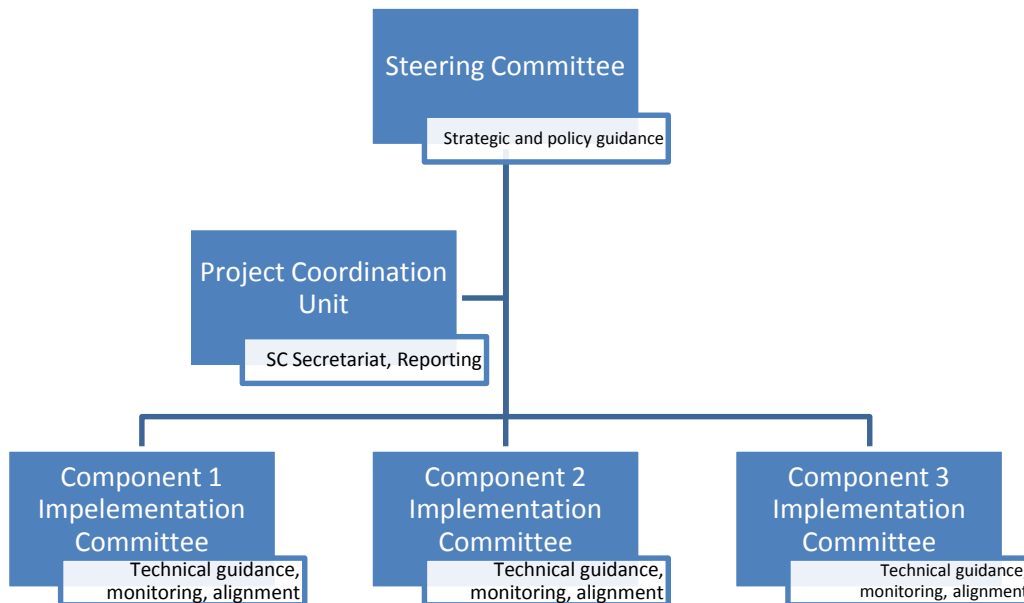
## Annex 3: Implementation Arrangements

### Somalia Capacity Injection Project Project Institutional and Implementation Arrangements

#### *Overall Project Implementation Arrangements*

1. The project will be Recipient-Executed to ensure ownership and capacity internalization for sustainability. The institutional arrangements envisaged for implementation of the project are aligned with the governance arrangements for the overall flagship program to ensure close harmonization and alignment of activities under the World Bank and UNDP projects. Separate implementation structures will be established for the federal Government and Puntland state Government. Overall, Implementation arrangements will be as follows (see Figure 2 for an overview):

**Figure 2. Implementation Arrangements**



2. **Steering Committee:** This Committee will be responsible for providing strategic and policy guidance for the overall flagship program as well as the project including, endorsement and/or revisions of the program framework, management and implementation arrangements, and results framework. It will review plans and budgets and oversee individual component implementation committees and receive regular progress reports by implementation committees. It will also monitor the overall performance of the project, and discuss progress, impediments and required changes.

3. The Steering Committee at the federal Government level will be chaired by the Prime Minister to ensure Government commitment to achieve project objectives. Its membership will include the Ministers of Finance, Planning, Labor and Social Affairs, Chair of National Civil

Service Commission, a senior representative from the Office of the President and a representative of civil society knowledgeable in public sector reform. At the Puntland state Government level, the Steering Committee will be chaired by the President and will have members from targeted institutions including ministries of finance, planning, labor and Puntland Civil Service Commission.

4. **Technical Implementation Committees:** For each project component, a Technical Implementation Committee will be established to provide technical guidance on the implementation of project related activities. They will be responsible for implementing and tracking progress and results of activities in beneficiary ministries and agencies. The Implementation Committees will also be responsible for ensuring the strategic alignment of the project with the directives of the Steering Committee, the UNDP project and capacity development activities of other partners.

5. Implementation Committees will be chaired by the Permanent Secretary or Director General and will report to the responsible Minister. Implementation Committee Chairs will act as a focal point for the related project activities. Members of the Committees will include the Directors General/Heads of Departments and key technical staff responsible for project activities. Implementation Committees will submit bi-monthly progress reports to the Steering Committee through the Project Coordination Unit.

6. **Project Coordination Unit:** Project Coordination Units (PCU) will be established in the Prime Minister's office for the federal Government project and in the Office of the President for the Puntland state project. The units will perform the dual responsibilities of project management and providing secretarial and technical support to the Steering Committee. They will be responsible for the overall coordination of implementation progress and reporting to the Steering Committee through effective data collection and analysis, and tracking and evaluation of results indicators

7. The PCU will be headed by a Project Coordinator and a small team, including: (i) Financial Management Specialist; (ii) Procurement Specialist; (iii) Monitoring and Evaluation Specialist; (iv) Communications Specialist.

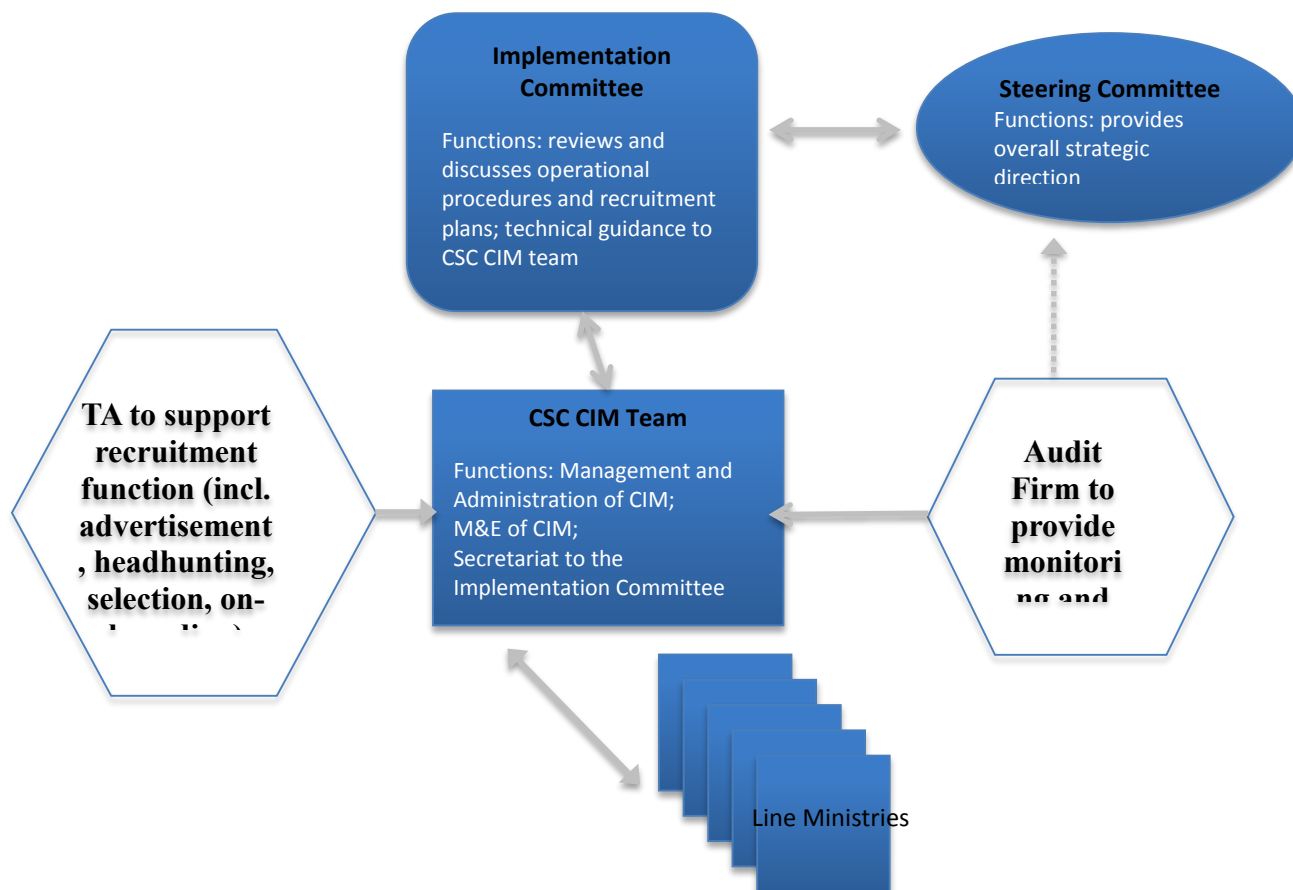
8. **Federal – Regional State Coordination:** A regular forum for coordination and information-sharing between the FGS and the Puntland State Government will be established. This forum will allow for the harmonization of approaches (for example, on policy issues such as pay and grading reform and implementation modalities such as monitoring and evaluation) and for lesson learning including the transfer of experience on approaches that have worked well and less well in different contexts. This could also prove a useful forum for supporting the extension of the work of the flagship program to other states of Somalia seeking to develop their capacities.

### ***Component 1 Implementation Arrangements***

9. The Capacity Injection Modality (CIM) will be implemented under the overall guidance of the Program Steering Committee and under direct guidance of the CIM Implementation Committee. The Civil Service Commission will be responsible for day-to-day management of the CIM (see Figure 3 for an overview).

10. **Program Steering Committee:** The Steering Committee will ensure that the CIM is responsive to the needs of Government and is aligned with the broader program on capacity development, in accordance with the New Deal Compact. It will also approve key documents and work plans prepared by the CIM Implementation Committee.

**Figure 3. CIM Implementation Arrangements**



11. **CIM Implementation Committee:** A CIM Implementation committee will be established to direct and guide implementation of the CIM. The Implementation Committee will be responsible for ensuring technical oversight of the recruitment and placement process. It will approve work plans, ensure the supervision of accomplished results, monitor the CIM’s coherence with other activities of other partners and resolve any major challenge which might impede on obtaining the expected results. This will include:

- Prepare prioritization and sequencing plan for the CIM,
- Review proposed staffing plans for priority institutions,
- Review ministry reform plans as pre-condition for additional staffing support,
- Prepare and review progress reports and propose necessary adjustments to the CIM for approval by the Steering Committee.
- The Civil Service Commission will perform the Secretariat function for the CIM Implementation Board.

12. **Recruitment and placement functions:** To manage the CIM, the Federal and Puntland Civil Service Commissions' recruitment, performance monitoring and training delivery functions will be strengthened. The recruitment of key staff for the CSCs will be conducted under the guidance of the respective CIM Implementation Committees.

13. The Civil Service Commission will be responsible for the day-to-day management of the CIM and coordinate the implementation with all other entities in the capacity development program. It will have the following specific responsibilities:

- Development of CIM implementation manual (recruitment procedures etc.);
- Liaison and outreach to line ministries and agencies, and development partners in developing staffing requests;
- Management and coordination of recruitment, placement and contracting of CIM recruits;
- Development and management of a performance monitoring system for CIM recruits;
- Management of salary payment process for an interim-period until this function is shifted to the regular payroll process under the Ministry of Finance;
- Coordination of capacity development activities for CIM recruits;
- Overall M&E for the CIM and preparation and dissemination of progress reports on the CIM; and
- Secretariat to the CIM Implementation Board and organization of regular and extraordinary meetings.

### ***Component 2 and 3 Implementation Arrangements***

14. Implementation Committees of various beneficiary agencies will be responsible for implementing activities relevant to their respective institutions. Capacity Development Teams with clear terms of reference as change agents will be set up in target institutions to work with consultants to develop and implement approved changes, and monitor and report progress to the Project Coordination Unit.

### **Financial Management and Disbursements**

#### ***Country Issues***

15. A key PFM finding of the 2006-2007 Joint Needs Assessment (JNA) of PFM systems in Puntland, Somaliland and Southern Regions<sup>11</sup> was that 'systems that manage public resources are weak'. Similarly, the April 2013 PFM self-assessment that focused mainly on the central Government PFM activities revealed serious capacity weaknesses similar to those identified by the JNA. However, in furtherance to the Paris Declaration on Aid Effectiveness (2005), the Principles for Good International Engagement in Fragile States and Situations (2007), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Co-operation (July 2012), there is deliberate effort as part of the New Deal 'FOCUS' and 'TRUST' principles to use country systems. The underlying principle is '*country-ownership*' anchored in the "strengthened PFM approach" – a common framework that has been widely agreed among the

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<sup>11</sup> Jointly carried out by the Transitional Federal Government, the United Nations and the World Bank

World Bank and development partners, and is in line with the World Bank's overall approach to strengthening its PFM work.

### ***Project Financial Management System***

16. An External Assistance Fiduciary Section (EAFS) Unit has already been established at the federal level under the World Bank supported PFM Project. The Unit operates under the mandate of the Federal Ministry of Finance. Plans are underway to establish a similar unit in the Office of the Accountant General, Puntland State Ministry of Finance. The EAFS Units in the FGS and Puntland State will support and execute the financial management function of the project. These units are charged with the responsibility of harmonizing and day-to-day management of the accounting function for all the external donor support channelled through the Government(s) systems to reduce duplication, fragmentation and proliferation of donor-specific financial management units.

17. The organizational structure of EAFS units will take into consideration project specific financial management requirements which include capacity requirements, internal control arrangements, responsibility and appropriate lines of reporting. The basic financial management functions of the EAFS units will be planning, budgeting, management of banking and project disbursement arrangements, maintenance of agreed project internal control systems, accounting and reporting on all the project related financial management activities. In addition, the units will liaise with internal and external auditors in carrying out project internal and external audits.

### ***Budgeting Arrangements***

18. The respective EAFS Units working closely with the corresponding project PMUs in the different regions to prepare the project budgets, work plans and cash flow forecast for each of the project component. The project will work closely with the relevant Ministries of Finance to ensure the project annual work plans, cash forecasts and budgets are integrated into the respective line Ministries appropriated budgets. The EAFS units will take lead in the consolidation of the project work plans, budgets and cash forecast. The consolidated work plans, budgets and cash forecast will be submitted to the respective Project Steering Committees (PSC) for review and approval. The approved budgets, work plans and cash forecast will be submitted to the World Bank for formal clearance by the Project Task Team Leader (TTL).

### ***Accounting Arrangements***

19. The project financial management function shall use the EAFS arrangement. EAFS Manual for the federal has already been developed under the PFM capacity project. Similar manual is expected to be developed under phase II of the PFM Project for Puntland. The EAFS manuals will be periodically reviewed to ensure projects financial management requirements are sufficiently detailed. These shall specifically include projects planning and budgeting, funds flow and disbursement arrangements, banking arrangements, internal control systems, accounting, reporting, audit and oversight arrangements.

20. Eligibility of expenditures will be based on the actual amount expended and supported by the appropriate documents. The project accounting will be on a cash basis and will cover all project funds including any other contributions. These will be supported with appropriate records and

documentation to track commitments and to safeguard assets. Accounting records will be maintained in United States Dollars (USD). The respective EAFS Units will ensure that:

- All important business and financial processes are adhered to;
- Adequate internal controls and procedures are in place;
- Interim un-audited Financial Reports (IFRs) are prepared and submitted to the World Bank on a timely basis;
- The annual financial statements will be prepared on a timely basis and in accordance with Cash Based International Public Sector Accounting Standards (IPSAS)
- The external audit will be carried out and audit findings and recommendations monitored to ensure that are implemented expeditiously.

21. The project financial management activities shall be carried out within the existing Government systems in line with the Use of Country Systems (UCSs). The respective federal and State Financial Management Information Systems (FMIS) and Chart of Accounts developed or to be under the PFM Project will facilitate the preparation of relevant reports and financial statements, including information on total project expenditures; expenditure on each project component/activity, total expenditure analysis into various expenditure categories. Prior to installing the FMIS for Puntland, an excel spreadsheet would be used to maintain project financial statements. This will be migrated once the FMIS is fully developed and rolled out. The project financial management records will be maintained and financial reporting done using the FMIS or Microsoft excel formats as agreed during the project negotiations.

### ***Internal Control***

22. The EAFS and project specific Project implementation manual will incorporate in detail the roles and responsibilities of the EAFS Units, relevant internal control procedures and oversight arrangements. The project will be implemented in close coordination with other Bank supported projects to mitigate any potential duplication. The project would recruit dedicated Financial Management Specialist (FMS) for each PMU in line with the Terms of Reference (TOR) to be developed under the EAFS Units framework. The project FMSs will be located in the respective project PMUs and expected to work in close collaboration with the EAFS Units and the Technical Implementation Units (TIUs). The FMSs and the EAFS Units will ensure all project financial activities are in compliant with the project requirements, EAFS manuals as well as the project financing agreements. In addition, the EAFS Units in consultation with the FMSs will also monitor and report on the utilization of project funds, including the compliance to the agreed fiduciary standards and the reliability of the existing FM systems. The Units will prepare, maintain and update the project Fixed Assets Register. A physical verification of assets will be carried out periodically to ascertain the existence and condition of the project assets. A Contracts Register will also be maintained in respect to all contracts with consultants, contractors and suppliers. The Units will also prepare Contract Status Reports as part of the Interim unaudited Financial Reports (IFRs). Control procedures over fixed assets and contracts management will be the responsibility of the EAFS Units

23. Internal Audit units in the respective Ministries of Finance at the Federal and Puntland will review the activities of the project. The project internal audit reports shall be prepared and shared with the PMUs, PSCs and the World Bank on periodicity as agreed between the project and the



World Bank. The internal audit capacities across the regions will be strengthened and linked to the other Bank supported initiatives. In particular the internal audit function will be required to carry out risk based systems audits and support the respective Offices of the Accountant General in identification and strengthening the project internal control systems. The need to provide targeted internal audit capacity building to carry out internal audits for the project was discussed and agreed during the project negotiations.

### ***Financial Reporting Arrangements***

24. Quarterly Interim unaudited Financial Reports (IFRs) are expected to be prepared by the respective EAFS Units and will cover all project funds. For the purpose of monitoring the implementation of the project, the IFRs will be submitted to the Accountant General for review and approval before they are submitted to the World Bank. The respective EAFS Units will be to prepare and submit quarterly IFRs within 45 days of the end of each fiscal quarter. The IFRs will report on all funds received under the project as a whole including Government funds received under the project if any. The reports shall include statements showing: period and cumulative inflows of funds by sources and outflows by main expenditure classifications; bank reconciliation statements, beginning and ending project cash balances as well as supporting schedules comparing actual and planned expenditures by components and categories.

25. The project with the support from the project FMSs and the respective EAFS Units shall take necessary steps to ensure the accounting systems provide relevant and timely information to the project management units and various stakeholders monitoring the project's performance. It is expected that at all levels of implementation, the project will maintain adequate financial records filing and archival system. The records and the relevant supporting documents shall be reviewed by the World Bank's FM team during supervision mission, and by internal audit and external audit teams. The EAFS Units will also prepare annual financial statements (FS) to be submitted to the external auditors. The content of the financial statements will be documented in the Audit TORs as agreed during project negotiations. The FS will be prepared in accordance with International Public Sector Accounting Standards (IPSAS) - Cash Basis. The FS shall include adequate notes and disclosures consistent with the cash basis of financial reporting under the IPSAS.

### ***Auditing***

26. The respective federal and the Puntland State Offices of the Auditor General (OAuG) will carry out the project external audits. The project will support the engagement of external audit technical assistance to work with the staff in the respective Offices of the Auditor General. The Terms of Reference (TOR) and the nature of external audit technical assistance required was discussed and agreed during the project negotiations. The project shall carry out annual external audit covering at least 12 months project implementation period in line with the respective Government fiscal calendars. The Auditors will also prepare Management Letters summarizing audit findings and recommendations on areas of improvements. The audited project financial statements, audit opinions, management letters together with any additional information required will be submitted to the World Bank not later than 6 months after the end of the fiscal year. The audit shall be in conformity with the World Bank's audit requirements and in accordance with internationally recognized auditing standards. The respective Auditor Generals shall express independent opinion on the Financial Statements in compliance with International Standards on Auditing (ISA).

## ***Fraud and Corruption***

27. Possibility of circumventing the internal control system such as colluding practices, bribes, abuse of administrative positions, mis-procurement among other considerations are critical risks that may arise. Other internal control incidences that may expose the project to fraud and corruption include but not limited to: (a) late submission of supporting documents; (b) poor filing and records; (c) inherent risks resulting from inadequate systems integration; (d) lack of work plans and or budget discipline; (e) unauthorized commitments to suppliers; (f) bypassing budget and expenses vetting procedures; (g) unsecured safekeeping and transportation of funds; and (h) denial of access or restricting the scope and the role of the monitoring agent among other eventualities. The project shall mitigate these potential fraud and corruption related risks through: (i) specific aspects on corruption auditing will be included in the TORs for the external audit; (ii) targeted FM procedures and internal control mechanisms across the project activities shall be detailed in the project OM; (iii) strong FM staffing arrangements (including qualified Project Accountants in the at the PMUs and the EAFSS; (iv) periodic FM supervisions; and (v) IFRs reviews and monitoring and (vi) measures to improve social accountability and transparency shall be integrated into the project design for instance ensuring that project reports are available to the public.

## ***Flow of Funds and Banking Arrangements***

28. The banking sector in Somalia is underdeveloped and largely characterized by informal money transfer networks. The banking framework at the federal and state levels is at different stages of development. Despite these developments, the capacity of federal and states banks in providing appropriate banking regulatory framework is very weak or nonexistence. In particular (i) focusing on provision of rudimentary commercial banking services as opposed to regulatory function; (ii) highly manual transactions and records management information systems; (iii) inadequate staffing; (iv) weak regulatory framework; and (v) inadequate liquidity among others. To mitigate the risks inherent with the existing inadequate banking arrangements, the project will (i) limit high value USD transactions and bulk of the project payments through direct payments from the World Bank directly to the third parties with accounts outside Somalia; (ii) close coordination in leveraging on other World Bank supported initiatives; (iii) liaise with the selected banking institutions to negotiate reasonable transaction charges; (iv) negotiate with the Federal Government and CBS to innovatively extend banking services to other regions in Somalia; and (v) ring fence the agreed State funding allocations.

29. The respective Federal and Puntland Ministries of Finance will open and maintain Designated Bank Accounts (DA)s in US Dollar (USD) in the name of the project. The DA for the federal will be opened and maintained at Central Bank of Somalia (CBS) which has been assessed as acceptable to the World Bank<sup>12</sup>. The signatories to the DAs shall be dully authorized signatories appointed by the respective Federal and Puntland Ministries of Finance. The project components will make withdrawals from the DA and full records will be kept for audit purposes. Figure 4 and Figure 5 below depicts the federal and Puntland funds flow arrangements. Each disbursement from the DA will be initiated by an official request from TIU/PCUs through the respective EAFS units.

30. The ceiling of the DA will be based first on projected cash flow projections of anticipated project expenditures net of amounts to be disbursed as direct payments. The actual ceiling was

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<sup>12</sup> On terms and conditions in the World Bank Disbursement Guidelines for Projects (May 1, 2006:11).

negotiated and agreed during the project negotiations. Subsequent withdrawal applications will be based on Statement of Expenditures (SOEs) reviewed and cleared through a mechanism agreed between the Governments and the World Bank. All and any ineligible expenditures based on review and any additional due diligence will be deducted from subsequent Withdrawal Applications. Accordingly, FGS and or Puntland will be required to make reimbursements for such ineligible expenditures that may arise from time to time.

31. The signatories to the DA and withdrawal applications shall be as follows:

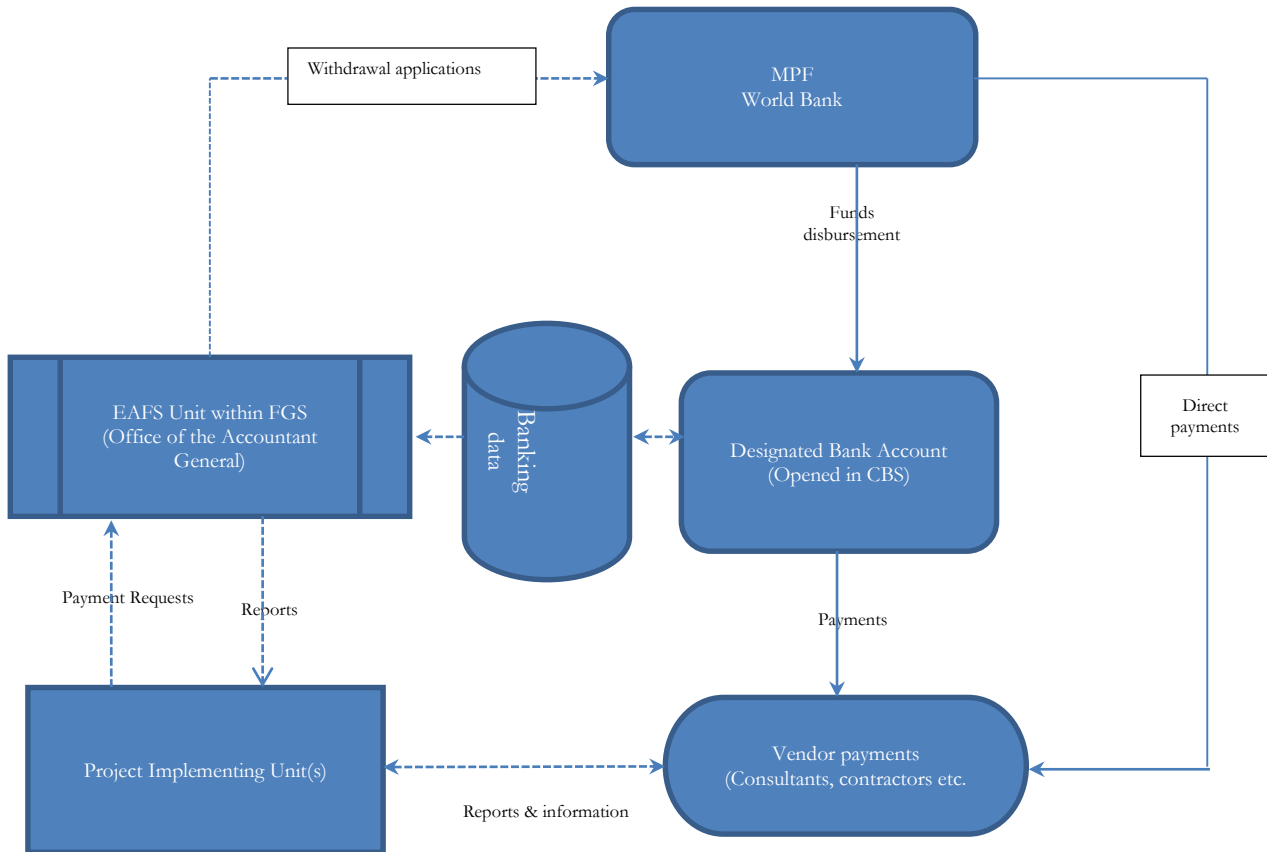
**Federal Government of Somalia (FGS)**

- Panel A: FGS Director General of MOFP (with Director of Administration as alternate)
- Panel B: FGS Accountant General (with Deputy Accountant General as alternate)

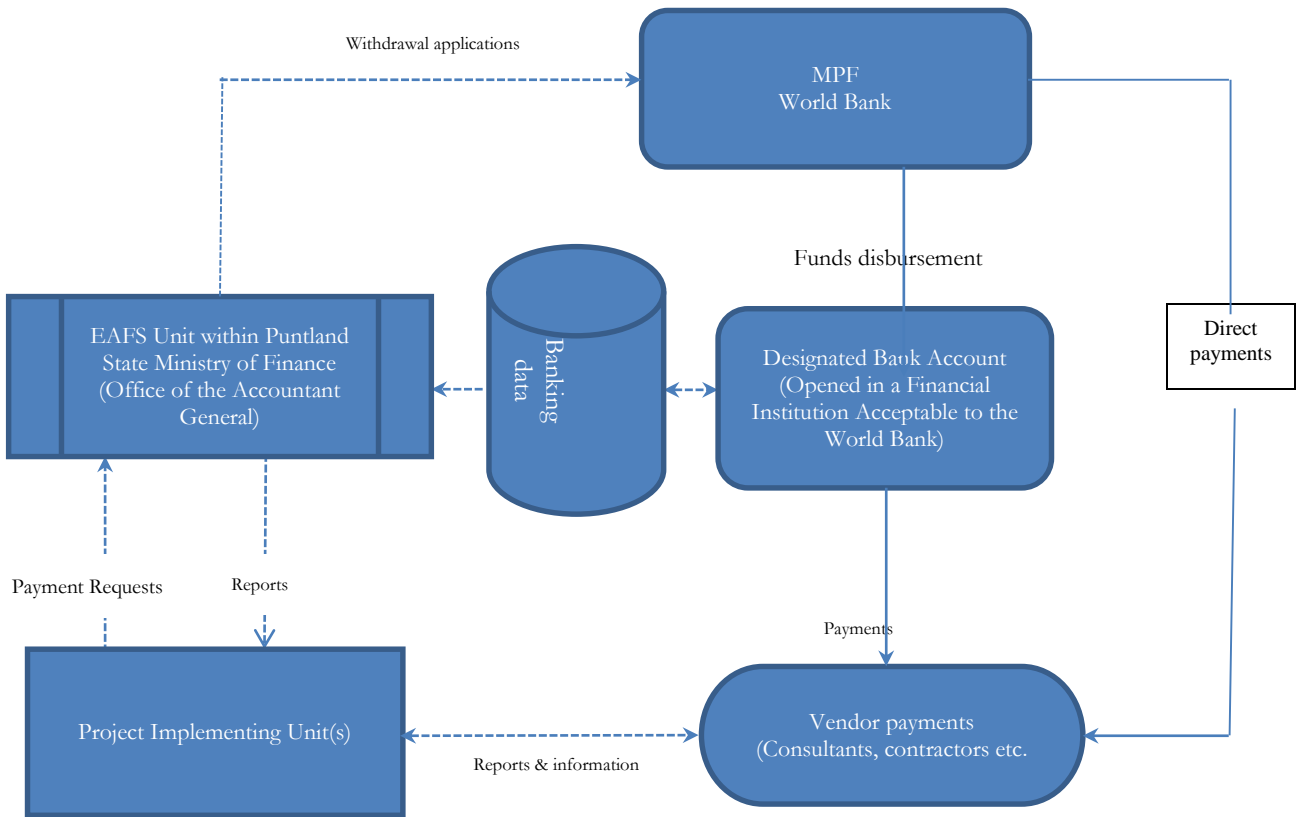
**Puntland**

- Panel A: Puntland Director General of MOFP (with Director of Administration as alternate)
- Panel B: Puntland Accountant General (with Deputy Accountant General as alternate)

**Figure 4. FGS Banking and Funds Flow Arrangements**



**Figure 5. Puntland Banking and Funds Flow Arrangements**



32. The Financial Management Action Plan is as follows:

**Table 8. Financial Management Action Plan**

Action	Responsibility	Due Date	Status
1. Designated Bank Account (DA) in a Financial Institution Acceptable to the World Bank	Ministry of Finance (FGS & Puntland)	15 August 2015	Done
2. Confirmation for the establishment and staffing of Puntland EAFS Unit within the Ministry of Finance	Ministry of Finance (Puntland)	31 March 2015	Done
3. EAFS Manual/PIM with outlining financial management arrangements.	Ministry of Finance (Puntland)	31 March 2015	Done
4. TOR for the Project Financial Management Specialists for FGS and Puntland	Lead Ministries in FGS and Puntland	15 January 2015	Done
5. Recruitment of a dedicated Financial Management Specialists each for FGS and Puntland	Lead Ministries in FGS and Puntland	31 March 2015	Done
6. Prepare TORs for the financial audit by the Office of Auditor General to include this project	Lead Ministries in FGS and Puntland	31 March 2015	Done

*Disbursements by Categories of Expenditure:*

33. The Table below sets out the expenditure categories to be financed out of the Grant proceeds.

**Table 9. Disbursement Table**

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods (including vehicles), non-consulting services, consultant services, salaries of Eligible Civil Servants, Training and Operating Costs under Parts 1.A, 2.A, 3.A and 4. A of the Project	6,270,000	100%
(2) Goods (including vehicles), non-consulting services, consultant services, salaries of Eligible Civil Servants, Training and Operating Costs under Parts 1.B, 2.B, 3.B and 4.B of the Project	3,510,000	100%
(3) Unallocated	220,000	
<b>TOTAL AMOUNT</b>	<b>10,000, 000</b>	

***Procurement***

34. The FGS public procurement legal framework and institutions are not yet in place. The Country has neither an institutional capacity nor legislative framework to handle robust public procurement. The private sector and civil society have limited capacity or functionality (due to total lack of regulatory law and business norms). A new Public procurement, Concessions & Disposal Bill has been approved by the Council of Ministers and is now in the Somalia National Parliament for discussion. If enacted, the new Act foresees a decentralized system of procurement. The Act further provides for an independent oversight body that will foster the regulatory and the policy framework of public procurement in the country.

35. As regards to Puntland, the situation is similar to the FGS as it too has neither the institutional capacity nor a legislative framework to handle robust public procurement. The Puntland administration is yet to enact a procurement bill to regulate the public sector procurement environment in the State. The private sector is yet at its infancy. The private sector and civil society have limited capacity or functionality (due to ineffective regulation and business norms, as well as the political unrest that weakened the governance system). The Puntland administration commissioned a consultant to draft a bill to regulate the public procurement environment. The draft Bill has been presented to Cabinet for review. The public procurement bill will after enactment, repeal all the procurement provisions in the financial and accounting procedure of the

state. The Act further provides for an independent oversight body to formulate policy and regulate public procurement, concessions and disposal of assets practices in the country.

36. Procurement for the proposed project will be carried out in accordance with the latest revision of the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grant by the World Bank Borrowers” dated January 2011(revised July 2014); and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grant by the World Bank Borrowers” dated January 2011 (revised July 2014), that facilitates dealing with the emergency and fragile situations in Bank-financed projects and Recipient –Executed Trust Funds. “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)” dated October 15, 2006 and revised in January 2011, and the provisions stipulated in the Legal Agreement will be applied. Somalia being a FCS country, procurement under the projects will be processed under special procurement arrangements referred to in paragraph 20 of OP 11.00.

37. Project Procurement implementation arrangement and risk identification: (a) In the FGS the procurement of the proposed project will be carried out by the Project Coordination Unit (PCU) to be established in the Office of the Prime Minister. As the said unit will be newly established (organized), apparently there will a huge capacity limitations to undertake proper and efficient project procurement. (b) In Puntland the procurement of the proposed project will be carried out by the Project Management Unit (PMU) to be established in the Office of the President. As this unit will also be newly established there will be capacity limitations to undertake proper and efficient project procurement. Thus, the procurement activities both in PCU and PMU will be supported by hiring for each a qualified procurement specialist. As the result of the overall operational challenge and weak institutional capacity, the project procurement risk is rated as HIGH. The major challenges related to the overall procurement environment and institutional capacity aspects and possible risk mitigation measures have been identified as below:

Sr. No.	Issue	Risk mitigation action plan	Responsibility and time frame to implement the actions
1	Lack of public procurement legal and institutional framework (including procurement regulations, Procurement manual etc.)	The procurement in FRS will be guided by the manual developed by EAFS in MOF. In Puntland also the Government has procurement manuals to guide the procurement function; however, that needs to be modified/updated. The World Bank will review the updated Procurement Manual for use in the project. The deviations in these Manuals in the procedure to meet the requirement of the World Bank would be stipulated in the Project Operation Manual (POM).	PMU Effectiveness
2	As the PCU/PMU would be a new	The PCU/PMU will have a procurement team of minimum two staffs and a qualified	PCU/PMU Counterpart staff

Sr. No.	Issue	Risk mitigation action plan	Responsibility and time frame to implement the actions
	establishment there will be experience and skills limitations with the procurement staff in the unit.	procurement technical assistant consultant (IC) for each unit that would be recruited by to work as project procurement advisor. In addition to processing the project procurement, the TA consultant will train the staff of PCU/PMU to enable them gradual take over the procurement activity of the project.	immediately and the TAs on effectiveness
3	Lack of procurement regulation, oversight and monitoring arrangement for the project procurement	The PCU/PMU will have a management structure to supervise and monitor and approve the implementation of the planned procurement activities.	PCU/PMU immediately
4	Absence of defined procurement complaints' handling mechanism	As the Procurement Law is not in place, any procurement complaint by dissatisfied bidders or stakeholders may be lodged to the head of the PCU/PMU and the Coordinator has to respond to complaints within a reasonable time.	PCU/PMU immediately
5	Due to the security challenges and weak public sector functionality, the private sector participation and efficiency would be limited and this affects the supply market functionality	All bidding opportunities will be advertised on the available website and posted on widely circulated national gazette. If the contract is ICB or if the assignment includes international firms, it has to be advertised on UNDB online in addition to the local posting; Private Sector orientation and outreach seminar will be conducted on the project opportunity.	PCU/PMU regularly

38. **Specific procurements under the project:** Procurement under the project includes a number of consultancy services assignments (both firms and individual consultants), smaller goods, and equipment and office supplies. These would be elaborated in the procurement plan.

39. **Procurement and Selection Methods:** The procurement of Goods and non-consulting services where applicable will utilize methods such as international competitive Bidding (ICB), NCB, LIB, procurement from UN agencies, Shopping, and direct contracting. Procurement from UN Agencies such as UNOPS will be used for procurement of vehicles. Selection of Consultants will follow QCBS, QBS, Selection based on Consultant's qualifications (CQS), LCS, FBS, Selection of individual Consultants, and SSS.

40. **Workshops, conference attendance and Study Tours:** These will be carried out on the basis of approved annual work plans that would identify the general framework of training or

similar activities, including the nature of training/study tours/workshops, number of participants, and estimated cost.

41. **Operating Costs, excluding salaries, bonuses, and fees** for Government civil servants, would be incurred using procedures acceptable to the World Bank and described in the Operation manual.

42. **Procurement Plan.** The borrower prepared Simplified Procurement Plan that was reviewed by the World Bank and agreed upon at negotiations. This is part of the PAD indicating procurements to be carried out over the first 18 months of the project. The Procurement Plan includes all the contracts to be financed by the project. The plan will be updated at least yearly over the lifetime of the project. Any revision of the procurement plan will be subject to Prior review by the World Bank.

43. **Threshold for each method of Procurement/Selection and Prior Review:** Given below are recommended method of Procurement/Selection and the Prior review threshold requirements. Guidance to the World Bank prior review requirements is found in Appendix 1 to the Guidelines for procurement and Appendix 1 to Guidelines for Selection and Employment of the Consultants. All terms of reference (TORs) regardless of the contract amount shall be subjected to the World Bank's Prior review.

**Table 10. Procurement methods and Thresholds for Goods, Works and non-consulting Services**

	<b>Procurement Method</b>	<b>Threshold(USD)</b>	<b>Comment</b>
1	ICB (Works)	5,000,000	Equivalent or More
2	ICB (Goods and non-consulting services)	500,000	Equivalent or More
3	NCB (Works)	5,000,000	Less than
4	NCB (Goods and non-consulting services)	500,000	Less than
5	Shopping (Works)	300,000	Equivalent or less
6	Shopping (Goods and non-consulting services)	100,000	Equivalent or less
7	Direct Contracting	Any value	
8	UN Agencies	Any value	

**Table 11. Prior review Thresholds for Goods and non-consulting services**

	<b>Procurement Method</b>	<b>Prior Review Threshold(USD)</b>	<b>Comment</b>
1	ICB (Goods, works and non-consulting services)	All contracts	
2	NCB (Goods, and non-consulting Services)	500,000	Equivalent or more (The first NCB under each category will be under prior review)



3	NCB (Works)	5,000,000	Equivalent or More (The first NCB will be under prior review)
4	Direct Contracting (Goods, works and non-consulting services)	All contracts	
5	UN Agencies	All contracts	
6	Shopping (Goods and Works and non-consultancy services)	None (See comment)	The First shopping under each category will be under prior review.

**Table 12. Selection Methods and Thresholds for Consultants:**

	<b>Selection Method</b>	<b>Threshold(USD)</b>	<b>Comment</b>
1	QCBS, QBS, FBS and LCS	Any value	Selection method shall depend on nature and complexity of assignment.
2	CQS	300,000	Equivalent or less generally, however, may be permitted for higher value in appropriate cases as identified in Procurement Plan
3	Individual Consultant	Any value	
4	SSS (for individual/ firm)	Any value	

**Table 13. Prior Review Threshold for Consultants:**

	<b>Selection Method</b>	<b>Threshold(USD)</b>	<b>Comment</b>
1	Competitive Methods (Firms)	200,000	Equivalent or More
2	Individual Consultant Selection	100,000	Equivalent or more
3	Single Source Selection (Firms/Individuals)	100,000	Equivalent or more

44. **Short list comprising entirely of national consultants:** Short lists of consultants for Engineering and Contract Supervision assignment estimated to cost equal or less than US\$200,000 equivalent and for all other consultancy assignments estimated to cost equal or less than US\$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

45. **Frequency of Procurement Supervision:** In addition to the Prior review supervision to be carried out by Bank, annual post procurement reviews of sample of about 20 percent of all contracts finalized by the project shall be carried out.

***Environmental and Social (including safeguards)***

46. The project Category is C and no environmental safeguards policies are triggered. The project activities will not include any civil works or utilization of materials that pose any

environmental risk. All Bank advice and guidance will promote inclusion of all safeguard measures.

47. The project will focus on providing the software, i.e., activities of capacity development and advisory services to public institutions. Therefore there is no social safeguards related risk that may result from the implementation of this project. However due to the fragile nature of the state, there may arise challenging group dynamics between staff hired under the project and those already existing in the civil service. Therefore measures to address such challenges like continuous team building activities, etc., will be included in the project. The project will also conduct analytical comparative study on pensions as a basis to developing an evidence-based pension policy for Somalia in the second phase of the project with intentions of promoting equity among Government staff irrespective of age or gender.

### ***Monitoring & Evaluation***

48. The project will design and use a dedicated M&E system that incorporates PDO and intermediate indicators to track performance of project activities (details of the Results Framework are outlined in Annex 1). The project M&E system will be part and parcel of the broader M&E system which will track the performance of the overall flagship program objective. Monitoring and evaluation of results will occur at different levels of project implementation.

49. The indicators in the results framework place a heavy emphasis on the foundational outputs that will be necessary to achieve more strategic outcomes in later phases of the project. However, this quantitative, output-focused approach will be complemented by qualitative, outcome-focused monitoring and evaluation tailored to the particularities of capacity development and governance activities. The results framework outlines some of the qualitative reports that will be collected for different project components, to provide the necessary information for project management and oversight. A fund-level evaluation of the impact of capacity development is also envisioned, encompassing the three MPF projects strengthening core Government functions (capacity injection, PFM reform and RCRF). This evaluation will examine the impact of capacity development efforts for men, women and institutions within Government, with a broader look at how these three projects work together.

50. At the overall project level, the PCU will carry out M&E activities, relying on reports from the Technical Implementation Committees and other sources that may include Independent Verifiers. Progress will be measured through results indicators outlined in the results monitoring framework. M&E will be conducted on regular basis to assess the achievement of project objectives, including improvements in performance of ministries and agencies and data collection on results indicators. Results will feed into recalibrating further implementation efforts, including necessary mid-course corrections. The M&E reports will be validated by the Steering Committee and directives for corrective action implemented.

51. At the component level, Implementation Committees will be responsible for monitoring and evaluation of specific component activities being implemented in their ministries and agencies. Implementation Committees will submit reports to the Project M&E Specialist. A consolidated M&E report will be prepared and submitted to the Steering Committee by the Project Coordinator.

52. A bi-annual Public Sector and Institutional Capacity Development forum will be organized by the Project Coordination Unit to deliberate on progress and impact of the project and other capacity development initiatives on the reconstruction and development of Somalia.

53. The World Bank will also monitor the project through its supervision and implementation support missions and third parties contracted to perform specific supervision, monitoring and evaluation activities on behalf of the World Bank.

### ***Role of Partners***

54. UNDP and the World Bank will adopt a joined up approach to support the implementation of the Government's flagship program on institutional capacity development. This will entail a close collaboration on all aspects of the program and the use of a common governance structure and a shared results framework to track overall program progress. A clear division of labor and/or the use of a common approach have been agreed across the three components of the program.

55. Both institutions will provide harmonized technical and financial support to establish and strengthen the central unit and processes for capacity injection. They will work with different line ministries or departments to strengthen the demand for capacity injection and provide supplementary support (e.g., identification of staffing needs, support to organizational development etc.). This will ensure the flagship program covers a broad range of ministries under a common approach.

56. In the area of civil service management frameworks, UNDP will take a lead in strengthening the civil service legal and HRM framework, while the World Bank will focus on pay, pension and workforce management policies.

57. Both institutions will provide complementary support to the Prime Minister's office, the Aid Coordination Unit and the Ministry of Planning and International Cooperation. Support will target different functions/departments within these institutions but work towards common program objectives

## Annex 4: Systematic Operations Risk-Rating Tool (SORT)

### Somalia Capacity Injection Project

1. The assessment of risks takes into account both the likelihood of the risk materializing, as well as the severity of its impact on the achievement of the project development objectives (PDO). The SORT focuses on identifying, assessing, and managing risks throughout an operation.

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
<p>1. <b>Political and governance</b></p>	<p>Risks to the development objective stemming from the country’s political situation and governance context.</p> <p><i>Rating: Substantial</i></p> <p><b>Changes in leadership (substantial)</b> Changes in political leadership/appointees could undermine Government ownership of the project and gains in capacity development.</p> <p><i>Risk mitigation.</i> The project team will engage with multiple levels of leadership within targeted Ministries to ensure broad, institutional ownership, mitigating the risks posed by turnover of appointed leaders.</p> <p><b>Political competition for project resources (substantial)</b> Project staff may face difficulties achieving agreement between key Government stakeholders on overall division of resources and implementation modalities for the project. Given the high levels of political and clan-based competition within Government, procurement and consultancy selections for technical assistance hold the potential to be divisive and lead to competition within Government.</p> <p><i>Risk mitigation.</i> Project team will engage in transparent dialogue with stakeholders regarding the allocation of resources. The strategic focus and objectives of capacity injection will be clearly defined before the project begins disbursing resources, to resist pressures to spread support too thinly over the lifespan of the program. The project’s areas of scale-up will be identified upfront and discussed at the Implementation Committee level. Component Implementation Committees will also help mitigate this risk at the Ministerial level by providing strategic alignment of the project with the directives of the Steering Committee. Finally, the support envisaged under the leadership development sub-component (3.3) will aim to build consensus and a common vision for reform among key stakeholders.</p>

<sup>13</sup> In all risk categories the assessment is of the risk to PDO or the risk of unintended consequences associated with the operational engagement, and does not refer to “country level” risk in and of itself.

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
<p>2. <b>Macroeconomic</b></p>	<p>External and domestic economic risks that may derail proper preparation, implementation and achievement of results.</p> <p><b>Rating: High</b></p> <p><b>Macroeconomic risks are high.</b> Driven by unbalanced budget and given the magnitude of the fiscal imbalance, Somalia needs to start a journey towards fiscally sustainable budgets for FGS. Further steps towards fiscally sustainable budgets will need to be incorporated in the revised 2015 and in subsequent budgets. Recent budgets have been characterized by overly optimistic revenue forecasts, leading to severe cash rationing and generation of expenditure arrears and domestic borrowings. The domestic tax base is narrow, with trade taxes providing 70% of domestic revenues. Donor funding whilst providing about half the revenue, comes with its risks, as pledges for on-budget assistance fail to materialize in the quantum and timelines indicated. The budget is largely salary centric, with little money available for the provision of goods and services to the citizenry. To this end, a Medium Term Fiscal Framework accompanied by a set of fiscal rules and targets is needed to manage the return to sustainable budgets; deal with the increasing problems of arrears; and to manage anticipated future revenue growth. Monetary policy is nonexistent for Somalia as most transactions are in US dollars. The CBS has weak capacity to license regulate and supervise the banking sector.</p> <p><i>Risk mitigation.</i> The project will work with the Recurrent Costs &amp; Reform Financing Phase 2 project in collaboration with the Ministry of Finance to implement a balanced budget which does not accrue arrears. Through the Somali Core Economic Institutions and Opportunities Program (SCORE) and the IMF, the World Bank will work with the Central Bank of Somalia to improve its capacity and capability to regulate and supervise commercial banks.</p>
<p>3. <b>Sector strategies and policies</b></p>	<p>Risks associated with the strategies and policies of the sector(s) relevant to the project.</p> <p><b>Rating: Substantial</b></p> <p><b>Enlarged wage bill / fiscal sustainability (substantial)</b> The capacity injection project could establish a level of staffing and salary expectations that the Government will not be able to sustain after the conclusion of the project. There is no guarantee that economic growth will generate sufficient revenue to fund salaries of additional staff injected through the program in the long term.</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p><i>Risk mitigation.</i> As the project scales up, decisions for injection of additional capacity will be taken with consideration for the longer-term implications for the wage bill. Support to the pay and grading reform will ensure salaries are in line with expected Government revenues. Decisions for scale-up will also be taken in close consultation with the team managing the Recurrent Cost &amp; Reform Financing (RCRF) Project, which is addressing the long-term challenge of the fiscal sustainability of recurrent costs. Phase II of the RCRF project will include an incentive-based approach to aggregate allocations, explicitly linking or ‘matching’ overall RCRF allocations with FGS revenue performance to ensure that the RCRF does not undermine incentives for domestic revenue mobilization, currently a major focus for the Ministry of Finance.</p> <p><b>Lack of intra-Governmental coordination (substantial)</b>  Within Government, there is a lack of clarity on the division of labor amongst Ministries, agencies and departments. Government entities often have overlapping functions and exhibit poor communication. This lack of internal coordination could slow project progress.</p> <p><i>Risk mitigation.</i> The project will support selected institutions to define mandates, functions and institutional responsibilities. Component Implementation Committees will support Governmental coordination by ensuring strategic alignment of the project with the directives of the Steering Committee. Support to the Office of the Prime Minister will enhance Government coordination and communication.</p> <p><b>Lack of UN- World Bank cooperation (moderate)</b>  Potential fragmentation of development partner support is a risk. Although project preparation reflects a highly consultative process, it is necessary to maintain dialogue with UNDP and other donors throughout project implementation.</p> <p><i>Risk mitigation.</i> Through the joint flagship program, the UN and World Bank have established a division of labor and common governance arrangements for support to core Government functions. The project team will maintain regular communication and coordination with UNDP, the UN agency implementing complementary capacity development activities.</p> <p><b>Lack of coordination between World Bank projects (moderate)</b>  World Bank projects targeting core Government functions (capacity, PFM, recurrent costs) may be insufficiently coordinated to effectively and efficiently deliver desired results.</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p><i>Risk mitigation.</i> The project team will maintain regular communication with related project teams to ensure coordination. The World Bank MPF team will provide additional support for fund-level coordination of World Bank activities.</p>
<p>4. <b>Technical design of project or program</b></p>	<p>Risks related to the technical design of the project.</p> <p><b>Rating: Moderate</b></p> <p><b>Capacity injection: Lack of strategic focus (moderate)</b>            Injected capacity may fail to achieve desired results if: i) spread too thin across Government entities to achieve critical mass or ii) not sufficiently strategic in its targeting.</p> <p><i>Risk mitigation.</i> The project will initially focus on up to nine priority institutions. The initial phase will concentrate on critical advisory positions, senior management, and technical experts. A second phase will focus more explicitly on key cross-Government service areas. There is sufficient flexibility in the project design to make adjustment and course corrections over the project's lifespan. Component Implementation Committees will also help mitigate this risk at the Ministerial level by providing strategic alignment of the project with the directives of the Steering Committee.</p> <p><b>Scope of project activities (moderate)</b>            With many critical needs, the scope for capacity injection activities in Somalia is very broad. Somalia's weak institutions will have limited ability to absorb capacity injection at a rapid pace or adapt to overly ambitious reform agendas.</p> <p><i>Risk mitigation.</i> Reforms will be introduced gradually to ensure Government ownership and incremental capacity development tailored to the context. The project will build change momentum by supporting rapid results initiatives in selected ministries.</p> <p><b>Capacity injection: Inability to attract talent (moderate)</b>            Low starting salaries and career progression prospects may fail to attract skilled national professionals for the capacity injection modality.</p> <p><i>Risk mitigation.</i> Salary top-ups will be used to attract qualified candidates, however, excessive top-ups will be avoided to mitigate the risk of creating internal rivalries and inflating the wage bill to unsustainable levels. Top-ups will be established using information on</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p>private and public sector salaries gathered through the World Bank -EU consultancy devising a harmonized pay scale for technical assistance.</p> <p><b>Capacity injection: Inability to attract qualified technical assistance (substantial)</b>  The volatile security environment may deter qualified internationals - including members of the Somali diaspora - from applying or accepting project positions.</p> <p><i>Risk mitigation.</i> The project will use experienced TA firms with large rosters of qualified candidates, rather than hiring individuals directly. Recruitment will draw heavily on regional human resources and Somali capacity from the diaspora.</p> <p><b>Capacity injection: Patronage and political influence in recruitment (substantial)</b>  Nepotism, political ties and clan-based affiliations drive recruitment. Implementation of a merit-based recruitment system is likely to face resistance and may revert to patronage-based practices.</p> <p><i>Risk mitigation.</i> An HR firm will be hired to provide recruitment support and establish merit-based recruitment standards to mitigate the risk of patronage-based practices that would deteriorate the quality of injected capacity.</p> <p><b>Lack of knowledge transfer (substantial)</b>  Given the acute capacity constraints and urgency to deliver results, advisors risk dedicating their time to performing the functions of the individuals they support, rather than transferring knowledge and building their capacity.</p> <p><i>Risk mitigation.</i> The project includes a dedicated coaching component with the sole task of transferring knowledge. Training and development will not just target injected, but also regular civil servants. Regular M&amp;E will be conducted to ensure knowledge transfer.</p> <p><b>Appointment and retention of non-performing staff (moderate)</b>  As with any recruitment process, hired individuals may not perform as expected and thus fail to deliver results.</p> <p><i>Risk mitigation.</i> Performance monitoring for injected staff will be more rigorous and undertaken by an external firm - the hired HR firm and/or an external M&amp;E firm.</p>



Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p><b>Flexibility of components (moderate)</b>  Given the high uncertainty in such a fragile political and institutional environment, project implementation will struggle if it is not sufficiently flexible in project design and complementarity with other projects' interventions to adapt to changing circumstances</p> <p><i>Risk mitigation.</i> The project will adopt a platform approach to build incremental progress (see Annex 6). A mechanism for prioritizing and sequencing will be established to allow Government to make adjustments to the list of beneficiary institutions and respond to changes in priorities. Bank Operational Policy (OP) 10.00 will be utilized to allow greater flexibility detailed in the Guidance to World Bank staff</p> <p><b>Insufficient project funding (moderate)</b>  Insufficient funding from MPF to cover full project costs could prevent implementation of all project components.</p> <p><i>Risk mitigation.</i> Project budgets established and adapted based on donor commitments to the MPF, based on CMU projections and financial planning.</p>
<p>5. <b>Institutional capacity for implementation and sustainability</b></p>	<p>Risks related to the capacity of the Government to implement activities, taking into account the institutional capacity of the implementing agencies, implementation arrangements (including PIUs), and monitoring and evaluation arrangements.</p> <p><b>Rating: High</b></p> <p><b>Capacity constraints within Ministries (high)</b>  Targeted Government institutions are staffed with employees who are either not qualified to perform the jobs they are assigned, or due for retirement. There is also evidence of employees who do no work at the institutions but show up at the end of the month to collect salaries. Therefore, project may struggle to achieve the critical mass of capacity necessary to strengthen institutional capacity and implement reform.</p> <p><i>Risk mitigation.</i> The project will focus on the critical staffing priorities of the Government within a limited set institutions, strategically focusing capacity development efforts to achieve the necessary critical mass to strengthen targeted core Government functions. By maintaining a narrow, programmatic focus, the project resources are directed at incremental, achievable objectives.</p> <p><b>Lack of familiarity with World Bank procedures (moderate)</b></p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p>The clients lack of familiarity with World Bank procedures may lead to delays in implementation.</p> <p><i>Risk mitigation.</i> The World Bank will provide expanded support to the client through an implementation support team. Moreover, the team will hold regular dialogue with the client to explain procedures and provide support. Project design focuses heavily on training and technical assistance in key areas (e.g., FM &amp; procurement) in the early stages of project implementation.</p> <p><b>Limited World Bank oversight (high)</b> Access and movement restrictions – while often necessary – can constrain the ability for effective oversight of project implementation; increasing the risk of project fund leakage, diversion, or capture.</p> <p><i>Risk mitigation.</i> A results team will be developed, together with the methodology for measuring and tracking project progress at various implementation levels. Staff will be trained on the project results framework, particularly monitoring, evaluation and reporting. The project will also recruit an M&amp;E firm to support monitoring of the FGS public sector flagship program and developing M&amp;E capacity in implementing ministries to collect and analyze data.</p>
6. <b>Fiduciary</b>	<p>Risks that funds will not be used to achieve value for money with integrity in delivering sustainable development.</p> <p><b>Rating: High</b></p> <p><b>Limited FM capacity (high)</b> There is a lack of key financial management competencies, weak internal controls and oversight, rudimentary accounting and reporting systems, over-reliance on external technical assistance, nonexistent banking arrangements and inadequate internal and external audit arrangements.</p> <p><i>Risk mitigation.</i> While designing measures to mitigate risks, the project will seek to minimize the risk of creating parallel systems by integrating the financial management function into the use of country systems. The project financial management aspects of accounting, reporting, funds flow, banking arrangements, internal controls, oversight and audit arrangements will be managed by the Office of the Accountant General under the External Assistance Fiduciary Section (EAFS) combined with targeted capacity development initiatives supported by Technical Assistance (TA).</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p>The office of the Accountant General will carry out systems risks based audits. However, to mitigate the capacity constraints, external firms acceptable to the World Bank will be selected to support the Auditor General in carrying out the external audit of the project. For more detail on project's Financial Management risk mitigation, see Section VI.C.</p> <p><b>Limited procurement capacity (high)</b> Lack of public procurement guidelines and regulations, as well as lack of experience and skills, could slow implementation and create opportunities for corruption and fraud.</p> <p><i>Risk mitigation.</i> Until the FGS's public procurement law, regulations and subsequent legal procurement documents are finalized and approved for use by public entities, the project may adopt the procurement manual of External Assistance Fiduciary Section (EAFS) which is developed and being used for PFM capacity strengthening project implemented by the MoF. The PCU will have a procurement team of minimum two staffs and a qualified procurement technical assistant consultant (IC) that would be recruited by the PCU to work as project procurement advisor.</p> <p>In addition to processing the project procurement, the TA consultant will train the staff of PCU to enable them gradual take over the procurement activity of the project; Basic procurement training and standard working templates will be provided to the PCU and MoF staff before the launching of the project. For more detail on project's procurement risk mitigation, see Section VI.D.</p> <p><b>Fraud / corruption (high)</b> Given the absence of a robust public financial legal framework and the nascent rudimentary banking systems, the potential risk of fraud and corruption related cases are high. Other internal control incidences that may expose the project to fraud and corruption include but not limited to: (a) late submission of the required supporting documents; (b) poor filing and absence of minimum standards in the maintenance of the project accounting records; (c) noncompliance to the approved project work plans and or budget discipline; (d) unauthorized commitment to suppliers; (e) bypassing agreed internal control oversight arrangements particularly in expenditure management expenses; (f) high risks in cash handling inherent with the existing cash driven dollarized economy; and (g) denial of access to information and or limiting the scope of agreed external monitoring and capacity development arrangements.</p> <p><i>Risk mitigation:</i> The project intends to mitigate these potential threats through: (i) targeted independent monitoring and risk management</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p>mechanism at the MPF and project specific level; (ii) specific aspects on corruption auditing will be included in the TORs for the external audit; (iii) targeted FM Procedures and internal control mechanisms across the project activities shall be detailed in the project OM; (iv) strong FM staffing arrangements (including qualified Project Accountants in the EAFS); (v) periodic FM supervisions; (vi) stringent reviews and monitoring recommendations of the MPF and project specific monitoring reports and IFRs reviews; (vii) measures to improve social accountability and transparency shall be integrated into the project design for instance ensuring that project reports are available to the public; and viii) frequent annual PFM forums with the project counterpart staff.</p>
<p><b>7. Environment and social</b></p>	<p>Risks posed <u>to</u> the project by environmental and social risks and potential unintended consequences posed <u>by</u> the activity on physical, biological and cultural resources and on human health and safety.</p> <p><b>Risk: Moderate</b></p> <p><b>Sensitive reforms: severance (moderate)</b>  Staff rationalization/severance can have significant political, social and economic consequences.</p> <p><i>Risk mitigation.</i> Reforms related to severance represent a minor component of the project. They will be promoted with a cautious, gradual approach. Robust Government ownership of the reforms will be a pre-condition to reform implementation.</p> <p><b>Inadvertent bias toward one group (moderate)</b>  The introduction of development resources into unstable environments risks triggering local conflict. Project may have unintentional, negative consequences on local tensions and power dynamics, if one group is favored over another through the allocation of project resources.</p> <p><i>Risk mitigation.</i> Project teams will monitor the potential impact of activities on power dynamics and conflict drivers using interaction indicators, taking care to implement project through a conflict sensitive approach. Interaction indicators measure the interaction between the context and the project. For this program, monitoring of beneficiaries and non-beneficiaries will collect and analyze perceptions of the diversity of beneficiaries, analyzing changes in perceptions and potential sources of tension over the lifespan of the project.</p>
<p><b>8. Stakeholders</b></p>	<p>Risks related to stakeholders who may affect successful project completion by delaying or halting its implementation.</p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p><b>Risk: Moderate</b></p> <p><b>Rivalries between diaspora and national staff (moderate)</b>  Experience has demonstrated that national staff often feel returning diaspora are "taking their jobs" or lack sufficient knowledge of the local context. Returning diaspora feel underappreciated. This leads to mistrust and poor communication between these groups.</p> <p><i>Risk mitigation.</i> In the past, successful returnees from the diaspora have overcome this mistrust and built legitimacy by investing time in building partnership and communicating with local Somalis. Establishing a minimum duration for diaspora contracts will help enable injected staff to build trust and legitimacy. Communication skills and attitude toward national staff will be considered for diaspora recruitment, in addition to core professional skills Regular performance monitoring will also be used to ensure recruited diaspora bring value, and not division, to the Somali Civil Service.</p> <p><b>Rivalries between "injected" nationals and civil servants (moderate)</b>  The nationals hired through the project will be more skilled and better paid than many of the existing civil servants. While necessary to build the capacity of Government institutions, this may lead to rivalries and mistrust amongst these two categories of Government staff, diminishing the quality of communication and coordination within Government.</p> <p><i>Risk mitigation.</i> Salary top-ups will be used to attract qualified candidates; however, excessive top-ups will be avoided to mitigate the risk of creating internal rivalries and inflating the wage bill to unsustainable levels. Top-ups will be established using information on private and public sector salaries gathered through the World Bank -EU consultancy devising a harmonized pay scale for technical assistance. The roles of injected capacity will be clearly defined, emphasizing their role in transferring skills to civil servants and establishing systems for strengthened institutional capacity. Recruitment will be conducted in a transparent, open process.</p>
<p>9. <b>Other (Security)</b></p>	<p>Additional context-specific risks not captured in the other categories. In the context of Somalia, security risks will always be included in project-level risk management frameworks.</p> <p><b>Rating: High</b></p> <p><b>Insecurity (high)</b></p>

Risk Categories <sup>13</sup>	Rating (H, S, M or L)
	<p>Insecurity poses a risk to human security (World Bank staff and client) and project implementation and sustainability. It creates severe limitations on access to the operating environment, which in turn elicits a number of additional project risks, creating challenges for project design, implementation and monitoring. For more information, see section IV on Project risks.</p> <p><i>Risk mitigation.</i> Recognizing that the risk of insecurity cannot be completely mitigated, the project is designed to incorporate agile and flexible implementation planning, taking account of the regular security advice issued by the World Bank and UN. Proposed activities require minimal field presence by the World Bank staff. The CMU will monitor the political and security environment, in collaboration with UNDSS. Additional measures may include: <i>i</i>) holding meetings within Mogadishu International Airport and Nairobi; <i>ii</i>) issuing contracts to firms, instead of individuals, so the firms provide security arrangements individuals would struggle to make on their own; <i>iii</i>) placing greater emphasis on Somali staff to deliver, decreasing reliance on international input.</p> <p><b>Political crisis / breakdown (high)</b> Challenges to state authority by anti-Government elements (AGEs) could delay or block project implementation. Moreover, it runs the risk of undoing progress achieved through the project.</p> <p><i>Risk mitigation.</i> The CMU will monitor the political and security environment, in collaboration with UNDSS. In the case of acute political crisis or breakdown, the project will need to be put on hold and potentially discontinued, based on the severity of the situation.</p>
<b>Overall</b>	<p><b>High -</b> The overall risk rating for the project is high. The Government is unfamiliar with the World Bank requirements and has weak capacity to manage projects. The history of bad governance and corruption risks are high. Working jointly with the PFMRCU, the World Bank will provide extensive front loaded support to PMO, MoF, CSC and other units of Government. Much of first 8 months of activities will focus on developing this support.</p>

## **Annex 5: Implementation Support Plan**

### **Somalia Capacity Injection Project**

#### **Strategy and Approach for Implementation Support**

1. The strategy and approach for implementation support requires special attention in the context of Somalia, as a fragile and post conflict country. In addition to the volatile security situation, acute human and institutional capacity constraints and the Government of Somalia's limited experience in implementing World Bank projects, it is important that an innovative approach for providing support during implementation using collaborative processes and mechanisms be adopted to involve other development partners, individuals and organizations which are already working with the FGS and performing similar roles in various institutions in the country. A permanent dialogue will be established with implementing agencies of the project, UNDP and other international development partners including both in-country and out-of-country meetings to keep track of project implementation progress in each project area and provide needed support. The Implementation Support Plan (ISP) will specifically focus on the following areas and activities:

#### **Technical Support**

2. Technical assistance (TA) services will be provided to support all project components and deliberate effort will be made to ensure transfer of skills, knowledge and technology from experienced technical experts and consultants to counterpart civil service staff and this process will be vigorously monitored by the Project Coordinator and reported to the Steering Committee and the World Bank. The client project team will also be coached and provided the necessary training by the World Bank project team and such training will be continued as implementation of the technical components progresses along the different phases of the project and new activities are rolled out.

3. **Procurement Implementation support by the World Bank will include** advice to the Government to group procurement of TA services and IT equipment into manageable contracts and processes and execute them through Bank transparent and competitive procedures. Implementation support will also be provided in the following areas: (i) provide training to the Project Coordination Unit (PCU) and Implementing Committees (ICs); (ii) Provide detailed guidance on the World Bank's procurement guidelines; (iii) review procurement guidelines and provide timely feedback to the PCU and ICs; (iv) monitor implementation of procurement activities against approved procurement plan and Project Implementation Manual (PIM); and (v) provide additional technical assistance and supervisory support to the PCU and ICs to conform to Bank procurement standards if required.

4. **Financial management implementation support by the World Bank will** be linked to PFM systems developed, installed and being used by the Government. Implementation support will include: (i) providing training to the PCU and ICs on Bank's financial management regulations, processes and standards and PFM systems introduced to improve the country's financial administration system; (ii) review on regular basis project financial management reports and provide timely feedback for corrective actions to be taken; (iii) Ensure appointment of Financial Management Specialists on the project are recruited in accordance with agreed Bank

standards; (iv) ensure strong linkage of PCU financial management unit with EAFS in the Accountant General’s Office; and (v) provide coaching support to improve adherence to accounting, reporting and internal control standards and provisions of the PIM.

5. **Mid-Term Review** will be conducted 24 months after project effectiveness by the World Bank team to assess progress of implementation and any adjustments that may be required for reasons of change in project assumptions, expectations or non-satisfactory performance. The mid-term review will also be used to provide advice and technical guidance on specific implementation challenges.

6. **Monitoring and evaluation** will be strengthened through adequate coaching and training of M&E Specialist of the PCU and staff performing M&E functions in the implementing agencies. The M&E Specialist on the World Bank’s team will provide regular technical backstopping to track quality, efficiency and relevance of activities at various stages of project implementation and provide needed supervision and technical guidance for corrective actions to be taken. Arrangements will further be made to solicit third party support to undertake regular monitoring and evaluation of implementation progress and provide timely feedback to the World Bank project team.

#### General supervision inputs

7. There will be two formal missions each year complimented by team specialists and the TTL for technical backstopping and troubleshooting as will become necessary during project implementation. The TTL will maintain regular contact with UNDP and other collaborating international partners in Somalia, the PCU, ICs and also through visits to implementing institutions (as the security situation permits), emails, audio and VC. The third party arrangements for the provision of M&E support on regular basis will also provide in-country supervision of project implementation and submission of reports to the World Bank project team.

**Table 14. Implementation Support Plan**

Time	Focus	Skills Needed	Resources		Comments
			Staff Weeks	Estimated Cost (USD)	
First 6 Months	<p><b>Component 1: Capacity Injection</b></p> <ul style="list-style-type: none"> <li>Support to the National Civil Service Commission (NCSC) to set up Secretariat</li> <li>Support to NCSC to hire HR consultants and provide technical assistance</li> </ul>	<p>HR, FM and procurement, Organizational Development, gender mainstreaming skills, Team leadership</p> <p>HR, FM, organizational development,</p>	8	110,000	<p>-The volatile security situation may result in embarking on several short supervision trips.</p> <p>-A third party independent consultant will</p>

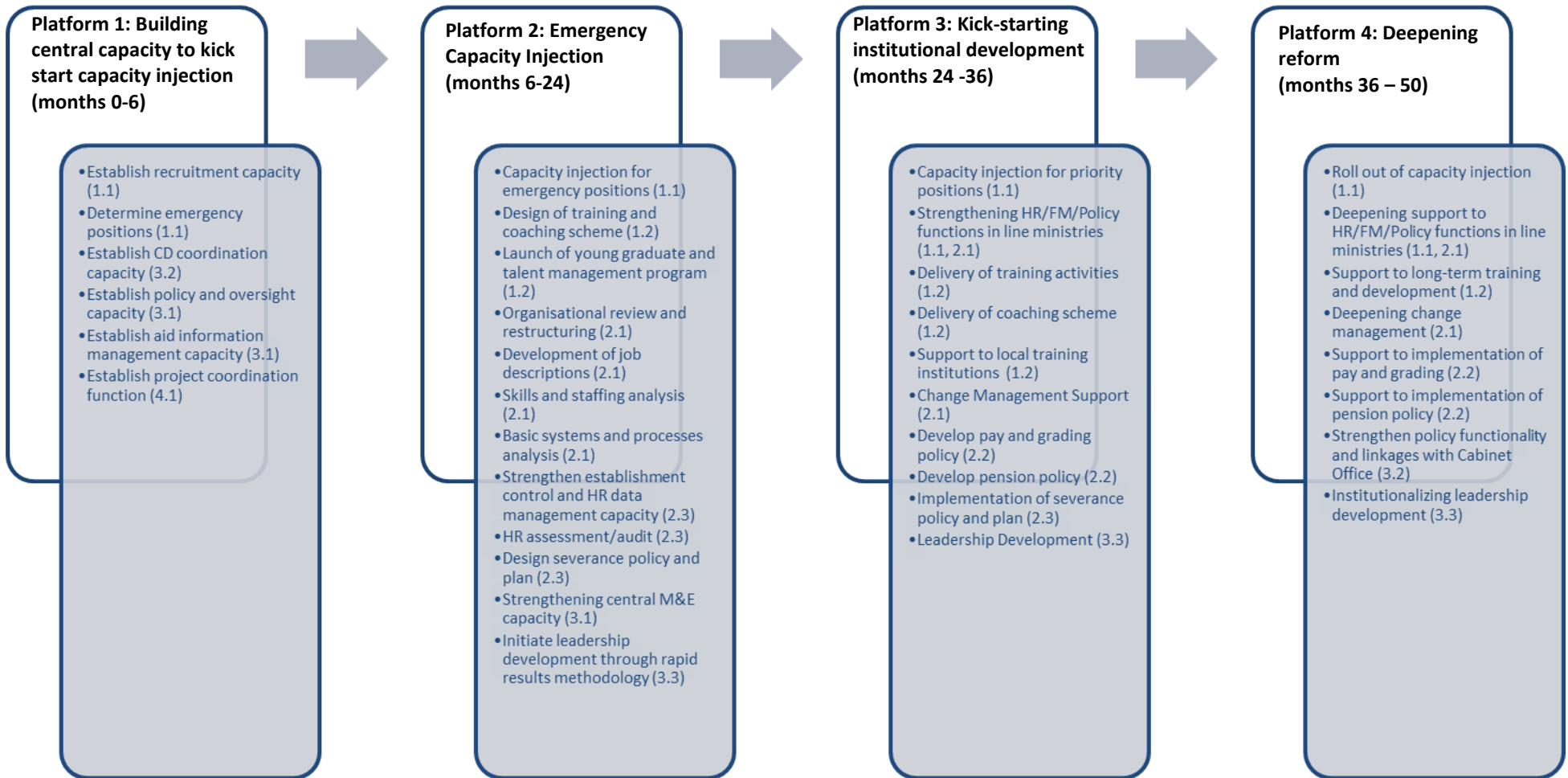


Time	Focus	Skills Needed	Resources		Comments
			Staff Weeks	Estimated Cost (USD)	
	<p><b>Component 2:</b></p> <ul style="list-style-type: none"> <li>Support to Prime Minister’s Office (PMO) to set up implementation secretariat</li> <li>Support to hire consultants and provide technical assistance</li> </ul> <p><b>Component 3: Pay and Grading, pension, HRMIS and workforce management Policies</b></p> <ul style="list-style-type: none"> <li>Support to Ministry of Labor to set up implementation secretariat</li> <li>Support to hire HR consultants and provide technical assistance</li> </ul> <p><b>Component 4: Project Management</b></p> <ul style="list-style-type: none"> <li>Procurement training</li> <li>Technical and procurement review of bidding documents</li> <li>Financial management training</li> <li>Planning and review meetings with client and collaborating entities</li> </ul>	<p>change management, cabinet process, policy management/ development, Team Leadership skills</p> <p>HR, FM, ICT, Organizational Development, change management, Team Leadership skills</p> <p>HR, FM and procurement, Organizational Development, change management, gender mainstreaming, Team Leadership skills</p> <p>Project management, HR, FM, procurement, M&amp;E, Report</p>			<p>be required to undertake supervision and provide implementation support on behalf of the project team in cases of travel restrictions to Mogadishu by Bank staff</p> <p>-Technical backstopping and troubleshooting missions is expected to be a regular occurrence and Bank Expertise and guidance will be provided on regular basis</p>

Time	Focus	Skills Needed	Resources		Comments
			Staff Weeks	Estimated Cost (USD)	
	<ul style="list-style-type: none"> <li>Support to financial management, disbursement and reporting</li> <li>Results management and M&amp;E training and coaching</li> <li>Dialogue with client and Team Leadership</li> </ul>	writing, Team Leadership skills			
6-12 Months	<ul style="list-style-type: none"> <li>Financial management, disbursement and reporting support</li> <li>Support to tracking results, performance of consultants/TA and reporting</li> <li>Dialogue with client and Team leadership</li> </ul>	Fiduciary, M&E, HR, performance management, organizational development, change management, Team Leadership	8	110,000	
12-24 Months	<ul style="list-style-type: none"> <li>Financial management, disbursement and reporting support</li> <li>Support to tracking results, performance of consultants/TA and reporting</li> <li>Learning from experience of other countries</li> <li>Dialogue with client and Team leadership</li> </ul>	Fiduciary, M&E, HR, performance management, Team Leadership	6	90,000	
24-36 Months	<ul style="list-style-type: none"> <li>Financial management, disbursement and reporting support</li> <li>Support to tracking results, performance</li> </ul>	Fiduciary, M&E, HR, performance management, Team Leadership	5	70,000	

Time	Focus	Skills Needed	Resources		Comments
			Staff Weeks	Estimated Cost (USD)	
	<ul style="list-style-type: none"> <li>of consultants/TA and reporting</li> <li>• Learning from experience of other countries</li> <li>• Mid-term review and project adjustments if required</li> <li>• Dialogue with client and Team leadership</li> </ul>				
36- 60 Months	<ul style="list-style-type: none"> <li>• Financial management, disbursement and reporting support</li> <li>• Support to tracking results, performance of consultants/TA and reporting</li> <li>• Learning from experience of other countries</li> <li>• Support for project completion report writing</li> <li>• Project closure support</li> <li>• Dialogue with client and Team leadership</li> </ul>		5	70,000	
<b>Total</b>			<b>34</b>	<b>450,000</b>	

## Annex 6: Sequence of Platforms for Implementation



**Annex 7: Joint World Bank UNDP Approach and Division of Labor**

Project Components	FEDERAL GOVERNMENT OF SOMALIA		GOVERNMENT OF PUNTLAND	
	UNDP	World Bank	UNDP	World Bank
<b>1. Developing Capacity for Key Cross-Cutting Government Functions</b>				
1.1.Supporting Harmonized and Government-Led Capacity Injection in Priority Institutions	Staff recruitment, placement and salary payment (RCRF) for Ministry of Interior (MoI), Ministry of Women Affairs (MoWA) and others	Strengthening of NCSC functions and CIM oversight body Staff recruitment, placement and salary payment (RCRF) for OPM, MoF, MoLSA, MoPIC, NCSC, MoWE, MoPW, MoA	Staff recruitment, placement and salary payment (RCRF) for MoI, MoWA and others	Strengthening of NCSC functions and CIM oversight body Staff recruitment, placement and salary payment (RCRF) for OOP, MoF, MoLSA, MoPIC, PCSC, MoLS, MoFI
1.2.Providing Specialized Training and Coaching Support for New Recruits and their Teams		Design and implementation of training program, young graduate program and coaching in common functions		Design and implementation of training program, young graduate program and coaching in common functions Strengthen the capacity of local training providers to provide long term training (curriculum development, certification & evaluation, partnership programs with regional/external institutions)
<b>2. Strengthening the Frameworks and Procedures for Civil Service Management</b>				
2.1. Supporting Priority Ministries in Re-organization and Change Management	Restructuring and change management plans – MoLSA, MoPIC, NCSC and other targeted ministries	Restructuring and change management plan - MoF, NCSC and MoWRE, MoPW, MoA Organizational development support for MoPIC in	Restructuring and change management plan - MoL	Restructuring and change management plans - OOP, MoF, and MoPIC

Project Components	FEDERAL GOVERNMENT OF SOMALIA		GOVERNMENT OF PUNTLAND	
	UNDP	World Bank	UNDP	World Bank
		statistics and M&E departments		
2.2. Strengthening Basic Frameworks for Civil Service Management	- Civil service policy and legal framework - HRM framework - Civil service training and development framework	Pay and grading policy and implementation plan - MoLSA Pensions policy and implementation plan - MoLSA	Public Sector/Civil Service reform strategy - MoL Support to ongoing HRM policy – MoL Public Service training policy and Standards - MoL	Develop standards for guidelines for Public Sector Reform – OOP Pay and grading policy and implementation plan - MoL Pensions policy and implementation plan – MoL
2.3. Civil Service Workforce Management		Severance policy and implementation plan - MoLSA HR Audit - NCSC Personnel data management (system, training) –NCSC Civil Service Ethics - MoLSA		HRMIS Policy and guidelines Severance policy and schemes MoL Personnel data management (system, procedures, training) – Puntland Service Commission
<b>3. Strengthening Policy Management, Coordination and Monitoring Capabilities at the Center of Government</b>				
3.1. Strengthening Capacity for Aid Coordination and Monitoring and Evaluation of the Somali Compact	Overall support to ACU, including staffing and capacity development	Targeted support to ACU in the area of aid data management and aid transparency Targeted capacity support to MoPIC in area of M&E and statistics	Support to aid coordination	Support to coordination between MoPIC and MoF to reflect aid in the budgeting process

Project Components	FEDERAL GOVERNMENT OF SOMALIA		GOVERNMENT OF PUNTLAND	
	UNDP	World Bank	UNDP	World Bank
3.2. Developing Basic Policy Management Capabilities	<p>Overall support to MoPIC on development planning</p> <p>Support to OPM cabinet secretariat functions, parliament liaison, communications</p> <p>Support to OPM CD coordination function</p>	<p>Support to establish OPM policy and oversight unit and OPM CD coordination unit</p> <p>Executive Leadership Program (partnership with external institutions) - OPM</p> <p>Capacity building for macroeconomics and FM policy – MoF</p> <p>Support to establish and strengthen policy units in targeted institutions</p>	<p>Support to National Development planning – MoP</p> <p>Capacity building for HRM policy implementation– Puntland Service Commission</p>	<p>Support to macro-economic and FM policy function – MoF</p> <p>Support to strengthening policy planning, statistics and M&amp;E – MoP</p> <p>Support to establish OOP policy coordination and strategic M&amp;E functions and capability.</p> <p>Support to OOP cabinet management process</p>
<b>4. Project Management, Coordination, Monitoring and Evaluation</b>				
4.1. Project Management	<p>Set up of Implementation Committees</p>	<p>Establish PMU – staff, equipment, work plan and budget and operational budget – OPM</p> <p>Set up of Implementation Committees</p>	<p>Set up of Implementation Committees</p>	<p>Establish PMU – staff, equipment, work plan and budget and operational budget – OOP</p> <p>Set up Implementation Committees</p>
4.2. Monitoring and Evaluation	<p>M&amp;E at level of implementing agencies</p>	<p>Support to developing the overall program M&amp;E system</p> <p>M&amp;E at level of implementing agencies</p>	<p>M&amp;E at level of implementing agencies</p>	<p>Support to developing the overall project M&amp;E system</p> <p>M&amp;E at level of implementing agencies</p>

## Annex 8: The Somalia Civil Service

### Somalia Capacity Injection Project

1. The FGS has managed the size of the civil service reasonably well. The Government successfully reduced the total number of civil service staff between 2012 and 2014 from 3,383 to 3,338 respectively. The key challenge for the civil service, which represents 10% of public sector staff, lies not in its overall size, but in the quality of recruited staff. Nepotism, political ties and clan-based affiliations drive recruitment, rather than merit, bloating public sector numbers with unqualified people and increasing the wage bill.

2. New strategies are also required for the management of large professional job families, such as teachers, nurses and paramedics. While the Federal Government has small numbers of civilian ministerial management and administrative staff, it has almost no decentralized sectoral professionals or service delivery workers (teachers, health professionals etc.) on the public payroll. Service delivery is almost entirely undertaken by international aid agencies together with local NGOs and private actors.

3. Recruiting more-qualified staff will require improved salaries and conditions of service. The Government has elaborated plans in its 2014 budget for salaries, wages and allowances. However, expenditure projections for employee compensation appear unrealistic and unsustainable. The Government has planned an increase in overall public sector wages from US\$13.5 million in 2012 to US\$87 million in 2015. Civil service wages are projected at US\$17.5 million, 22% of total public sector wages. This quantum jump is premised on a projection of revenue increase from US\$35.1 million to US\$198.8 million between 2012-2015. The planned salary increases are overly ambitious considering recent performance of revenue collection and management coupled with the inability of Government to pay civil servant salaries.

**Table 15. Somalia: Summary of Human Resource Base of the Public Sector**

Employee Classification	2012	2013	2014
<b>Civil Service</b>	<b>3,383</b>	<b>3,485</b>	<b>3,338</b>
• General Services	2,050	2,275	1,925
• Security Services			137
• Economic Services	911	910	991
• Social Services	422	300	285
<b>Non-Civil Service</b>	<b>52,929</b>	<b>29,653</b>	<b>29,653</b>
• Military/Army	19,661	22,103	22,103
• Police Force	5,670	6,500	6,500
• Prison Custodians	598	1,050	1,050
• National Security Service	Not Specified	Not Specified	Not Specified

*Source: FRS, Ministry of Finance and Planning 2014 Budget Policy Framework Paper*

4. Another key concern is how to ensure that any planned increases in civil service compensation do not fund people who are not active workers including retired people and absentee staff on payroll. The allocation of wages (and non-wages expenditure) of recurrent expenditure is



also based on the classification of ministries and public institutions and the roles they play in the implementation of Government priorities. This project will support the development of a realistic and sustainable pay and grading policy and provide technical advice on its implementation.

5. Provides information on public service positions and their budgeted responsibility allowances for 2014.

6. Government wages as a percentage of GDP is one of the few ways to directly determine the effect of wage costs on the economy and compare with that of other countries. The FGS lacks the necessary data to determine the effect of wage costs on the economy. Data is not readily available on public sector wage bill/GDP ratio or wage bill revenue permutations. Moreover, there has been no comprehensive survey of civil service pay, grading and employment procedures and statistics.

**Table 16. Civil Service Employment by Sub-Sectors**

Code	Sector/Institution	Grade				Total
		A/A/Y	B/F	C/X	D	
	<b>Administration Sector</b>	<b>601</b>	<b>664</b>	<b>440</b>	<b>344</b>	<b>2,200</b>
101	Office of the President	39	45	128	111	323
10201	Office of the Parliament	79	36	30	41	186
10202	Members of Parliament (Allowance)					275
103	Office of the Prime Minister	14	36	55	23	128
10401	Ministry of Foreign Affairs	56	26	11	18	111
10402	Embassies					150
105	Ministry of Finance and Planning	115	219	70	24	428
10601	Ministry of Justice, Endowment and Religious Affairs	29	22	16	16	83
10603	National Constitution and Federal Affairs	30	6		2	38
10604	Committee of Constitution and Reconciliation	31	1	2	3	37
10605	Banadir Regional Court and Others	28	59	43	36	166
10606	Appeal Court	5	4	3	4	16
10607	Human Rights Commission					
10608	Judicial Service Commission	4	3	3	2	12
10609	Constitutional Court					
107	High Court	9	7	8	11	35
108	Attorney General	14	8	11	9	42
109	Solicitor General	10	36	5	5	62
110	Accountant General	16	36	5	5	62
111	Auditor General	16	27	9	4	56
112	National Civil Service Commission	20	7	3	5	35
	<b>Security Services</b>	<b>43</b>	<b>60</b>	<b>20</b>	<b>14</b>	<b>137</b>
20101	Ministry of Defense	7	10	8	2	27

Code	Sector/Institution	Grade				Total
		A/A Y	B/F	C/X	D	
20201	Ministry of Interior and National Security	36	50	12	12	110
20204	Immigration Department	-	-	-	-	-
20205	Somali Refugee and IDPs Commission	-	-	-	-	-
20206	Somali Disaster Management Agency	-	-	-	-	-
20207	Boundaries and Federal Commission	-	-	-	-	-
	<b>Economic Services</b>	<b>241</b>	<b>435</b>	<b>198</b>	<b>117</b>	<b>991</b>
30101	Ministry of Natural Resources	91	112	39	37	279
30102	Somali Marine Research	-	-	-	-	-
30201	Ministry of Information, Posts and Telecommunications	62	190	100	34	386
30202	Civil Aviation and Meteo Authority	8	22	15	16	61
30301	Ministry of Public Works and Transport	38	71	32	15	156
30302	Somali Port Agency	5	6	1	0	12
304	Ministry of Industry and Commerce	37	34	11	15	97
	<b>Social Services</b>	<b>121</b>	<b>107</b>	<b>31</b>	<b>26</b>	<b>285</b>
40101	Ministry of Social Service Development	121	107	31	26	285
40102	Somali National University	-	-	-	-	-
40103	Somali Academy of Sciences and Arts	-	-	-	-	-
	<b>Grand Total</b>	<b>963</b>	<b>1206</b>	<b>669</b>	<b>487</b>	<b>3,613</b>

Source: FRS, Ministry of Finance and Planning 2014 Budget Policy Framework Paper

**Table 17. List of Public Service Positions and Responsibility Allowances**

No	Executive Position/Title	No. of Personnel	Allowance US\$	Month US\$	Year US\$
1	President	1	10,000	10,000	120,000
2	Speaker of Parliament	1	4,000	4,000	48,000
3	Deputy Speaker of Parliament	2	1,500	3,000	36,000
4	Prime Minister	1	6,500	6,500	78,000
5	Deputy Prime Minister	1	1,000	1,000	12,000
6	Council of Ministers	35	5,000	175,000	2,100,000
7	Chairman of Supreme Court	1	3,000	3,000	36,000
8	Member of Parliament	275	3,000	825,000	9,900,000
9	Ambassadors	30	1,000	30,000	360,000
10	Consolers	30	700	21,000	252,000
11	Attorney General	1	500	500	6,000
12	Solicitor General	1	500	500	6,000

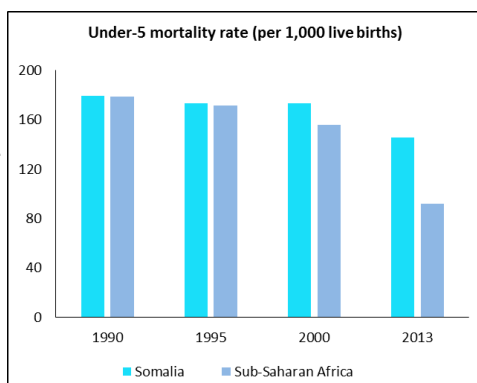
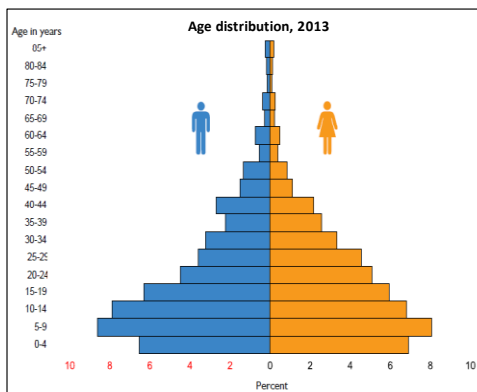
No	Executive Position/Title	No. of Personnel	Allowance US\$	Month US\$	Year US\$
13	Auditor General	1	500	500	6,000
14	Accountant General	1	500	500	6,000
15	Chairman of Appeal Court	1	500	500	6,000
16	Chairman of Banadir Court	1	500	500	6,000
17	Directors General	33	500	16,500	198,000
18	Directors of Departments	208	400	83,200	998,400
	<b>Total</b>	<b>624</b>		<b>1,181,200</b>	<b>14,174,400</b>
	<b>Civil Servants</b>				
	Grade Level	No.	Salary	Month	Year
	1A/AY	920	735	676,200	8,114,400
	B/F	1,146	415	475,590	5,707,080
	C/X	649	330	214,170	2,570,040
	D	473	198	93,654	1,123,848
	<b>Total for Civil Servants</b>	<b>3,188</b>		<b>1,459,614</b>	<b>17,515,368</b>
	<b>Grand Total</b>			<b>2,640,814</b>	<b>31,689,768</b>

Source: FRS, Ministry of Finance and Planning 2014 Budget Policy Framework Paper

## Annex 9: At a Glance Report on Somalia

### Somalia Capacity Injection Project

Somalia at a glance				
Key Development Indicators (2013)	Sub-Saharan Africa			Low Income
	Somalia	Africa		
Population (millions)	12.3	936	597	
Surface Area (thousand sq. km)	638	24,263	14,456	
population growth (%)	2.9	2.7	2.6	
Urban population (% of total population)	42	37	29	
GNI (Atlas method, US\$ billions)	..	1,575	358	
GNI per capita (Atlas method, US\$)	..	1,682	599	
GNI per capita (PPP, International \$)	..	3,330	1,510	
GDP growth (%)	..	4.6	5.8	
GDP per capita growth (%)	..	1.8	3.1	
<i>(Most recent estimate, 2005-2013)</i>				
Poverty headcount ratio at \$1.25 a day (PPP,%)	43.0	48.8	48.8	
Poverty headcount ratio at \$2.00 a day (PPP,%)	..	69.5	73.7	
Life expectancy at birth (years)	55	57	59	
Infant mortality (per 1,000 live births)	90	61	53	
Child malnutrition (% of children under 5)	33	21	23	
Adult literacy, male (% of ages 15 and older)	..	68	68	
Adult literacy, female (% of ages 15 and older)	..	51	54	
Gross primary enrollment, male (% of age group)	42	103	109	
Gross primary enrollment, female (% of age group)	23	96	104	
Access to an improved water source (% of population)	..	..	..	
Access to improved sanitation facilities (% of population)	..	..	..	
<b>Net Aid Flows</b>				
(US\$ millions)	1980	1990	2000	2013
Net ODA and official aid	480	515	102	992
<i>Top 3 donors (in 2010)</i>				
European Union Institutions	37	41	23	152
United Kingdom	7	3	1	168
United States	60	72	10	179
Aid (% of GNI)	..	..	..	..
Aid per capita (US\$)	75	78	14	..
<b>Long-Term Economic Trends</b>				
Consumer prices (annual % change)	..	..	..	..
GDP implicit deflator (annual % change)	..	..	..	..
Exchange rate (annual average, local per US\$)	..	..	..	..
Terms of trade index (2000=100)	..	..	..	..
Population, (millions)	6.4	6.6	7.4	12.3
GDP (US\$ billions)	..	..	..	5.4
<b>% of GDP</b>				
Agriculture	68.4	65.5	..	..
Industry	8	..	..	..
Manufacturing	4.7	4.6	..	..
Services	23.6	..	..	..
Household final consumption expenditure	..	..	..	134.4
General Gov't final consumption expenditure	..	..	..	5.1
Gross capital formation	..	..	..	8.0
Export of goods and services	..	..	..	14.6
Import of goods and services	..	..	..	62.1
Gross savings	..	..	..	..
Note: ..indicates data not available				
Sources: World Development Indicators (WDI), 2015; IMF and World Bank Estimates; UNFPA-PESS (2014)				



1980-90 1990-2000 2000-13  
(average annual growth, %)

0.3 1.1 2.7