



## Somalia Recurrent Cost &amp; Reform Financing Project - Phase 2 (P154875)

AFRICA | Somalia | Governance Global Practice |  
 Recipient Executed Activities | Investment Project Financing | FY 2015 | Seq No: 1 | ARCHIVED on 09-Nov-2015 | ISR21250 |

Implementing Agencies: Ministry of Finance, Ministry of Finance, Interim Jubba Administration

## Key Dates

## Key Project Dates

Bank Approval Date:25-Jun-2015

Effectiveness Date:02-Jul-2015

Planned Mid Term Review Date:--

Actual Mid-Term Review Date:--

Original Closing Date:30-Jun-2020

Revised Closing Date:30-Jun-2020

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Development Objective of the project is to support the government to provide credible and sustainable payroll and to establish the foundation for efficient budget execution and payment systems for the non-security sectors in FGS and eligible interim and emerging states.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

Support to Core Government Functions of MDAs in FGS:(Cost \$81.00 M)

Intergovernmental Fiscal Transfers to Core Functions of Sub-National Authorities:(Cost \$34.00 M)

Support of Recurrent Costs in the Health and Education sectors:(Cost \$20.00 M)

Project Management and Coordination:(Cost \$9.00 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	--	● Satisfactory
Overall Implementation Progress (IP)	--	● Moderately Satisfactory
Overall Risk Rating	--	● High



## Implementation Status and Key Decisions

### **Component 1: Support to core government functions of MDAs in FGS: (2015 allocation is US\$16 million). Overall, progress of implementation of this component is Satisfactory.**

**Financing of eligible civil service salaries in non-security sectors in FGS** – this sub-component aims at supporting the payment of salaries for non-security civil servants at a declining balance. As designed, it is expected that the contribution to salary payments by the project under this sub-component would be zero by 2020. This declining scale of support to salary payments is already on course. In March and April 2015, the total salaries of non-security sector employees paid amounted to US\$1.6 million for each month (an equivalent of 76 per cent of monthly payroll expenses respectively). Furthermore, the project contributed US\$1.5 million to May, 2015 payroll expenses which amounted to 71 per cent of overall payroll expenses for the non-security sector. June 2015 payments were being processed at the time of the mission. Table 3 below depicts payroll analysis from March 2015 to June 2015 for non-security sector employees with the June 2015 payroll highlighting a reduction in project's contribution to 66 per cent. It is envisaged that the project's subsequent contribution to payroll will decrease by US\$100,000 every till the end of 2015. The FGS has committed that it will make two months payments in each month of October, November, and December so that the salaries arrears from July to September can be paid up and the government will not be in arrears from January 2016.

**Financing of salaries and allowances to government staff and young graduates recruited under the capacity injection mechanism.** No activity has been carried out under this sub-component because the Capacity Injection Project through which relevant employees are to be recruited is not yet effective.

**Financing of eligible non-salary recurrent costs of MDAs in the FGS:** Payments for non-Salary recurrent cost for MDAs has commenced though at a slow pace. The first US\$2,000 of non-salary recurrent cost expenses incurred and paid was claimed on Withdrawal Application 2. On the FGS minister of Finance request, the mission agreed that these expenses will be treated as replenishments similar to the other sub-components rather than as a reimbursement. All eligibility criteria would be satisfied prior to claiming these funds.

### **Component 2: Intergovernmental fiscal transfers to core government functions of eligible federal member states, interim and emerging administrations – Moderately Satisfactory.**

**Transfers to interim and emerging states for core government functions:** The project started expanding services to Puntland and Jubbaland. Transfer of funds to the States and other regions is done by the FGS through the CBS. The First advance funds of US\$30,000 for each region have been remitted. In addition to advance, US\$26,094 was remitted by the FGS to Jubbaland to cover salaries of civil servants in the ministry of finance for the months of June to August 2015. Also, transfers of \$79,133 has been made to Puntland to cover expenses incurred for the project training, launch and annual review in Nairobi. Two other States, South West and Galmudug, are under assessment and appraisal, and would access funds from the project once the appraisal process is complete and a letter received from the FGS confirming their participation.

**Intergovernmental Fora:** An important objective of RCRF is that it should support government to lay the foundations for a simple system of inter-governmental dialogue, and associated resource transfers. This is intended to strengthen inter-governmental trust, and, ultimately, to promote fiscal arrangements that promote greater equity in resource distribution among federal and sub-national governments. After a meeting between the federal and regional ministers of finance, it was agreed that FGS Minister of Finance would take the lead in initiating follow-on intergovernmental fiscal discussions in October/November 2015. The FGS is in the process of engaging an intergovernmental expert to support the dialogue and on-going relationship.

### **Component 3: Strengthening of recurrent costs in health and education sectors in FGS and eligible member states, interim and emerging administrations**

This activities have not commenced because the accountability systems that would be required prior to the support are not in place. The mission agreed that the FGS project management team would hold consultations with the Health and Education ministries to agree on the accountability systems that needs to be put in place prior to commencing the support to recurrent costs in these sectors and support this from the project funds. It was also agreed that most unused funds from 2015 would be transferred to the social services sector in 2016.

### **Component 4: Project Management and Coordination- Satisfactory**

The FGS project coordination is in charge of the overall coordination of the project. Puntland has engaged a Project Manager while Jubbaland has also identified an acting project manager and are in the process of recruiting a substantive project manager. Additionally, FGS would engage a deputy PFM coordinator who would assist the PFM coordinator and would focus on the RCRF project specifically. He will be funded from the RCRF project. The FGS project management team will be visiting Puntland and Jubbaland to train and 'hand hold' the project team to support in speeding up project implementation. This would also be a major achievement for intergovernmental relationship. The mission is planned for the second half of October 2015.



## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	--	● Substantial
Macroeconomic	● High	--	● High
Sector Strategies and Policies	● Substantial	--	● Substantial
Technical Design of Project or Program	● Substantial	--	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	--	● Substantial
Fiduciary	● High	--	● High
Environment and Social	● Low	--	● Low
Stakeholders	● Substantial	--	● Substantial
Other	● High	--	● High
Overall	● High	--	● High

## Results

### Project Development Objective Indicators

#### ► Percentage of eligible civil servants salaries in non-security sectors paid on time (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	80.00
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

#### ► Number of Payroll verifications undertaken by independent agent (Number, Custom)



Value	6.00	--	10.00	30.00
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

► The share of the salaries of the non-security civil servants financed by the government (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	34.00	100.00
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

Comments

As of June 2015 salary payment, the project paid 66 percent (US\$1.4 million) of the total civil service salaries of \$2,107,500 while government paid 34 percent.

► Percentage annual increase of intergovernmental transfers to sub-national governments (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	50.00
Date	31-Mar-2015	--	--	30-Jun-2020

Overall Comments

**Intermediate Results Indicators**

► Number of monthly payroll reports published on MOF website (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.00	--	--	12.00
Date	31-Mar-2015	--	--	30-Jun-2020



► Verified reimbursements of non-salary recurrent cost expenditures (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.00	--	--	76.00
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

► Number of annual intergovernmental fiscal transfer dialogues held (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	13.00
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

Comments

The ministers of Finance of FGS, Puntland, Jubbaland, South West and Galmudug had an informal meeting in Nairobi in October 2015. The first formal intergovernmental fiscal transfers dialogue is planned for November 1, 2015.

► Establishment of payment systems by the Central Bank of Somalia/ Dahabshiil International Bank (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	N	Y
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

► Fully functional EMIS with integrated teacher profile and HR System (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	N	Y
Date	31-Mar-2015	--	06-Oct-2015	30-Jun-2020

Overall Comments



**Data on Financial Performance**

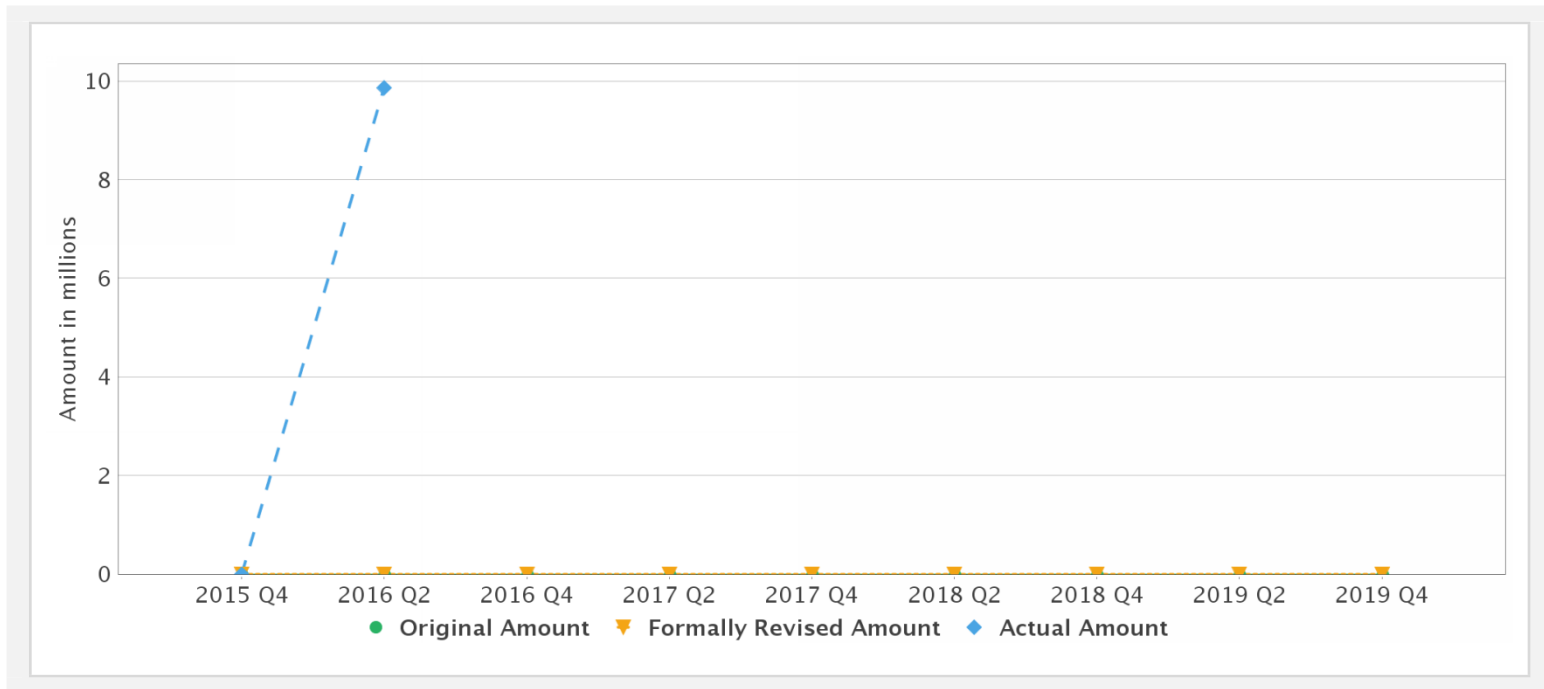
**Disbursements (by loan)**

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P154875	TF-A0534	Effective	USD	24.00	24.00	0.00	9.87	14.13	41%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P154875	TF-A0534	Effective	29-Jun-2015	29-Jun-2015	02-Jul-2015	30-Jun-2020	30-Jun-2020

**Cumulative Disbursements**



**Restructuring History**

There has been no restructuring to date.

**Related Project(s)**



There are no related projects.

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