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Report No: PAD1555

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

SOMALIA MULTI-PARTNER FUND GRANT

IN THE AMOUNT OF US\$10.0 MILLION EQUIVALENT

FOR A

SOMALILAND CIVIL SERVICE STRENGTHENING PROJECT

28 June 2016

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective July 1, 2016)

Currency Unit = Somaliland Shilling (SOS)
SOS 587.499192 = US\$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statement
CIP	Capacity Injection Project
CBSL	Central Bank of Somaliland
CMU	Country Management Unit
CSC	Civil Service Commission
CSI	Civil Service Institute
CSR	Civil Service Reform
DA	Designated Account
DfID	U.K. Department for International Development
DLI	Disbursement-linked Indicator
EEP	Eligible Expenditure Program
EAFS	External Assistance Fiduciary Section
FGS	Federal Government of Somalia
FM	Financial Management
FMS	Financial Management Specialist
FMIS	Financial Management Information System
GoSL	Government of Somaliland
GDP	Gross Domestic Product
GRS	Grievance Redress Service
HR	Human Resource
HRM	Human Resource Management
HRMIS	Human Resource Management Information System
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IFR	Interim Unaudited Financial Report
ISA	International Standards on Auditing
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
ISN	Interim Strategy Note
M&E	Monitoring and Evaluation
MDA	Ministries, Departments, and Agencies
MoF	Ministry of Finance
MoNPD	Ministry of National Planning and Development
MoP	Ministry of the Presidency
MoSLA	Ministry of Labor and Social Affairs
MPF	Multi Partner Fund

NCB	National Competitive Bidding
NGO	Nongovernmental Organization
OoAG	Office of the Accountant General
PAD	Project Appraisal Document
PIM	Project Implementation Manual
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PSG	Peacebuilding and State building Goal
PSR	Public Service Reform
PSRSC	Public Service Reform Steering Committee
RRI	Rapid Results Initiative
SDF	Somaliland Development Fund
SOP	Series of Projects
SSA	Somaliland Special Arrangement
SC	Steering Committee
TA	Technical Assistance
TTL	Task Team Leader
ToR	Terms of Reference
TMP	Talent Management Program
UN	United Nations
UNDP	United Nations Development Programme

Regional Vice President:	Makhtar Diop
Country Director:	Bella Bird
Senior Global Practice Director:	Deborah Wetzel
Practice Manager:	George Addo Larbi
Task Team Leaders:	Stephan Massing Alex Appiah-Koranteng

Somaliland Civil Service Strengthening Project

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PAD DATA SHEET

Somalia

Somaliland Civil Service Reform Project (P155123)

PROJECT APPRAISAL DOCUMENT

AFRICA

GGODR

Report No.: PAD1555

Basic Information			
Project ID	EA Category	Task Team Leaders	
P155123	C - Not Required	Stephan Massing Alex Appiah-Koranteng	
Lending Instrument	Fragile and/or Capacity Constraints [X]		
Investment Project Financing	- Fragile States		
	Financial Intermediaries []		
	Series of Projects [X]		
Project Implementation Start Date	Project Implementation End Date		
01-Jul-2016	30-Jun-2021		
Expected Effectiveness Date	Expected Closing Date		
03-Oct-2016	30-Jun-2021		
Joint IFC			
No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
George Addo Larbi	Deborah L. Wetzel	Bella Bird	Makhtar Diop
Approval Authority			
Approval Authority			
RVP Decision			
Please explain			
The project does not require Board approval because the establishment of the Somalia Multi-Partner Fund (SMPF) and IDA's role as Trustee and Administrator of the fund has already been approved by the World Bank Board of Executive Directors on 17 December 2013. As per paragraph 99 of the SMPF Board Paper Executive Directors have delegated approval of grants from SMPF resources to the Vice President, Africa Region.			

Responsible Agency: Somaliland Civil Service Commission						
Contact:	Mohamed Boqore			Title:	Chairman, Civil Service Commission	
Telephone No.:	252634416887			Email:	csc07chairman@gmail.com	
Safeguards Deferral (from Decision Review Decision Note)						
Will the review of Safeguards be deferred? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No						
Project Financing Data(in US\$, millions)						
<input type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Guarantee	
<input type="checkbox"/>	Credit	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Other	
Total Project Cost:		10.00			Total Bank Financing:	0.00
Financing Gap:		0.00				
Financing Source						
						Amount
Borrower						0.00
Somalia Multi-Partner Fund						10.00
Total						10.00
Expected Disbursements (in US\$, millions)						
Fiscal Year	2017	2018	2019	2020	2021	
Annual	2.50	2.50	2.00	2.00	1.00	
Cumulative	0.00	5.00	7.00	9.00	10.00	
Institutional Data						
Practice Area (Lead)						
Governance						
Contributing Practice Areas						
Social Protection & Labor; Macroeconomics and Fiscal Management						
Cross Cutting Topics						
<input type="checkbox"/>	Climate Change					
<input checked="" type="checkbox"/>	Fragile, Conflict & Violence					
<input checked="" type="checkbox"/>	Gender					
<input checked="" type="checkbox"/>	Jobs					
<input type="checkbox"/>	Public Private Partnership					

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	80		
Public Administration, Law, and Justice	Compulsory pension and unemployment insurance	20		
Total		100		
<input checked="" type="checkbox"/> 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	38		
Social dev/gender/inclusion	Conflict prevention and post-conflict reconstruction	2		
Total		100		
Proposed Development Objective(s)				
The project development objective is to strengthen basic functions for payroll, human resources and policy management in selected central agencies and line ministries.				
Components				
Component Name		Cost (US\$, millions)		
Component 1: Strengthening the policies, procedures and systems for civil service management		3.90		
Component 2: Strengthening core capacity of targeted ministries		3.60		
Component 3: Strengthening policy management capabilities at the center of government		0.75		
Component 4: Project management and support delivery		1.75		

Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	High	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	High	
6. Fiduciary	High	
7. Environment and Social	Moderate	
8. Stakeholders	Moderate	
9. Other (Security)	High	
OVERALL	High	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the project require any waivers of Bank policies?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Have these been approved by Bank management?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is approval for any policy waiver sought from the Board?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does the project meet the Regional criteria for readiness for implementation?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X
Legal Covenants		

Name	Recurrent	Due Date	Frequency
Independent Verification		30 days after effectiveness	
Description of Covenant			
The Recipient shall, by no later than thirty (30) days after the Effective Date, appoint external monitoring and evaluation experts (“Independent Verifiers”), acceptable to the World Bank, to act as third-party verifiers of the proper fulfillment of the DLIs set forth in Schedule 4 to this Agreement.			
Name	Recurrent	Due Date	Frequency
Independent Verification			Each withdrawal
Description of Covenant			
The Recipient shall cause the Independent Verifiers to carry out, prior to each Withdrawal, an assessment of the level of fulfillment of DLIs set forth in Schedule 4 to this Agreement, and provide to the Recipient and the World Bank, an EEP Spending Report containing, <i>inter alia</i> , said assessment on the fulfillment of the DLIs and a proposal for disbursement under each Withdrawal.			
Name	Recurrent	Due Date	Frequency
EEP Spending Reports			Every 6 months
Description of Covenant			
The Recipient shall cause the Independent Verifiers to furnish to the World Bank every six (6) calendar months, starting six (6) months after the Effective Date, regular reports (“EEP Spending Reports”) prepared in accordance with the provisions of the Project Implementation Manual.			
Conditions			
Source Of Fund	Name	Type	
SOMPF	Project Implementation Unit	Effectiveness	
Description of Condition			
The Recipient has established the Project Implementation Unit in accordance with the provisions of Section I.A of Schedule 2 to the Grant Agreement.			
Source Of Fund	Name	Type	
SOMPF	Project Implementation Manual	Effectiveness	
Description of Condition			
The Recipient has prepared a Project Implementation Manual in accordance with the provisions of Section I.A of Schedule 2 to the Grant Agreement.			
Source Of Fund	Name	Type	
SOMPF	Withdrawal Conditions; Withdrawal Period (schedule 2, section IV. B.1.b(i))	Withdrawal	
Description of Condition			
No withdrawal shall be made under Category (2), unless the Recipient has in respect of Category (2) (a) submitted, in form and substance satisfactory to the World Bank, the applicable EEP Spending Report referred to in Section I.C.1(b) of Schedule 2 to the Agreement, detailing the expenditures incurred under the EEP from the date of Grant Agreement up to and including the date six (6) months after the Effective Date.			

Source Of Fund	Name	Type		
SOMPF	Withdrawal Conditions; Withdrawal Period (schedule 2, section IV. B.1.b(ii))	Withdrawal		
Description of Condition				
No withdrawal shall be made under Category (2), unless the Recipient has by no later than November 15, 2016, furnished evidence satisfactory to the World Bank of the achievement all three year 1 DLIs for FY 2016, which actions are set forth in the table in Schedule 4 to the Agreement (“DLI Table”);				
Source Of Fund	Name	Type		
SOMPF	Withdrawal Conditions; Withdrawal Period (schedule 2, section IV. B.1.b(iii))	Withdrawal		
Description of Condition				
No withdrawal shall be made under Category (2), unless the Recipient has in respect of Category 2(b) submitted, in form and substance satisfactory to the World Bank, the applicable EEP Spending Report referred to Section I.C.1(b) of Schedule 2 to the Agreement detailing the expenditures incurred under the EEP: up to May 31, 2017, or the date of the respective WA, whichever is later				
Source Of Fund	Name	Type		
SOMPF	Withdrawal Conditions; Withdrawal Period (schedule 2, section IV. B.1.b(iv))	Withdrawal		
Description of Condition				
No withdrawal shall be made under Category (2), unless the Recipient has by no later than June 15, 2017, for Category 2(b), furnished evidence satisfactory to the World Bank of the achievement of the respective DLIs for the actions to be achieved in the respective FY, which actions are set forth in the DLI Table.				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Alex Appiah-Koranteng	Task Team Leader	Senior Governance and Public Sector Specialist	Task Team Leader	GGO19
Stephan Massing	Task Team Leader	Senior Strategy and Operations Officer	Task Team Leader	GCFDR
Barbara Magezi Ndamira	Cross-Support	Senior Public Sector Specialist	Civil Service Management	GGODR
John F. A Etidau	Procurement Specialist	Senior Procurement Specialist	Procurement Management	GGODR
Leonard Mutuku Matheka	Financial Management Specialist	Senior Financial Management Specialist	Financial Management	GGODR
Christiaan Johannes Nieuwoudt	Disbursement Issues	Finance Officer	Disbursement Management	WFALA
Edith Ruguru Mwenda	Legal Issues	Senior Counsel	Legal Advice	LEGAM
Ousman Abdullahi Ali	Economic Issues	Economist	Economic	GEDDR

			Management		
Mary C.K. Bitekerezo	Safeguards Issues	Senior Social Development Specialist	Social Safeguards Assessment and Advice	GSU07	
Si-ambhaivan Sisombat	Cross-Support	Senior Leadership Development Specialist	Leadership Development and RRI methodology	LLILC	
Kaushik Sarkar	Operational support	Consultant	Civil service Management	GGODR	
Diego Garrido Martin	Cross-Support	Senior Operations Officer	Monitoring and evaluation	GCFDR	
Sarah Cramer	Monitoring and Evaluation	Consultant	Monitoring and evaluation	AFCE4	
Janerose Muboka Lubisia	Administrative Issues	Team Assistant	Administrative Support	AFCE1	
Salome Aganda	Administrative Issues	Team Assistant	Administrative Support	AFCE1	
Extended Team					
Name	Title	Office Phone	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Consultants (Will be disclosed in the Monthly Operational Summary)					

I. STRATEGIC CONTEXT

A. Somaliland Context

1. **Somaliland’s unique development trajectory has evolved over two decades of grassroots peacebuilding and institution building.** Its quest for state recognition has shaped its political and economic landscape, forging a separate, more self-reliant identity through locally driven reconciliation and state building.¹

2. **The political settlement in Somaliland is founded on a deep-rooted commitment to maintain peace, sometimes at the expense of other priorities.**² Hybrid institutions and rules, integrating modern and traditional forms of political organization, have evolved as pragmatic forms of compromise to enable the government to work and services delivered to citizens, ensuring buy-in of large parts of Somaliland society. Notably, throughout the process of domestic reconciliation, the private sector has provided the government with political backing and the necessary loans for state-building initiatives. This close relationship between the public and private sector laid the foundation for Somaliland’s subsequent state-building path and continues to shape the political settlement today.

3. **Somaliland dramatically lags behind other low-income economies with regard to social and developmental achievements, as evidenced by poor health and education indicators.**³ Somaliland’s maternal mortality ratio is among the highest in the world and 1 in every 14 babies in Somaliland dies before the first birthday. With just one doctor for 30,000 people, one midwife per 27,000 and one nurse per 9,000, there is severe shortage of qualified health professionals in Somaliland. The education system faces significant challenges related to access, quality, resources, and management. The relatively large seminomadic population in Somaliland presents a challenge for keeping children in school, particularly at the secondary school stage. Only half of all 6–13-year-olds receive primary education, and only 20 percent of teenagers go to secondary school. Significant gender disparities exist within the education system of Somaliland.

4. **Given the minimal capacity of the government and fiscal constraints to deliver public services, the private sector and nongovernmental organizations (NGOs) have been left to provide most social services** The result has been largely unregulated service provision and substandard service delivery for the poor. Only recently has some progress been made on the regulatory side, with both the Ministries of Health and Education establishing sector strategies with technical assistance (TA) from the donor community.

¹ Although it claimed independence from Somalia in 1993, Somaliland is not a member country of the World Bank. This operation is to be delivered as part a series of operations (SOP) that supports civil service reform and capacity development in Somalia.

² Citizens of Somaliland sometimes refer to themselves as ‘hostages of peace’, reflecting the belief that peace is valued above all other considerations. Menkhaus, Ken. 2014. “Technical Note: The Political Economy of Somaliland.” World Bank.

³ Reliable comparative data is difficult to obtain but key socioeconomic indicators in Somaliland are above the average in Somalia.

5. **Somaliland’s revenue base is very low but has shown marked improvements in recent years.** In 2014, domestic revenue reached its highest ever level of about US\$152 million. However, the government’s revenue remains significantly lower than other economies in the region and is based on a narrow set of import taxes. Half of all government expenditure is channeled to the security sector with minimal allocations to the social and economic sectors. In the past, the government has only been able to fund core recurrent expenditures but recent increases in revenue have provided the government with fiscal space for increasing investment and social spending. This provides a stark contrast to the Federal Government of Somalia (FGS), which is heavily reliant on external financing. International development assistance nevertheless plays an important role in providing the much-needed additional resources for the socioeconomic sectors. As part of its public financial management (PFM) strategy the GoSL aims to increase domestic revenue generation and the tax base to a sustainable level and plans to establish a new Somaliland Revenue Authority through which to do this.⁴

6. **The bulk of Somaliland’s economic activity has remained concentrated in a small number of sectors,** namely livestock production, khat trade, import and export businesses, telecommunication, and remittances. While these sectors have in part been extremely profitable, they have remained dominated by a few large entrepreneurs. Opening these sectors to competition and establishing regulatory measures, in particular on taxation in the telecommunications and financial sectors, will spur higher growth and increase domestic revenue generation.

7. **Despite these challenges, Somaliland’s achievements have been relatively impressive,** especially in contrast to the level of conflict, poverty, and institutional instability witnessed in southern Somalia.⁵ Somaliland’s most important achievement remains the restoration and maintenance of peace. While Somaliland is not immune to the threat of armed conflict and political violence, especially in the disputed eastern regions of Sool and Sanaag and in the run-up to presidential elections in March 2017, it also possesses greater societal resilience and capacities for peace.

B. Situations of Urgent Need of Assistance or Capacity Constraints

8. Under the existing exceptional circumstances of fragility, risk of instability, and acute institutional capacity constraints, this project is being processed using the condensed procedures (pursuant to OP/BP 10.0, paragraph 12). This will enable the project to get an early start and allow the local institutions to continue to build their technical capacity. Somaliland meets the requirements because it has experienced violent conflict in the past and is currently still at risk of fragility, future violence, and political instability. There is also some urgency to strengthen the core functionality and implementation capacity in the critical GoSL’s public sector institutions. This will provide the government with the means to initiate and implement reforms in selected

⁴ The DFID-funded ‘Strengthening Revenue and Policy and Administration in Somaliland’ program will support GoSL to strengthen its domestic revenue raising capabilities.

⁵ For a recent study examining how Somaliland was able to take a different path from Somalia, see; Phillips, Sarah. 2013. “Political Settlements and State Formation: The Case of Somaliland.” Research Paper 23, Development Leadership Forum, Sydney.

areas of the Somaliland Special Arrangement (SSA) and more effectively use international assistance.

C. Sectoral and Institutional Context

Conflict and Fragility

9. **While it has remained peaceful to date, a number of factors make Somaliland vulnerable to conflict and fragility.** These include high poverty and unemployment, the oligopolistic nature of key sectors of the economy, rapid urbanization, pressure on key natural resources (especially water and rangeland), and the threat of violent extremism spilling over from southern Somalia. Managing these stresses effectively will require functioning and accountable institutions that are able to manage resources, deliver basic services and facilitate economic development.

10. **To decrease present vulnerability to instability and violence, the GoSL needs to reduce social tensions and set an agenda for political and institutional reform.**⁶ While the short-term priority will be to support greater dialogue between political parties and key interest groups to ensure a peaceful election in 2017, in the medium-term, stability will also depend on GoSL's ability to deliver key functions in the socio-economic field: poor public services and high unemployment leave the overwhelmingly young population vulnerable to religious extremism and criminality. Improving public service delivery and economic management in Somaliland requires the support of an effective civil service, alongside a functioning PFM system. As the government increases its domestic revenue, it will not only need to establish a functioning PFM system but also improve the capacity of its civil service for managing resources effectively and transparently for service delivery. As the World Bank's Public Expenditure Review for Somaliland in 2014 concluded, many of the necessary structures are in place, but weak management and poor capacity in Somaliland's civil service have become bottlenecks for the delivery of public services and improved economic management.

Framing the Problem

11. The overall problem that this project seeks to respond to is GoSL's inadequate capacity for managing its workforce and human resources more effectively. Three particular challenges stand out: (a) weak establishment controls and the absence of a pension system, (b) inability of Ministries, Departments, and Agencies (MDAs) to perform core functions, (c) weak systems for policy formulation and monitoring.

12. **Weak establishment and payroll controls and the absence of a pension system have resulted in a large wage bill representing approximately half of total government expenditure and a high number of overage civil servants** (see para 15 below). This has in turn limited Somaliland's fiscal space to increase investments in the social and development sectors and to recruit fresh talent in the civil service. The absence of reliable data on the size and composition of the civil service and lack of a functioning system to collect and maintain accurate

⁶ For a more in-depth analysis see: International Crisis Group. "Somaliland: The Strains of Success". October 2015, Nairobi/Brussels.

employee data limits the ability of the government to manage its most costly resource—employee salaries and allowances—and to analyze and implement reform options. The absence of a pension system and procedures to terminate civil servants limits the government from hiring or promoting replacement employees and distorts the wage bill (since employees are not removed from the payroll).

13. Ministries and agencies struggle to carry out their functions with existing staff and to attract, motivate, and retain qualified individuals. This is largely a reflection of the government’s weak human resource management (HRM) capacity and the lack of effective procedures and systems for human resource (HR) planning, recruitment, and personnel development. An outdated grading structure and low levels of pay limit career development opportunities and contribute to high attrition of qualified staff to the development, private, and NGO sectors, leaving the remaining workforce demotivated with weak attendance in the office.

14. At the center of government, capacities for policy planning and monitoring are inadequate and limit the government’s effectiveness and accountability for results. Weak policy analysis and coordination capacities at the center and the absence of clear procedures on policy formulation contribute to poor quality submissions to the cabinet that create bottlenecks for decision making. Consultations on policy development are weak and limited consideration is given to implementation and financing of policy proposals. Similarly, there is no effective monitoring or reporting on key policy initiatives and service delivery, leading to a lack of accountability for government performance. The following sections explain these problems.

Weak Frameworks and Systems for Strategic Management of the Workforce

15. The public sector wage bill has gradually increased in recent years and limited fiscal space for capital investments. While Somaliland’s revenue grew 72 percent between 2011 (US\$88.3 million) and 2014 (US\$152.0 million), capital expenditure remains weak.⁷ The total wage bill (including the armed forces) increased from US\$46 million in 2012 to US\$65 million in 2014 (projected). Total expenditure over this same period increased from US\$87 million in 2012 to US\$127 million in 2014 (projected). Somaliland’s wage bill represents 3.6 percent of the total estimated gross domestic product (GDP) and more than 50 percent of total government expenditure.⁸ The most recent payroll information provided by the Office of the Accountant General (OoAG) indicates that the GoSL has 14,403 civil servants posted across the center and the provinces. Civil service salaries constitute 38.4 percent of the total wage bill while salaries for armed and protective services make up the remaining 61.6 percent. Five ministries employ three-quarters of all civil servants (see table 1).

Table 1. Civil Service Employees for Top Five Ministries

	Top 5 Ministries	Number of Employees	Percentage of Employees
--	-------------------------	----------------------------	--------------------------------

⁷ In 2013, wages and salaries accounted for half (50 percent) of all domestic expenditure, with the rest spent largely on other recurrent expenditures (38 percent) and loan repayments (1 percent), leaving only 12 percent for capital expenditures. *Source:* World Bank. 2015. *Somaliland Public Expenditure Report. Transitioning from State Building to Development.*

⁸ While Somaliland’s wage bill/GDP ratio is lower than the Sub-Saharan Africa average of 7–8 percent its wage bill/expenditure ratio of 50 percent is substantially higher than the SSA average of 26 percent.

1	Ministry of Education	6,399	44.4
2	Ministry of Health	2,196	15.2
3	Ministry of Finance (MoF)	1,218	8.5
4	Ministry of Information	645	4.5
5	Ministry of Interior	400	2.8
	Subtotal of 5 Ministries	10,858	75.4
	Total Civil Service	14,403	100.0

Source: The Civil Service Commission (CSC) reported June 2015 salary data provided by the accountant general.

16. **The current payroll system is manual, labor intensive, and prone to errors.** It involves ministries, departments, and agencies (MDA) sending their payroll to the OoAG for processing and approval. The MDA need to submit supporting documentation for payroll changes to the OoAG but there is no formal approval or monitoring role by the Civil Service Commission (CSC). For this reason, it is not possible to establish with certainty whether the changes are approved by the CSC. This creates room for anomalies and payroll irregularities. Since there is no interface or reconciliation between payroll changes and central employee records, the CSC has no way to maintain up-to-date civil service data. Preparatory TA by the World Bank has therefore recommended introducing a standard instrument for recording pay changes at MDA level and establishing a payroll monitoring function in the CSC that allows cross-checking of the payroll against the HR database.

Box 1. Overview of Current Payroll and Salary Payment Process

At the end of each month, the MDA Administration and Finance Departments send their ministry payroll to the OoAG for processing and approval. The previous month's payroll sheet is used as the source data for generating the current month's payroll. The payroll sheet contains name, designation, and grade per employee and information on salaries and deductions. The sheet is signed by the MDA payroll accountant and accounting officer and submitted to the OoAG in Hargeisa or one of its six regional offices.

The OoAG processes the payroll requests by manually comparing the previous month's payroll with the new payroll submitted from the MDA. Any reported payroll changes (for example, new hires and change in grade) require the MDA to submit supporting documents. Approved pay sheets are sent to the Central Bank of Somaliland (CBSL) for payment of officers in Hargeisa and to the regional CBSL offices for officers in the regions. All employees are paid cash by the ministry payroll coordinator who collects salaries from the CBSL. Each ministry has regional coordinators who pay civil servants by accessing funds from the CBSL offices in their regions.

There is currently no reconciliation between personnel records and the payroll. Currently the Accountant General depends entirely on lists provided by the MDAs. For this reason, it is not possible to establish whether the changes included are approved by the CSC. In addition, payroll changes that do not require authorization by the CSC (for example, internal transfers, or promotions within the same grade) do not come to the attention of the CSC.

Source: Kinyeki, Charles. 2015. *Strengthening Human Resource Management Information and Payroll Systems*.

17. **Weak establishment controls permit new employee hires without first securing approval for the creation of new posts.** The CSC has an incomplete and outdated Human Resource database which is not maintained on a regular basis. Personnel files do not exist either at the CSC or in the MDA and there are no established procedures to collect employee data for new employees. This is a pre-requisite for automatization. Without a functioning HR database, the government is forced to take decisions based on incomplete or dated employee census

numbers and profiles of its civil servants.⁹ As a result, strategic management and deployment of staff across ministries is largely nonexistent and the risk of ghost workers is high. The absence of reliable records for its public service also limits the government's ability to analyze and implement reform options, notably on pension policy design.

18. The absence of a functioning pension scheme has limited the government's capacity to retire staff and thus create the space for recruiting fresh talent into the civil service. While exact numbers are hard to determine, there appears to be a significant number of civil servants who have retired but continue to receive a salary. There are others who are elderly and appear to be willing to retire but in the absence of a pension scheme are unable to do so out of economic necessity. In April 2012, the government introduced a 1 percent salary deduction from civil service employees' basic pay which was extended to the remaining public service employees in 2013. Employee pension deductions are not matched by a government as employer contribution and are described as 'symbolic' to sensitize public service employees to plan for their retirement.¹⁰ Current practice also distorts the government wage bill as salaries are paid for non-salary purposes, that is, to retired officials and family members of deceased employees.

Weak Frameworks and Systems for Human Resource Management

19. The legal and regulatory framework for the civil service is outdated. A civil service law and related regulation make policy provisions for the administration and management of Somaliland's civil service. However, the law does not establish core principles for a professional and politically neutral civil service and does not define the institutions that will manage civil servants. The law also includes detailed provisions that will normally be found in a regulation, for example, the civil service pay and grading structure. The GoSL has identified the need to revise the civil service law and harmonize it with regulations for local government employees and armed forces and paramilitary organizations. The Legal Reform Commission is currently reviewing the law in view of proposing amendments to modernize the legal framework.

20. HRM capacity across the government is inadequate and policy regulations and procedures are largely nonexistent. Recruitment and appointments are characterized by nepotism and influenced by political or personal considerations. The CSC currently has limited capacity to ensure a competitive and transparent selection process and line ministries are able to hire temporary workers outside the formal recruitment process.¹¹ Written procedures and mechanisms for HRM such as recruitment, promotion, disciplinary action, and termination are not in place or are inadequate. At the MDA level, HR capacity is limited. Most ministries have

⁹ The CSC initiated a civil service head count exercise in 2011 and rolled it out to the two eastern regions of Sool and Sanaag in 2013 but data were never analyzed or published.

¹⁰ A draft pension law, prepared by the CSC, was based on the Somalia civil service pension act and was recently reviewed by the Law Reform Commission. While both commissions lack the technical expertise to elaborate the law, the Bank began providing TA in May 2015 to prepare the ground for the development of a Somaliland Public Service Employee Pension Scheme. GoSL welcomed the support received and requested follow up support under the project to prepare a policy and law (see project component 1.3).

¹¹ Temporary workers are funded under the ministry's budget and thus not part of the payroll. However, the transition of temporary workers to permanent staff, for example, when a formal position becomes available as part of the ministry's annual budget allocation, generally happens without a competitive process.

no dedicated HR staff while large ministries such as the Ministries of Health and Education have dedicated HR units.

21. **Currently, all civil service jobs are classified into one of four grades only, which are solely determined by educational qualifications.**¹² Each grade has a fixed-point salary. The pay of civil servants is based on their qualifications rather than the job they are performing. It, therefore, does not allow for differentiation between occupational groups that require more or less specialized skills and competences. The exception is for senior managers who are given a responsibility allowance. However, the use of these allowances creates large pay differentials between managers and professionals.¹³ At present three-quarters of the civil service occupy positions in the higher grades A and B (see table 2). While there are many deficiencies in the current pay and grading system, its simplicity and relative affordability can serve as a platform for introducing some meaningful structural changes in an incremental fashion.

Table 2. Breakdown of Somaliland Civil Servants by Grade

Grade	Salary Level (US\$/month)	Number of Employees (Estimate)	Percentage of Employees (Estimate)
A	135	2,014	14.00
B	110	8,633	60.00
C	85	1,870	13.00
D	50	1,870	13.00

Sources: (a) June 2015 Payroll Data; (b) CSC. 2013a. *Report on Rightsizing Options Paper Workshop with Somaliland's Director Generals*.

22. **The use of ad hoc salary allowances and development partner ‘top-ups’ to incentivize qualified civil servants create distortions in the pay structure.** Certain ministries, including the MoF, the Ministry of Justice, and the Ministry of Commerce have introduced ad hoc allowances. These allowances for individual ministries are decided by the council of ministers and are introduced by a presidential decree. Allowances are financed from each ministry’s budget (but outside the payroll), are not subject to income tax, and are largely not transparent. In addition, development partners are paying salary ‘top-ups’ to professionals who have the responsibility for implementing a development project.¹⁴ The Somaliland Development Fund (SDF), for example ‘seconds’ civil servants to project management positions. Around 35 staff have been seconded to date, and the number is expected to increase to 50 staff by the end of the year. Top-ups range from US\$300 to US\$1,200 per month. This has a distorting effect on the civil service salary structure and potentially undermines moral of staff not receiving such top ups. In the absence of a review of the government’s grading framework and rationalizing the use of allowances, ministries (and development partners) will continue to introduce short-term ad hoc fixes that can undermine civil service capacity and sustainability (see the Lessons Learned section).

¹² The current grading structure distinguishes (a) management and professional (Grade A), (b) executive officer and senior technical (Grade B), (c) clerical and technical (Grade C), and (d) unskilled and unclassified (Grade D).

¹³ Directors receive two-and-a-half times the pay of professionals. In contrast, the pay differentials between professionals and technical staff are relatively small. A professional in Grade A is only paid 22 percent more than a technician in Grade B.

¹⁴ Directors in the Ministry of Education for instance are paid ‘top-ups’ of US\$200 per month. Doctors and nurses in the Ministry of Health are paid ‘top-ups’ of US\$600 per month and US\$200 per month, respectively.

Inadequate MDA Capacity to Perform Core Functions

23. **Staff capacity across the whole spectrum of government institutions is low, in particular at the senior/middle-management and professional level.** Many senior-level posts are occupied by staff without adequate qualifications and skills for the role. A high turnover of director generals, who are treated as political appointees, compounds the problem. Besides a lack of managerial experience, there is a clear shortage of technical and policy expertise, including in areas such as project and contract management, HRM, and financial management (FM). These skill gaps were confirmed in a recent Training Needs Assessment conducted on behalf of the U.K. Department for International Development (DfID) in six ministries and agencies implementing SDF-financed projects.¹⁵

24. **Attracting and retaining qualified staff with the necessary technical skills is a major challenge.** There is high attrition in the development, private, or NGO sectors, notably because of low civil service salaries and limited opportunities for career development. This is particularly the case in technical areas such as legal and regulatory policy, FM, and procurement. For instance, the 2013 functional review of the Ministry of Environment found that nine environmentalists had left to join NGOs in recent years. In recognition of this problem, ministries and development partners have introduced various allowances (see paragraph 21 above).

25. **The government has a functioning Civil Service Institute (CSI), which provides a solid platform for delivering training and development activities for the civil service.** The CSI, established in 2005, currently delivers short-term training and one-year diploma programs. It has also established a partnership with Addis Ababa University for the delivery of three-year degree programs on development management, accounting, and public administration. While the CSI is well managed and boasts a recent and well-maintained building, there is criticism from line ministries that it is not addressing the specific training needs of the civil service.¹⁶ The provision of degree and diploma programs by the CSI should be complemented by tailored training modules and continuous professional development courses that cover key issues of relevance to civil servants. There is also a need to ensure the sustainability of civil service training and access to a pool of qualified trainers and lecturers.

Weak Policy and Monitoring and Evaluation Capacity

26. **At the center of government, capacities for policy planning and coordination are inadequate.** Somaliland has a functioning cabinet, which has been a key element behind Somaliland's success in establishing a relatively stable and peaceful economy. The Ministry of the Presidency (MoP) plays a central coordination role and performs the secretariat function for the cabinet. At the same time, there are a number of challenges. Formal mechanisms for information sharing or intra-governmental coordination exist but are underdeveloped. There is as

¹⁵ Source: Somaliland Development Fund (Manager: Capacity Surge Project Inception Report, Hargeisa, July, 2014).

¹⁶ An evaluation of the United Nations Development Programme (UNDP) Somali Institutional Development Programme from February 2012 referring to a training impact tracer study identified the same problem and highlighted additional issues, for example, trainee selection, which are not based on training needs or limited absorption capacity of trainees.

yet no effective structure of standing cabinet committees in place. Cabinet management is inadequate and the cabinet secretariat is understaffed.

27. **Policy formulation and legal drafting takes place in isolation and in the absence of clear guidelines and procedures from the center, leading to conflicting approaches and inconsistencies.** There is no system of cabinet ‘memoranda’ (or something similar) that allows ministers to assess policy or legal proposals presented for their consideration. Complex draft legislation is often prepared and submitted to the cabinet before it has decided the key policy objectives and considered the alternatives. As a result, there is a large backlog of legislative proposals that have not been reviewed or approved by the cabinet.

28. **Mechanisms for monitoring and evaluation (M&E) are weak and focus on review of selected donor-funded projects.** The Ministry of Planning and National Development has the mandate to lead the development and implementation of a central M&E system. It is also responsible for monitoring the implementation of the SSA, which includes provisions on monitoring aid effectiveness and aid flows. A central M&E policy has been developed several years ago and is currently under review. The activities of the ministry are focused on verification of donor- or NGO-funded projects and collection of progress reports from the United Nations (UN), NGOs, and implementing agencies. However, till date there is no regular mechanism for monitoring and reporting on overall progress.

29. **At the MDA level, policy development and M&E capacity is very limited.** The MDA often do not consult with the affected ministries before submitting proposals to the cabinet. There is limited consideration of implementation issues in the development of draft policies and laws, as well as inadequate monitoring and follow-up at the MDA or central level (for example, through regular implementation progress reports). A presidential decree from 2010 stipulated that the MDA are required to establish Planning and Coordination Departments, which included the responsibility for M&E.

D. Higher Level Objectives to which the Project Contributes

30. **Civil Service Reform (CSR) is prioritized in the SSA** which is a distinct component of the Somali Compact tailored to the development needs and priorities of Somaliland. The third priority under Peacebuilding and State building Goal (PSG) 5: Revenue and Services is to “Create a merit-based and equitably-distributed civil service that delivers high-quality basic services and security for all Somaliland citizens.” The GoSL has also developed a well-articulated and detailed CSR Work Plan with the stated goal of establishing a more effective civil service. The CSR Work plan has four components with the following priorities: (a) establishing the civil service’s legal and institutional framework; (b) improving institutional structures to efficiently carry out their functions according to mandate; (c) recruiting, managing, and compensating civil servants to attract the ‘right people’ for the job; and (d) establishing competent, client-focused staff. The Work Plan was endorsed by the Public Service Reform Steering Committee in 2014. The project will provide support to specific activities under each the four pillars of the CSR Work Plan.

Relationship with Bank Interim Strategy Note and Portfolio

31. **The project is consistent with the first strategic objective of the Bank’s Interim Strategy Note (ISN)** that seeks to strengthen core economic institutions, as the basis for local and international trust in Somaliland public institutions. The project will also indirectly support the ISN’s second objective of expanding economic opportunity through targeted support to two ministries that are instrumental in the delivery of other Bank projects (see relationship to Bank portfolio in the following paragraphs). The project will be financed through the Bank-administered Multi Partner Fund (MPF), which focuses on Economic Foundations (PSG 4), Revenue and Services (PSG 5), and the crosscutting priority of institutional capacity development as stepping stones towards the World Bank Group’s twin goals of ending extreme poverty and promoting shared prosperity.

32. The project is the second project in a series of projects (SOP). It complements the five-year Somalia Capacity Injection Project (CIP), which targets the FGS and the state government of Puntland. The project adopts the same overall programmatic framework as the CIP but is tailored to the specific context and priorities of Somaliland.

33. Success across the Bank’s portfolio depends critically on improvements in the quality of the civil service, especially the strengthening of PFM, HRM, and policy planning systems, procedures and capacities, as well as qualified staff in these areas. This project will help address capacity gaps in ministries that are key counterparts for the Bank and other development partners. Instead of adopting ad hoc measures at the sector level, this project will support a harmonized and sustainable approach for building core functionality and institutional capacity.

34. The project complements the PFM Reform Project which aims to establish institutional capacity for the management of public funds in central finance agencies and targeted sectors. There are important linkages and synergies between the two projects, notably in strengthening the payroll process and providing the framework for strengthening FM capacity in line ministries through the support to reorganization. This project will also strengthen the capacity of the CSI to coordinate various civil service training programs, which will provide an opportunity to ensure FM training supported through the PFM project, can be brought under a common umbrella in the medium term.

Table 3. MPF Initial Pipeline in Somaliland

Sectors	Projects	Key GoSL Counterparts
Core government functions	PFM capacity strengthening	MoF
Infrastructure	Urban development - preparation and investment projects	Ministry of National Planning and Development, Hargeisa Water Agency, Hargeisa Municipality
	ICT sector support	Ministry of Posts and Telecommunications
	Energy sector support	Ministry of Energy and Minerals
Productive sectors and youth employment	Somalia Core Economic Institutions	MoNPD
Natural Resource Management, Water, and Resilience	Water for Agro-Pastoralist Livelihoods Project	Ministry of Environment and Rural Development, Ministry of Water and Ministry of Livestock
	Strengthening pastoral agro-pastoral resilience	Ministry of Environment and Rural Development, Ministry of Water and Ministry of Livestock
	Petroleum sector inclusive development (Bank-executed TA)	Ministry of Energy and Minerals

Note: ICT = Information and Communication Technology; MoNPD = Ministry of National Planning and Development.

35. **Advancing CSR in Somaliland provides opportunities for testing and learning in the Somali context.** While Somaliland finds itself in a more mature stage of transition compared to other parts of Somalia, its overall reform priorities are in line with the framework for public sector capacity development developed for the FGS. This provides a valuable opportunity to test and pilot reforms and approaches in Somaliland that could help the design and implementation of similar reforms in Mogadishu, Garowe and elsewhere. This is particularly useful for complex and sensitive reform processes such as pension and pay and grading reform that are high priorities for Somaliland and will generate important lessons for the FGS and Puntland.

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

36. The project development objective (PDO) is to strengthen basic functions for payroll, human resources and policy management¹⁷ in selected central agencies and line ministries.

Project Beneficiaries

37. Beneficiary institutions of the project include the Somaliland CSC and CSI, the Ministry of Labor and Social Affairs (MoSLA), the MoF, the Ministry of Planning and National Development, the MoP, and sector ministries with focus on service delivery and economic development. Two pilot ministries will be selected among the Ministry of Education and Higher Education, Ministry of Health, Ministry of Environment and Rural Development, and Ministry of Energy and Minerals.

PDO Level Results Indicators

38. The achievement of the PDO will be measured by the following PDO indicators:
- (a) Effectiveness of payroll controls assessed by degree of integration and reconciliation between payroll and personnel records (applying methodology of Indicator 23.1 under the Public Expenditure and Financial Accountability [PEFA] framework)
 - (b) Improved HR and policy development functionality in targeted MDAs measured by composite indicator assessing establishment staffing and training of staff¹⁸
 - (c) Number of Talent Management Program (TMP) recruits deployed to targeted MDAs (disaggregated by gender)

¹⁷ Policy management is defined as the process of preparing, consulting, submitting and approving policies submitted by line ministries through the Presidency to the Cabinet.

¹⁸ Measures whether the MDA demonstrates improved functionality in HR and policy management by meeting the following three criteria: (a) unit established or reorganized and staffing table developed and approved, (b) units adequately staffed (at least 75% of established positions filled with full-time staff), (c) unit staff have received technical training.

III. PROJECT DESCRIPTION

A. Project Components

Project Overview

39. This project is designed under the SOP IPF instrument and is the second project under the first phase (2016–2020) of the SOP.¹⁹ The overarching development objective for the SOP is to strengthen capacity of the Somali government institutions to perform core government functions and thus contribute to building state legitimacy (see section D for further detail on the SOP).

40. The project will support the GoSL to build foundational systems and capabilities in its civil service with two clear objectives: first, to establish sustainable policies, systems, and processes to manage its HR and payroll effectively and second, to improve the capability of selected line ministries to manage people and set policy. This will be achieved by providing high-quality technical advice and through targeted capacity development interventions that combine organizational design, staffing support (‘talent management’), and training and development.

41. The project will be implemented over a five-year period, which is sequenced as explained in the following subsection. As a foundational project, the aim is to equip selected central agencies and line ministries to better deliver the core functions targeted under the project. This will prepare the ground for implementation of deeper and broader reforms in the civil service in the long term (for example, on pensions and pay and grading) and lay the foundation for improved service delivery and regulation in supported ministries in the future.²⁰

42. The project will pursue opportunities to promote gender equality and ensure diversity of qualified personnel. Targeted attention and activities will be dedicated in particular, to ensure the identification and hiring of qualified female personnel under the TMP. The project will also support the development and adoption of HR policies and procedures that promote overall inclusion and gender equality.

Sequencing and Prioritization

43. In years 1–2, the project will focus on developing the capability of selected central institutions, starting with the CSC, the CSI, and the MoF. This is a prerequisite for developing capability at the MDA level through the Talent Management Program (TMP) which will be administered by the CSC. The TMP will be used as a vehicle to inject professionals with specialist skills into these central agencies quickly, as well as into a select number of MDAs targeted in year 2.

¹⁹ The SOP will combine (a) a series of projects (that is, sequential projects) and (b) a series of two interdependent projects sharing a common framework.

²⁰ While functioning HR, policy management, and M&E processes are essential, if line ministries are to deliver their functions effectively, they are not sufficient to guarantee better services. This will also require enhancements in service delivery processes and adequate operating budgets that will need to be provided through a combination of budgetary and sector reforms supported by other Bank projects and development partners.

44. During these first two years, top priority will be given to designing enhanced payroll and HRM processes. This will require the development of step-by-step procedures which provide guidance to existing and future HR staff and line managers and the introduction of basic HR information and establishment control systems. Immediate support will be provided to complete a civil service census and payroll audit that will enable the GoSL to identify ‘ghost’ employees as well as deceased and ‘overage’ civil servants. The project will also provide TA for the development of a severance policy to allow GoSL to separate these civil servants from the civil service.²¹ A secondary priority toward the end of year 2 will be the development of policy options for selective pay and grading reform.

45. The project will also support two line ministries to carry out organization diagnosis and to develop action plans based on the findings. These plans will incorporate the implementation of revised organizational structures and improvements in staffing and core management processes. Organization diagnosis will take a problem-driven perspective with the objective to help address capacity bottlenecks in service delivery and regulation.

46. In years 3–5, the emphasis of the project will shift toward building core capability in selected MDA, focusing on HR and policy management. As an integral part of these action plans, the core HR processes designed in the first part of the project will be rolled out gradually. The project will develop strengthened processes for policy formulation and build central capability in the MoP. The TMP will continue to supply qualified professionals and managers to the MDA through recruitment of critical positions identified under the reorganization process with a focus on HR and policy functions. An in-service training program will be delivered for targeted civil servants to strengthen overall management as well as specialized functions.

47. During this time period, the project will also start to put in place more developed central systems and procedures for civil service management, for example the introduction of automated payroll processes and sample payroll inspections. The project will also support the development of a pension scheme for the public service by the end of the project. However, implementation of agreed pension and pay and grading policies will be carried forward beyond the lifetime of this project. Table 4 provides an overview on project sequencing and reform paths (a more detailed description is provided in annex 6).

Table 4. Overview of Project Sequencing Strategy

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Component 1					
1.1 Strengthen Payroll Management	Undertake civil service headcount and payroll audit		Conduct sample pay roll audit		
	Strengthen manual payroll processes		–	Strengthen automated payroll processes	
	Establish manual personnel files		–	–	
1.2 Strengthen HR Management	–		Develop legal and regulatory framework for civil service		–
	Develop HR procedures (first		Develop HR procedures (second		–

²¹ These activities will build on preparatory work conducted under an Externally Funded Output financed by the United Kingdom.

	batch)	batch)	
	–	Develop options for selective pay reform	–
1.3 Public Sector Pension Reform	Design severance policy and interim arrangements for retirement		Design pension policy and law
Component 2			
2.1 Reorganization in Targeted MDA	–	Undertake diagnostics in phase 1 MDAs	Undertake diagnostics and agree revised org structure in phase 2 MDAs
2.2 Talent Management Program	Design and approve TMP	Roll out TMP in sequential manner and staff HR and Policy Planning Units in targeted ministries	
2.3 Civil Service Training	–	Design and implement management and common services training (roll out in sequential manner)	
Component 3			
3.1 Policy Planning and Development	–	Design improved policy formulation process	Provide targeted support to strengthen central policy coordination function

Component 1: Strengthening the Policies, Procedures, and Systems for Civil Service Management (US\$3.9 million)

48. This component will support the GoSL to strengthen the foundations for managing its workforce and reduce development risks that an unrestrained civil service presents. The main implementing agency for Component 1 is the CSC working in close collaboration with the MoF (on payroll reform) and the MoLSA (on pension policy).

Subcomponent 1.1: Civil Service Headcount and Payroll Management

49. The CSC and MoF will require support to maintain a clean and accurate civil service payroll and to strengthen HR data management. The project will build the capacity of the CSC for monitoring, reporting, and auditing of payroll entries and exits. This will contribute to increasing the accuracy and predictability of the government’s wage bill.

50. This subcomponent will support the following activities: (a) conduct a civil service census and payroll audit to rebuild employee records, identify civil servants and remove ghost workers, and introduce annual sample payroll inspections in subsequent years; (b) strengthen payroll processing (entry, transfers, and retirement) and payroll controls through improved manual and automated business processes; (c) introduce personnel files in the MDA; and (d) strengthen the CSC to manage HR data and payroll changes more effectively.

Subcomponent 1.2: Human Resources Management

51. The project will support the CSC to establish and strengthen its central civil service management functions and provide consistent guidance to the MDA on issues related to HRM. The development and strengthening of HR business processes will proceed gradually and focus on a first set of critical processes before expanding to other areas. The subcomponent will also support the CSC to develop options for a transparent pay and grading structure that will enable the government to attract and retain qualified managerial and professional staff and improve

motivation and engagement among civil servants. This will build on the design of an interim pay and grading system for staff recruited through the proposed TMP (see Component 2).

52. This subcomponent will support the following activities: (a) amend the civil service law and update regulations for civil service management; (b) develop a set of improved HR policies and business processes focusing on establishment control, recruitment and selection, personnel transactions, and staff records management; (c) develop options for a revised pay and grading structure for managerial and professional groups that will give civil servants career progression opportunities; (d) strengthen the CSC's capacity in functional areas relating to establishment control, HRM, pay/salary administration and job analysis, and grading.

Subcomponent 1.3: Public Sector Pension Reform

53. The absence of a functioning pension scheme has limited the government's capacity to retire staff and thus create the space for recruiting fresh talent into the civil service. This subcomponent will support the government to develop tailored policy options for retiring civil servants who are above retirement age, those already retired, and those several years from retirement. A transition arrangement will also need to be put in place for those civil servants likely to reach retirement in the next few years as the policies and institutional arrangements for a pension system are being developed. The project will not finance severance payments but provide the GoSL with technical advice on viable policy options. This subcomponent will be led by the MoLSA working closely with the CSC and the MoF.

54. This subcomponent will support the following activities: (a) design a viable severance policy and interim pension arrangements for existing employees who are near or above the retirement age, including advice on required identification system for verifying pension recipients, (b) design a pension policy and related strategy for a public service pension scheme suitable for the context of Somaliland, and support the development of a pension law after policy options have been endorsed by the Steering Committee (SC).

Component 2: Strengthening Core Capacity of Targeted Ministries (US\$3.6 million)

55. This component will improve core HR and policy functionality in two central and in two sector MDAs on a pilot basis. The main central implementing agencies for this component will be the CSC and the CSI, with targeted MDAs as main beneficiaries and implementing partners.

Subcomponent 2.1: Reorganization of key departments in Targeted MDAs

56. This subcomponent will finance organizational diagnosis and design in selected ministries and provide implementation support for essential improvements.²² These will incorporate ministry-specific changes in structures and staffing, the introduction of common HR and policy management processes, which have been designed centrally, and other changes in management processes and incentives, as appropriate. A key objective is to support the

²² The organizational diagnostic will adopt a light-touch, problem-driven approach focusing on the binding capacity constraints for improved service delivery and economic management.

establishment and/or strengthening of HR and the Policy and Planning Departments in the selected MDAs as a pilot and the rollout of related reforms in these areas.

57. The work will be carried out jointly by a central organization design team in the CSI and reform teams in each of the participating institutions. TA will be provided to develop the methodology to be used in consultation with government stakeholders and to train, coach, and support the local teams. This approach is intended to build a competent in-house organization development team, which can be deployed subsequently to support the reorganization of other ministries not assisted directly by the project.

58. The project will support the following activities: (a) undertake organizational diagnostic to identify priority problems and critical organizational changes; (b) support implementation of an action plan, including organizational and staffing changes with a focus on HR and policy management functions; and (c) strengthen capacity of a central organization development team in the CSI.

Subcomponent 2.2: Civil Service Talent Management Program

59. To respond to acute capacity shortages and build core functionality in a select number of MDAs, the project will support the design and implementation of a Civil Service TMP. This initiative will support the government to attract, use, and retain talent in the civil service. By offering a more competitive remuneration package, it will attract key professionals from the nongovernment sectors and retain existing staff who are at proven risk of leaving the civil service. The program will distinguish an entry-level program for talented graduates, who are currently employed and a mid/senior-level program open to both civil servants and non-civil servants. The program will target critical positions at the managerial level and in the areas of policy management and HRM. Specific measures will be adopted to promote the participation of women (see box 2).

60. This subcomponent will support the following activities: (a) design of the TMP, including institutional arrangements and procedures for identifying jobs, recruitment, and placement; (b) support implementation and development of capacities to manage the program in the CSC in collaboration with the CSI.

Box 2. Promoting Female Participation and Inclusion

The TMP will pursue opportunities to ensure diversity of qualified personnel and adopt targeted activities that promote inclusion overall. Particular attention will be dedicated to ensure recruitment of qualified female personnel. Women currently account for less than 20 percent of the civil service; however, the majority occupies low-level support or service functions. Furthermore, review of the experience of the QUEST-MIDA project and capacity programs in other countries reveals that the absence of systematic attention to gender programming often translates into low hiring and retention rates of female staff.

The TMP will, therefore, establish an affirmative action target for recruitment of at least 20 percent female candidates. The TMP will also adopt targeted interventions to attract and retain qualified entry- and senior-level female candidates. A short assessment will be undertaken to explore conditions and challenges that female personnel currently confront in the civil service, to identify, in greater detail, appropriate mechanisms to address them. Findings from the assessment will inform the final design of the proposed package of interventions. This is likely to include a combination of specific outreach activities, systematic inclusion of women on interview panels, specific benefits for female TMP participants, and regular monitoring of data related to recruitment and retention of female candidates. In addition, training and development activities will include robust content on gender equality and gender sensitivity.

Subcomponent 2.3: Management and Common Services Training

61. The CSI will require support to design and deliver relevant and practical training to senior/mid-level management and common services staff. Training programs will be developed in partnership with a regional and/or international public service institute or training provider on the basis of government regulations and agreed functions for common service units. Courses will be developed in the areas of leadership and management, HRM, and policy development.²³ A key objective is to implement and roll out the GoSL policy and reform initiatives designed under Components 1 (HRM) and 3 (policy management). An important additional training objective is to promote ethical values and (re)shape attitudes for managers and new civil service entrants, including from the TMP.

62. This subcomponent will support the following activities: (a) establish a partnership arrangement with a regional and/or international public service training institution or provider to design and implement practical training, establish certification and evaluation mechanisms, and implement training-of-trainer programs; (b) strengthen the CSI's capacity to manage and deliver civil service training in a sustainable way on the basis of a viable business model.

Component 3: Strengthening Policy Management Capabilities at the Center of Government (US\$0.75 million)

63. This component seeks to build basic processes and standards for policy management at the center of the Somaliland government. Importantly, it will provide the framework for improving basic policy development functions and capacities in pilot line ministries targeted under Component 2.²⁴ This component will be implemented starting in year 3 of the project.

²³ Training on leadership and management will build on the curriculum of the project management courses delivered through the SDF capacity development project.

²⁴ Standards and processes developed under this component will serve as the basis for reorganizing and staffing the Planning and Coordination Departments in the MDAs (Subcomponents 2.1 and 2.2) and for developing practical training to be delivered through the CSI (Subcomponent 2.3).

Subcomponent 3.1: Policy Planning and Development

64. This subcomponent will support the MoP to set and enforce policy standards and to improve its capabilities to plan and coordinate future policy development. This will include developing basic standards for policy development, including for policy submissions to the council of ministers and its committees. Support will also be provided to strengthen capacity of the MoP to monitor implementation of cabinet decisions and to oversee progress in the implementation of major policy decisions and service delivery initiatives.

65. This component will support the following activities: (a) develop basic standards and procedures for policy development and policy submissions to the cabinet, (b) improve capacities in the MoP and its cabinet office for reviewing policy proposals and tracking progress of critical government priorities.

Component 4: Project Management and Support in Delivery (US\$1.75 million)

66. This component will support the management, coordination, and M&E of project activities. It will also pilot innovative approaches on mobilizing teams to support implementation and delivery of project activities under Components 1–3.

Subcomponent 4.1: Project Management and Implementation Support

67. This subcomponent will finance the following activities: (a) establishment of a central Project Coordination Unit (PCU) and recruitment of a project manager, a financial management specialist, a procurement specialist and a communications specialist that will perform project management and communication functions, including dissemination of information to the public, (b) hiring of an independent M&E consultant to develop capacity for monitoring of project activities and support qualitative assessments of progress (for example, improvements in line ministry capacity) and independent verification of DLIs and the organization of a forum on public sector capacity strengthening, to take stock of progress and learn lessons from past reform, (c) support project implementation by facilitating high-level retreat sessions and through piloting of results focused delivery approaches.²⁵

B. Project Financing

68. The project is an Investment Project Financing (IPF) with an element of result-based financing. While the majority of project funds (80 percent) will go toward the investment component, a small portion of funds (20 percent) will be disbursed based on achievement of selected disbursement-linked indicators (DLIs). These disbursements will be made for the allowances of the TMP recruits as the eligible budget item under the Eligible Expenditure Program (EEP)²⁶. In the absence of a program-based budget, the CSC budget shall constitute the

²⁵ The Collaborative Leadership for Development program of the World Bank Group's Leadership, Learning, and Innovation Vice-Presidency will assist in the operationalization of this subcomponent.

²⁶ In the absence of a program-based budget, the GoSL's annual budget allocation for the CSC shall constitute the EEP. A budget line item for TMP allowances has been newly created in the CSC's budget and approved by the GoSL's budget committee for the 2016 budget.

EEP. Upon verification of DLI achievement, the Bank will reimburse the GoSL for expenses incurred in the annual budget of the CSC. The incorporation of a DLI financing element provides a mechanism to reimburse the GoSL for salary allowances through the budget and using government systems thereby building government capacity.

69. The integration of a results-based financing portion reflects the dual objective to focus on achievement of results and reward cooperation between key MDA, notably the MoF and the CSC. It also provides an incentive for participating ministries to implement small reform steps as it provides them access to qualified staff through the TMP. While the DLI allocation remains small in relation to the overall project budget, it establishes a link between the provision of staffing support through the TMP and the achievement of results.

70. Five DLI results have been selected under Components 1 and 2 for providing incentives to the government for improving payroll and HRM and organization reforms (see table 4). DLIs have been sequenced: to build in flexibility and take into account that the context can change rapidly, all DLIs and targets for years 3–5 are subject to review and to modification, as required, at the end of year 2 of the project.

71. Achievement of DLIs and review of expenses under the EEP will be verified by an independent reviewer.²⁷ The independent reviewer will also verify that appropriate recruitment procedures have been followed for TMP recruitment. Details on disbursement schedule and pricing for DLI-based disbursements are discussed in the Disbursement section of annex 3.

Table 5. Overview of DLIs by Component

Component	DLI and Targets (years 1–2)	DLI and Targets (years 3–5) <i>(all DLIs are subject to confirmation at end of year 2)</i>
Civil Service Headcount and Payroll Management (Subcomponent 1.1)	Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality (Target: 50% in year 2)	Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality (Indicative Target: 80% in year 3 and 90% in year 4) Payroll audits to identify control weaknesses and ghost workers (Indicative target: Payroll audit in year 4 and year 5)
Human Resources Management (Subcomponent 1.2)	Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet (Target: 2 procedures in year 2)	Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet (Indicative target: 4 procedures in year 3, 6 procedures in year 4)

²⁷ Under the Somalia MPF the World Bank has hired a monitoring agent to perform three tasks: 1) monitoring of MPF funds executed by the Somali authorities, 2) advising the World Bank, and 3) supporting capacity building activities. The agent provides a third-party layer of monitoring and assurance to complement the Bank’s supervision role. The work is directed at ensuring that MPF funds executed by Somali authorities are utilized for the purposes specified in MPF grant agreements. For example, for the Federal Government of Somalia, fund flow from the World Bank through government systems as well as civil service payroll is subject to monitoring.

Component	DLI and Targets (years 1–2)	DLI and Targets (years 3–5) <i>(all DLIs are subject to confirmation at end of year 2)</i>
Reorganization in Targeted MDA (Subcomponent 2.1)	Newly established or reorganized HR units in targeted MDA adequately staffed (Target: 1 MDA in year 2)	Newly established or reorganized HR units in targeted MDA adequately staffed (Indicative target: 2 MDA in year 3, 4 MDA in year 4)
Civil Service Talent Management Program (Subcomponent 2.2)	TMP Manual Approved by the PSRSC (Target: Approval in year 1)	–

Note: PSRSC = Public Service Reform Steering Committee.

Project Cost and Financing

72. The total cost of this project is estimated at US\$10 million over a five-year period. The project will be financed through four grants of approximately US\$2.5 million per tranche. Table 5 provides an illustrative overview of project financing by component against the two main expenditure categories.

Table 6. Project Financing by Component and Expenditure Category

Project Components and Expenditure Category	Estimated Amount (in US\$, millions)	Percentage of Total Amount (Percentage of Component Total)	Percentage of Expenditure to be Financed
Component 1: Strengthening the Policies, Procedures, and Systems for Civil Service Management	3.9	42	100
<ul style="list-style-type: none"> • Consultant services, goods, and non-consulting services (IPF element) • EEP (DLI element) 	3.0 0.9	72 28	
Component 2: Strengthening Core Capacity of Targeted Ministries	3.6	33	100
<ul style="list-style-type: none"> • Consultant services, goods, and non-consulting services (IPF element) • EEP (DLI element) 	2.5 1.1	75 25	
Component 3: Strengthening Policy Management and Monitoring Capabilities at the Center of Government	0.75	7.5	100
<ul style="list-style-type: none"> • Consultant services, goods, and non-consulting services (IPF element) 	0.75	100	
Component 4: Project Management and Support in Delivery	1.75	17.5	100
<ul style="list-style-type: none"> • Consultant services, goods, and non-consulting services (IPF element) 	1.75	100	
Total	10.00	100	100
<ul style="list-style-type: none"> • Consultant services, goods, non-consulting services (IPF element) • EEP (DLI element) 	8.00 2.00	80 20	

Project Components and Expenditure Category	Estimated Amount (in US\$, millions)	Percentage of Total Amount (Percentage of Component Total)	Percentage of Expenditure to be Financed
Total Financing Required	10.00		

C. Series of Project Objective and Phases

73. The first SOP in the time series contains two projects that will be implemented between 2016 and 2020: a project for the FGS and the State Government of Puntland and this project for the Government of Somaliland. The Somaliland Civil Service Strengthening Project has been designed separately under this SOP for the following reasons: (a) to avoid delays in the design and delivery of urgent and much-needed support to the FGS, (b) to better take account of the specific context and tailor the interventions to the more advanced stage of transition in Somaliland, and (c) to allow for greater flexibility and reduced complexity in supervision and implementation. Somaliland’s unique institutional reform trajectory necessitated a tailored capacity-building approach, which is reflected in the present project design.

74. The purpose of the first time series will be to establish the basic frameworks for civil service management at the central level and to strengthen core functions in selected MDAs. A second project in the time series would begin from 2020, upon satisfactory progress under the first project. It would aim at deepening capacity development and institutional reform, building on lessons learned and achievements from the first SOP. It would also allow rolling out successful approaches to a broader set of ministries (see table 7). The rationale for this approach is that institution building efforts, in particular in fragile environments require a long-term perspective (see WDR 2011) 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.

Table 7. Series of Projects Phases

Focus of First SOP (2016–2020)	Suggested focus of Second SOP (2020–2025)
(a) Building foundations for civil service management through the establishment of basic frameworks, procedures and organizational structures focusing on HR and payroll management; (b) Developing policy options for pay and grading and pension reform (c) Limited recruitment of qualified staff through TMP and capacity development of civil servants to support core Government functions in central agencies and selected ministries; (d) Establishing basic policy coordination capabilities at the center of Government and in selected MDAs.	(a) Support introduction of HRMIS; (b) Deepening institutional reforms and enforcing standards on public sector governance in HRM, FM, procurement, policy management; (c) Implementation of pay and grading and pension policies and developing institutional capacity in related central agencies; (d) Professionalization of the civil service and development of capacity for short- and long-term training of civil servants in Somali institutions; (e) Deepening reform at center of Government, including monitoring service delivery and strengthening policy and M&E capacity in line ministries.

D. Lessons Learned and Reflected in the Project Design

75. The project draws on substantial lessons learned over the past decade, drawing on experiences from other interventions in fragile and conflict-affected contexts. These lessons are clustered in three areas: (a) CSR, (b) capacity development, and (c) project implementation. These lessons have also informed the risk framework and the identification of related risk mitigation measures.

Civil Service Reform

76. **Context matters.** Interventions in civil service reform require a differentiated approach tailored to regional specificities. Past interventions in the area of public sector reform and capacity building have applied overly generic approaches across southern Somalia, Puntland, and Somaliland. A common approach fails to meet regional needs, accommodate different absorption capacities, and build on varying levels of readiness for reform. To mitigate that risk, a dedicated project for Somaliland has been prepared under the SOP modality. This allows interventions to be tailored to Somaliland's context while using a common framework.

77. **A more asymmetric and selective approach to CSR is preferred over government wide reform.** Where development partners have approached broad and comprehensive reforms that apply across the civil service, evidence has shown that these have been less successful. The World Development Report 2011 also made the case for pursuing incremental CSRs. The project design has taken these lessons into account and adopts a gradual and selective approach: first, the strengthening of central frameworks will be undertaken in a sequenced manner and commensurate with client capacity and second, the project will limit support to the rollout and implementation of reforms to a small number of MDAs. This will enable testing and early feedback and build confidence in the reform process. An overall phasing and sequencing strategy has been developed and will be reviewed throughout implementation of the project.

78. **The ability of central agencies to drive CSRs in a context of general weak capacity and poor intra-governmental coordination is limited.** Analysis on Somaliland's previous CSR efforts found that the CSC lacked the capacity to facilitate and push for critical policy and political decisions. Unwilling to wait on the CSC, several key ministries have initiated their own internal reforms to address HR issues. The project therefore adopts a dual-track approach combining support to strengthen the CSC and develop central frameworks with direct support to MDAs to implement reforms.

79. **Significant results can be achieved when MDAs with reform-oriented leadership and a better resource base of human capital are targeted.** This experience from other fragile and conflict-affected countries (e.g. Sierra Leone), provides the rationale for including a results-based financing element in the project and linking achievement of reform with financing of TMP staff. This will provide incentives and reward reform-oriented MDAs. By linking achievement in reform benchmarks with access to talented staff under the TMP, the project aims to create a virtuous cycle and build the HR platform for incremental reform steps.

80. **The establishment of a functional pension system has often been a major challenge often neglected in fragile and conflict-affected countries and should be prioritized early on.** A forthcoming Bank study on rebuilding public service capability in post-conflict countries found that the public workforce in many post-conflict countries is characterized by an increasingly old cohort of staff who do not retire due to the lack of pension schemes (e.g. South Sudan and Afghanistan). 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 the government for an appropriate pension system will take time. The project therefore takes an incremental approach and will initially focus on design of policy options.

Capacity Development

81. **Focus on building core capacity in management and key functional areas before whole of ministry reform.** Lessons from other post-conflict countries such as Afghanistan and Liberia have shown that, building capabilities at the managerial level and developing the strength of key skill groups can make an important contribution for building country systems. The project is therefore focusing on HR and policy management functions in selected MDA rather than aiming for comprehensive reorganization of ministries.

82. The approach adopted also recognizes that organizational reform, staffing, and training interventions need to be supported by improvements in related systems to have an impact. The project, therefore, combines upstream work on the frameworks and systems for HR and policy management with ministry-level interventions.

83. **Investing in a mechanism that allows the government to attract and retain highly qualified civil servants early on can avoid harmful practices.** In many post-conflict or fragile countries, donor capacity development efforts have relied on externally funded staff who are not accountable to the government to manage and implement development programs. Combined with ad hoc salary top-ups, uncoordinated pay arrangements can undermine civil service capacity and sustainability.

84. The project is designed to build capacity from within the civil service, including through the government-led TMP, which will be based on a harmonized pay scale. In addition, TMP salary payments will be administered through the government payroll, thereby strengthening country systems.

85. **Capacity interventions should be linked to ministry reform efforts to have a meaningful impact.** Thinly dispersing talented staff across numerous ministries is unlikely to have a substantive impact on culture change and on institutional reform efforts. Staffing support is also more likely to be effective if it is targeted toward entities that are willing to undertake a reform process. These lessons are confirmed by experiences with the UNDP-IOM Qualified Expatriate Somali Technical Support Project.

86. Through the TMP, the project will support the recruitment of ‘clusters’ of talented staff to a limited number of MDA. It will also concentrate on building selected MDA functions focusing on senior management, HR, and policy management functions. Finally, the MDA will need to demonstrate reform progress to access TMP staff.

87. **More emphasis on leadership systems.** Many capacity interventions tend to focus on institutions or structures or processes and not enough on leadership. Lessons from Sierra Leone and Liberia suggest that leaders in a small post-conflict country can have a disproportionate effect on the actions of other people, particularly in the absence of settled institutions and organizations. Broader work on developmental leadership has also highlighted the role of leaders, élites, and coalitions in shaping and sustaining locally appropriate institutions for the promotion of inclusive development.

88. The project has, therefore, allocated dedicated resources to support leadership and management training and in fostering collaborative leadership to support project implementation, for example, through the organization of high-level retreats.

Implementation

89. **Complex and sensitive reforms require strong cross-government leadership and ownership at the highest level.** The reconstituted CSR SC, therefore, provides an important opportunity for advancing reforms. The project will, therefore, heavily invest in strengthening the Public Service Reform (PSR) Secretariat to ensure regular PSRSC meetings are held. In addition, the project will work with the MoP to build capacity for policy coordination and oversight. This provides an important entry point for linking CSR to the highest level in the government and helping resolve bottlenecks and advance difficult policy reforms.

90. **Reforms have more probability of success when governments are able to see visible results within a predictable political horizon.** The project will support results-based approaches such as the piloting of RRI to support central and ministry-level reform teams to generate quick wins.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

91. **The project will use the existing governance and management arrangements designed under the government's PSR Strategy.** Overall project implementation will be led by the CSC and the CSI. The CSC will collaborate with key central agencies²⁸ to implement different components of the project. In addition, targeted reform initiatives will be rolled out to two pilot line ministries that are deemed important in service delivery and economic management.

92. The PSRSC will be responsible for providing strategic oversight and guidance for the implementation of the project. The Steering Committee (SC) will approve key outputs and take decisions on critical implementation issues. It is chaired by the MoLSA and its membership includes the ministers of Planning (co-chair), Finance, Justice, Interior, Defense and the chair of the CSC. The SC also includes the Good Governance and Anticorruption Commission as an ex officio member. The senior leadership of the four beneficiary ministries will be ex officio members and will be responsible for reform implementation in their respective ministries.

²⁸ The MoLSA, MoNPD, MoF, and MoP.

93. A dedicated PCU will be established and co-located with the government's PSR Secretariat. The PSR Secretariat provides secretarial support to the PSRSC. The embedded PCU will be responsible for project management and coordination and will report progress to the SC.

94. The PCU will be headed by a project manager and include a small team of experts: (a) financial management specialist (FMS); (b) procurement specialist; (c) M&E specialist; and (d) communications specialist. The project manager will coordinate the implementation of day-to-day administration of the project.

95. In addition, ministry-level reforms teams will be constituted to lead the implementation of the new ministerial organizational structures and the change process. These teams will be led by director generals and consist of the director for administration and finance, the director for planning and coordination, and the most senior HR staff from the ministry.

B. Results Monitoring and Evaluation

96. The project will design and use a dedicated M&E system that incorporates the PDO and intermediate indicators to track the performance of project activities. A subset of indicators have been identified as DLIs. Details of the Results Framework and the DLI verification protocols can be found in annex 1.

97. The indicators in the Results Framework emphasize the foundational outputs that will be necessary to achieve more strategic outcomes in later phases of the project and/or in future reform interventions. This output-focused approach will be complemented by qualitative monitoring, tailored to the particularities of capacity development and governance activities in a fragile context.

98. Monitoring of results will be coordinated by the PCU, which will have a dedicated M&E specialist and develop a more detailed M&E plan. The PCU will rely on reports from the implementing government agencies and will initially be supported by an M&E consultant. A monitoring plan will be drawn up by the PCU with the support of the M&E consultant, which outlines timing and responsibility in reporting requirements against the indicators and milestones. Results will be used to inform any recalibration of implementation efforts, including necessary mid-course corrections. The M&E reports will be discussed and validated by the SC that will agree on any measures for corrective action, as required.

99. The project will also fund the service of an independent reviewer (third-party monitoring agent) to validate data collection for key performance indicators in the Results Framework and to provide for independent verification of DLIs on the basis of an agreed verification protocol (see annex 1). The Bank and the PCU will agree on the terms of reference (ToR) for the independent reviewer and take necessary precautions to avoid potential conflicts of interest between the role of the independent verifier and other activities planned under the project. The independent reviewer will also be responsible for the design and implementation of qualitative monitoring of capacity-building progress at the ministry level.

100. A civil service reform learning event will be organized by the PCU to deliberate on progress and impact of the project and other capacity-development initiatives on the reform process in Somaliland. The Bank will also monitor the project through its supervision and

implementation support missions. Annex 4 provides details of implementation support activities of the Bank task team.

C. Sustainability

101. The project will contribute to the long-term strengthening of the Somaliland civil service in line with the overall government strategy for public administration reform. The project has been designed to ensure sustainability of reform efforts beyond the implementation period. This is supported through the following arguments:

- **Commitment to peace and institutional stability.** Since the end of internal conflict in the mid-1990s, Somaliland has experienced a prolonged period of peace and institutional stability. The maintenance of peace and the commitment to pursue a Somali-led process of peacebuilding and state building has been commendable, particularly when compared to the instability in southern Somalia. The quest for statehood provides a strong impetus for the government to pursue institutional reforms and build a functioning civil service. The prioritization of CSR has been reflected in the National Development Plan and the SSA.
- **Strong government ownership and a clearly articulated vision for CSR.** Under the leadership of various government stakeholders, the GoSL has revitalized previous efforts for CSR and in 2014 established a clear work plan to build a more effective civil service. The GoSL has initiated different activities, including for example a government-wide collection of civil service data, a review of the civil service law and various training activities. The government has clearly articulated priorities for reform in its dialogue with the Bank on the design of this project. This has demonstrated clear political ownership and commitment toward this agenda.
- **Solid institutional structures and committed leadership for reform.** The government has established the ministerial-level PSRSC to lead and oversee CSR activities. In addition, a technical coordination committee comprising senior civil servants and a CSR Secretariat have been set up to facilitate and implement the CSR work plan. A new and committed leadership in the CSC, the MoLSA, and the CSI, as well as regular meetings of the PSRSC, demonstrate ownership and solid understanding of the reform program within the government.

102. **The project design ensures sustainability of reform interventions beyond the project end date.** The implementation arrangements for the project are aligned with the existing structure established by the government for its CSR program. The project will further support capacity enhancement and knowledge transfer through various interventions, including organizational design, talent management, training, and coaching. These interventions aim to build the capacity of civil servants to implement new processes for HR and policy management. The level of ambition for this project is to build foundational, that is, basic systems that will prepare the ground for more long-term engagement.

103. **The introduction of highly skilled civil servants through the TMP builds on lessons from capacity development programs that have been practiced in low-capacity and post-conflict**

environments. The TMP will primarily recruit from existing civil servants and will follow rigorous selection criteria and performance management systems to build professionalism in the program. Beyond the project period, with the operationalization of the new and improved organizational structures, the TMP pay scales will be fully absorbed in the government's operational budget. To accommodate TMP allowances, the GoSL has also agreed to create adequate fiscal space in the CSC budget to initiate recruitment for selected TMP positions.

V. KEY RISKS

Table 7. Risk Ratings Summary

Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other (Security)	High
Overall	High

A. Overall Risk Rating and Explanation of Key Risks

104. Somaliland's tenuous political settlement, acute capacity constraints, and risk of insecurity create a difficult operating environment for the 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 Bank's PFM reform project, this project addresses core government functions that need to be urgently strengthened for the Bank to engage in Somaliland. While the project comes with a number of high risks, the design of the project provides a number of mitigation measures to actively manage these risks.

105. **Political and governance risks are High.** With the upcoming presidential elections, tensions over the proceedings and/or outcome could lead to a political crisis. The political settlement, which Somaliland has successfully maintained for years, could deteriorate, creating a different operational landscape. Moreover, changes in the political leadership could undermine government ownership of the project. The Country Management Unit (CMU) will monitor the political environment. 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. 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.

106. **Macroeconomic risks are Substantial.** The TMP could establish a level of staffing and salary expectations that the government will not be able to sustain in the medium to long term. To mitigate this risk, a special salary scale will be used to attract qualified candidates for the TMP; however, rates will be carefully established using information on private and public sector salaries gathered through a remuneration survey. Decisions on rates and numbers will be considered for the longer-term implications for the wage bill and closely monitored. The base

pay of TMP participants will be financed from the CSC's yearly budget allocation. The project will support the creation of a separate pay and grading policy for the TMP recruits, which will be adopted by the government as part of its overall CSR strategy. In addition, a pay harmonization policy for donor-funded programs will be designed and implemented across the government to reduce disparities between the TMP allowances and donor-funded pay scales.

107. **Technical design risks are Substantial.** The project will support reforms that lead to changes in the structure, organization, and staffing of ministries/agencies. Resistance to reform by leadership or selected individuals is to be expected. Ministry/agency-level reform will be phased and based on the interest to implement the component of the project. The DLI element will incentivize reform and ensure that ministries willing to undertake the progress will have benefits. The project team and the CSC will also proactively engage with the SC to mobilize political-level commitment and support for envisaged reforms. Finally, the leadership and rapid results component aims to generate support. In addition a communication strategy will be put in place by the PCU and will help raise awareness and communicate reform objectives and successes.

108. **Nepotism, political ties, and clan-based affiliations drive recruitment.** The implementation of a merit-based recruitment system for the TMP is likely to face resistance. An HR firm will be hired to provide recruitment support and establish appropriate recruitment standards to mitigate the risk of patronage-based practices that will deteriorate the quality of staff recruited through the TMP.

109. **Institutional capacity for implementation and sustainability risks are High.** Targeted government institutions are staffed with unskilled, aged, or absentee employees. Therefore, the project may struggle to achieve the critical mass of capacity necessary to strengthen institutional capacity and implement reform. The project includes a component that will enable the participating ministries to recruit for critical staffing priorities through the TMP and targeted training. These capacity-building efforts will contribute to achieving 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.

110. **Fiduciary risks are High.** There is a lack of key FM competencies, extremely limited procurement capacity, and a high risk of fraud and corruption due to the absence of a robust public financial legal framework and a nascent rudimentary banking system. A significant number of mitigation measures are envisaged to address these fiduciary risks, which are detailed in the annexes. They include capacity building in both FM and procurement, strong staffing arrangements in these two areas, the use of advisors to provide on-the-job coaching for procurement procedures, and stringent reviews and monitoring requirements.

111. **Security risks are High.** Insecurity poses a risk to the personal security of both 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, will have a severe impact on the project. The risks posed by insecurity cannot be completely mitigated; however, the project will incorporate appropriate implementation arrangements (for example, use of firms rather than individual consultants) to adapt to changing circumstances.

VI. APPRAISAL SUMMARY

A. Economic Analysis

112. The project aims to improve performance of the GoSL civil service by supporting critical civil service management reforms and capacity-building measures. These reform interventions are considered essential for the professionalization of the GoSL civil service, which will provide the foundational systems and capacities that are necessary to see improvements in service delivery and economic governance over the medium term. This economic analysis intends to justify the project investments with regard to the benefits accruing to the GoSL.

Macro-fiscal Context

113. A recently completed public expenditure review and an ongoing security sector expenditure review have highlighted some key facts about the fiscal performance of the GoSL. The GoSL has managed a well-balanced budget without incurring any significant deficit for the last few years and without arrears. It has witnessed significant revenue improvements in the past three years, which has enabled the financing of its recurrent expenditures without any external borrowings. Total domestic revenues have increased from US\$67 million in 2011 to US\$127 million in 2014 (budgeted), representing a rise of 89 percent during this period. As percentage of GDP, revenues have increased from 5.7 percent in 2012 to 7.1 percent in 2014, higher than the rest of Somalia. Weak HR capacity in critical areas such as policy and regulatory management restricts the government's ability to improve revenue administration and tax collection. Presently more than 90 percent of domestic revenue is generated through only 10 revenue sources.

114. The total wage bill (including the armed forces) increased from US\$46 million in 2012 to projected US\$65 million in 2014 (which represents 3.6 percent of the total estimated GDP). Total expenditure over this same period increased from US\$87 million to US\$127 million in 2014 (projected). There is scope to improve fiscal performance by increasing the tax base through eliminating inefficiencies in the revenue administration. Higher tax revenues will increase the scope of Somaliland's capital spending to crowd in private investment, which will enhance revenue mobilization.

115. Similar to other post-conflict contexts, a significant share of government revenues are used to finance the wage bill and other recurrent expenditures of the government, leaving little room for capital expenditures. According to the latest budget projections, almost 88 percent of domestic revenues are used to finance the wage bill and other recurrent expenditures, which reinforce the GoSL's dependence on official development assistance for development expenditures. Detailed information on the wage bill, notably in the security sector and other recurrent expenditure items, prohibits a thorough analysis of the government wage bill.

Project Benefits

116. The key improvements in public administration or direct benefits that are expected to accrue to the GoSL through the project are identified in the following paragraphs. However, the necessary data to quantify expected gains (for example, wage bill savings due to removal of ghost workers or retirement of overage civil servants and/or potential impact on economic growth due to better government performance in targeted sectors) is currently not available. The

support provided through the project will help generate reliable data, notably through the civil service headcount, and by providing costed policy options for severance and/or retirement.

- (a) **Improved payroll management.** As a result of a government wide payroll audit financed through the project, key institutions such as the CSC, MoF, and the OoAG will be able to exercise tighter establishment controls. The introduction of a manual and later electronic personnel management will enable central agencies and line ministries to make informed decisions on HRM planning. In addition, improved payroll management procedures will lead to greater transparency and reduce problems and risks associated with ghost workers which will reduce the wage bill.
- (b) **Pension reforms.** The project will support the development of a severance and pension policy and advice on institutional mechanisms for implementation of pension reforms. Presently, in the absence of a pension scheme, the GoSL incurs significant expenditure toward the payment of salaries for personnel above pensionable age as part of its active payroll. The envisioned support to establish arrangements for severance and pensions will help the GoSL create fiscal space in the medium term since a significant number of staff will be removed from the active civil service payroll.²⁹
- (c) **Improvements in organizational design, HR processes, and core capacity in key MDAs.** The project will support central implementing entities and four key line ministries (Education, Health, Energy, and Environment) to develop core capacities through organizational redesign, targeted staffing, and training programs. As a result of this support, key departments and business processes will be streamlined and critical civil service positions that currently do not exist will be filled with qualified staff. Improved HR and policy development/oversight capabilities in the MoF and the MoP as well as sector line ministries in the energy and natural resource management sectors are likely to have a positive impact on the management of the GoSL financial resources and government revenues.

117. **TMP costs and sustainability.** The TMP, which is designed to support the GoSL with critical staffing, will require fiscal commitments for the payment of a special allowance to these recruits. The project anticipates the recruitment of approximately 80 TMP professionals for the beneficiary line ministries over the project period. All the TMP positions supported through the project will be part of the new organizational structures and will be integrated into the core civil service establishment. The base salaries of the TMP recruits will be paid through the regular government budget. The market premium for attracting and retaining these staff (TMP allowances) will be financed through the GoSL budget with support of the project through the reimbursement of DLI payments. The average annual TMP expenditure represents a less than 1 percent annual increase with regard to the 2014 government wage bill. It is anticipated that the creation of a new pay and grading structure will incorporate the market premium for the TMP into the civil service salary structure over the medium term.

²⁹ The payroll audit will be used to estimate the actual number of staff above pensionable age who are currently still receiving a salary through the payroll.

Table 8. Expected Number of TMP Participants and Costs

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of TMP participants	10	20	40	60	80
Average allowance (US\$/month)	600	600	600	600	600
Total yearly allowance expenditure (US\$)	72,000	144,000	288,000	432,000	576,000
Total cumulative expenditure (US\$)	72,000	216,000	504,000	936,000	1,512,000

118. The long-term benefits accruing to the government through the recruitment of the TMP personnel in the critical areas of policy and regulatory management and HR management (see above) outweighs the costs associated with it.

B. Technical

119. **The project is technically viable, sound, and grounded in Somaliland’s context.** It reflects the CSR priorities of the GoSL and has benefited from numerous consultations between the government and Bank staff. The GoSL has identified the following four priority areas in its CSR work plan: (a) establishing the civil service’s legal and institutional framework; (b) improving institutional structures to efficiently carry out their functions according to mandate; (c) recruiting, managing, and compensating civil servants to attract the ‘right people’ for the job; and (d) establishing competent, client-focused staff. The different project components are designed to support selective reform areas under these strategic objectives. The design has also benefited from sectoral analytical studies and organizational reviews for different line ministries commissioned by the Bank and/or other donors. It has been informed by various consultations with public sector management experts within the Bank and practitioners from other donor organizations. In addition, emerging lessons from other fragile and conflict-affected countries were taken into consideration while designing the project (see the Lessons Learned section).

C. Financial Management

120. The FM risk associated with the project is considered to be High. The 2006–2007 Joint Needs Assessment of PFM systems in Somaliland, Puntland, and South Central Somalia indicated that ‘systems that manage public resources are weak’. The Somaliland PFM Reform Strategy 2013–2017 recognizes the PFM systems that manage public resources are weak. While recognizing this, the Bank will work closely with the government to support and strengthen the use of country systems without creating parallel arrangements and in line with the provisions of the ‘Somalia New Deal’. The FM arrangements will be continuously monitored through frequent FM supervisions and updated to reflect the emerging developments in the FM systems. Targeted TA will be recruited to provide direct support to the Somaliland External Assistance Fiduciary Section (EAFS). The ToR for the TA will have clear provisions on capacity building and transfer of knowledge to the EAFS staff. A detailed description of the project FM system and flow of funds arrangements are detailed in annex 3.

D. Procurement

121. The administration in Somaliland does not have the institutional capacity and a legislative framework to handle robust public procurement. To strengthen the government procurement system in Somaliland, a public procurement bill was prepared and tabled before the parliament.

The public procurement bill will, after enactment, repeal all the procurement provisions in the financial and accounting procedures for the two administrations. It is also noted that the private sector in the two regions is also yet at its infancy. It is not regulated, resulting in potential service providers and civil society organizations having limited technical and financial capacity to function in the market place. The private sector is also beset with susceptibility to the insecure and fragile environment.

122. Procurement for the proposed project will be carried out in accordance with the latest revision of the Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by the World Bank Borrowers', dated January 2011 (revised July 2014) and 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants 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', dated October 15, 2006 and revised in January 2011 (the Anticorruption Guidelines), and the provisions stipulated in the Legal Agreement will be applied. As a fragile and conflict-affected situations country, procurement under the project will be processed under special procurement arrangements referred to in paragraph 20 of OP 11.00.

123. To address the inherent institutional and managerial capacity weaknesses, which hamper the delivery of efficient and robust procurement operations and practices, a TA procurement specialist and a procurement officer will be competitively recruited to work in the PCU to be set up under the CSC. The procurement specialist will also play a limited role in supporting public procurement reforms in the MoF. The procurement officer, contracted by the CSC, will work alongside the procurement specialist for transfer of knowledge to take place.

E. Environment and Social (including Safeguards)

124. The project intends to build capacity within the GoSL by performing various administrative functions related to payroll, HR and policy management. The activities planned under the project do not trigger any social and environmental safeguard issues.

F. World Bank Grievance Redress

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

Annex 1: Results Framework and Monitoring

Somaliland: Civil Service Strengthening Project (P155123)

Results Framework

Project Development Objectives								
The project development objective (PDO) is to strengthen basic functions for payroll, human resources and policy management ³⁰ in selected central agencies and line ministries.								
These results are at		Project Level						
Project Development Objective Indicators								
Indicator Name	Core	DLI	Baseline	Cumulative Target Values				
				YR1	YR2	YR3	YR4	YR5
Effectiveness of payroll controls (assessed by degree of integration and reconciliation between personnel records and payroll data) ³¹	X	–	Integrity of the payroll is significantly undermined by lack of complete personnel records and personnel database or by lack of reconciliation between the three lists.	–	–	–	Reconciliation of the payroll with personnel records takes place at least every six months.	Reconciliation of the payroll with personnel records takes place at least every six months.
Improved HR and policy development functionality in targeted MDA (disaggregated by function)	–	X ³²	HR: 0	0	1 (DLI)	2 (DLI - tbc)	4 (DLI - tbc)	–
			Policy Development: 0	0	0	1	2	4
Number of TMP recruits deployed to targeted MDA (of whom % female)	–	–	0	10 (20%)	20 (20%)	40 (20%)	60 (20%)	80 (20%)

³⁰ Policy management is defined as the process of preparing, consulting, submitting and approving policies submitted by line ministries through the Presidency to the Cabinet.

³¹ Qualitative assessment based on sub-dimension 23.1 of the 2016 PEFA methodology.

³² Establishment of HR units in targeted MDA is a DLI result.

Intermediate Results Indicators								
				Cumulative Target Values				
Indicator Name	Core	DLI	Baseline	YR1	YR2	YR3	YR4	YR5 End Target
Share of civil servants with verified and completed personnel records in the central HR personnel database of satisfactory quality (%)	–	X	< 30 (estimate)	–	50 (DLI)	80 (DLI - tbc)	90	90 (DLI - tbc)
Payroll audits to identify control weaknesses and ghost workers (Number)	–	X	0	0	0	0	1 (DLI - tbc)	2 (DLI - tbc)
Revised civil service law and civil service regulation have been approved by the PSRSC and submitted to the cabinet	–	–	No Civil service law is currently being reviewed and revised by the Legal Reforms Commission.	No	No	Yes (Revised civil service law)	Yes (Revised civil service regulations)	–
Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet	–	X	0 Current HR procedures are inadequate or do not exist and are not documented.	0	2 (DLI)	4 (DLI - tbc)	6 (DLI - tbc)	–
Pay policy and revised pay and grading structure approved by the PSRSC and submitted to the cabinet	–	–	No	No	Yes (Pay Policy)	Yes (Pay and grading structure)	–	–
Severance policy and pension policy and law approved by the PSRSC and submitted to the cabinet	–	–	No A draft pension law has been prepared by the CSC and was reviewed by the Law Reform Commission.	No	No	Yes (Severance policy)	Yes (Pension policy)	Yes (Pension law)
Targeted MDA with revised organizational structures approved	–	–	0 Organizational assessments have	0	1 (DLI)	2 (DLI - tbc)	4 (DLI - tbc)	–

by the PSRSC (Number)			been carried out in 4 MDAs but revised structures have not been approved.					
Number of staff from target MDA who have successfully completed training programs supported through the project	-	-	0	0	40	80	120	160
Indicator Description								
Project Development Objective Indicators								
Indicator Name	Description (indicator definition and so on)		Frequency	Data Source/Methodology	Responsibility for Data Collection			
Effectiveness of payroll controls	Measures the degree of integration and reconciliation between personnel records and payroll data, based on the 2016 PEFA scoring methodology for 23.1)		Annual	Independent consultant certified in PEFA methodology. Indicator is scored on a four-point ordinal scale (A,B,C or D) according to precise criteria established by PEFA methodology.	CSC and OoAG			
Improved HR and policy development functionality in targeted MDA (disaggregated by function)	Measures whether the MDA demonstrates improved functionality in HR and policy management by meeting the following three criteria: (a) unit established or reorganized and staffing table developed and approved, (b) units adequately staffed (at least 75% of established positions filled with full-time staff), (c) unit staff have received technical training.		Semiannual	Third-party verification (independent reviewer) in collaboration with the CSC/PCU and the MDA of functionality through qualitative assessments and review of unit chart and staffing table	Implementing MDA, CSC, and MoP			
Number of TMP recruits deployed to targeted MDA (of whom % female)	Measures the total number of TMP participants who are placed within target MDA and the share of female participants.		Semiannual	Appointment letter or contract for TMP participants; TMP personnel records in HR database	CSC			

Intermediate Results Indicators				
Indicator Name	Description (indicator definition and so on)	Frequency	Data Source/Methodology	Responsibility for Data Collection
Share of civil servants with verified and completed personnel records in the central HR personnel database of satisfactory quality (%)	Measures the share of civil servants for whom the CSC has a staff record of satisfactory quality on its personnel database. Satisfactory quality will be defined on the basis of a minimum of 10 complete data fields (mandatory data fields to be defined in verification protocol).	Semiannual	Third-party verification (independent reviewer) in collaboration with the CSC/PCU and OoAG of: (a) MoF's payroll and total number of civil servants, (b) quality of verified and completed personnel records, and (c) count of verified and completed personnel records that are of at least satisfactory quality	CSC and MoF
Payroll audits to identify control weaknesses and ghost workers (Number)	Assesses whether at least two annual payroll audits to identify control weaknesses and/or ghost workers have been conducted on a sample of civil servants. The minimum sample size is 2,000 civil servants.	Annual	Third-party verification (independent reviewer) through review of payroll inspection report prepared by the audit task force	CSC and MoF
Revised civil service law and civil service regulation have been approved the PSRSC and submitted to the cabinet	Assesses whether a revised or new civil service law and secondary regulations have been approved by the PSRSC and submitted to the cabinet	Semiannual	Civil service law; civil service regulation; PSRSC records of approvals; submission letter to the cabinet	CSC and MoP
Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet	Number of improved HR procedures developed and agreed to by the PSRSC. The following procedures should be included in final target: establishment control, recruitment, HR records management, termination, or retirement.	Semiannual	Third-party verification (independent reviewer) in collaboration with the CSC through review of HR procedures; PSRSC records of approvals; submission letter to the cabinet	CSC and MoP
Pay policy and revised pay and grading structure approved by the PSRSC and submitted to the cabinet	Assesses whether a pay policy and a revised pay and grading structure have been approved by the PSRSC and have been submitted to the cabinet.	Semiannual	Pay policy document, remuneration survey and revised pay and grading structure; PSRSC records of approvals; submission letter to	CSC and MoP

			the cabinet	
Severance policy and pension policy and law approved by the PSRSC and submitted to the cabinet	Assesses whether a severance policy and a pension policy and law have been approved by the PSRSC and have been submitted to the cabinet.	Semiannual	Pension policy; pension law; PSRSC records of approvals; submission letter to the cabinet	MoLSA and MoP
Targeted MDA with revised organizational structures approved by the PSRSC (Number)	The number of MDA that have developed a revised organizational structure that is approved by the PSRSC.	Semiannual	Third-party verification (independent reviewer) in collaboration with the CSC and MDA of organizational assessment report; revised organizational structure for individual MDAs; PSRSC minutes and approval letter	CSC and MDA
Number of staff from target MDA who have successfully completed training programs supported through the project	The number of staff from targeted beneficiary MDA who have completed specific training programs successfully each year. Success rate will be measured by minimum participation and post-training assessment.	Semiannual	Training firm assessment in collaboration with the CSI	CSI

Verification Protocol for DLIs

DLI	Outcome Area	Draft Protocol to Evaluate Compliance of the DLI		Year (Target) ³³
		Data Sources	Procedure	
DLI1: Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality (%)	Civil service headcount and payroll management (Subcomponent 1.1) Intermediate Results Indicator	Sample of verified and completed personnel records from central personnel database; MoF payroll with list of all civil servants (after completion of civil service payroll audit)	Third-party verification (independent reviewer) in collaboration with the CSC and OoAG of (a) the MoF's payroll and total number of civil servants, (b) quality of verified and completed personnel records, and (c) count of verified and completed personnel records that are of at least	Year 2 (50%) Year 3 (80%) Year 5 (90%)

³³ All targets for years 3-5 will be subject to confirmation at the end of year 2. This will allow for flexibility in project implementation.

DLI	Outcome Area	Draft Protocol to Evaluate Compliance of the DLI		Year (Target) ³³
		Data Sources	Procedure	
			<p>satisfactory quality.</p> <p>Calculation: number of verified and completed personnel records in central personnel database/total number of civil servants on MoF's payroll.</p>	
DLI2: Payroll audits to identify control weaknesses and ghost workers (Number)	<p>Civil service headcount and payroll management (Subcomponent 1.1)</p> <p>Intermediate Results Indicator</p>	Payroll inspection report on sample of monthly payroll by payroll audit task force	Third-party verification (independent reviewer) through review of payroll inspection report prepared by audit task force. Minimum sample size for payroll audits: 2,000 civil servants on sample of civil servants (years 3 and 5).	<p>Year 4 (1)</p> <p>Year 5 (2)</p>
DLI3: Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet	<p>HRM (Subcomponent 1.2)</p> <p>Intermediate Results Indicator</p>	HR procedures; PSRSC records of approvals; submission letter to the cabinet	Third-party verification (independent reviewer) in collaboration with CSC through review of documentation on the approval of HR procedures. The following procedures need to be included: establishment control, recruitment, HR records management, termination, retirement.	<p>Year 2 (2)</p> <p>Year 3 (4)</p> <p>Year 4 (6)</p>
DLI4: Newly established or reorganized HR units in targeted MDA adequately staffed (Number)	<p>Reorganization in targeted MDA (Subcomponent 2.1)</p> <p>PDO Indicator (Sub-indicator for calculation of composite indicator)</p>	Employment contracts and/or personal action notice of civil servants in HR units in targeted MDA; HR Unit organizational chart with establishment positions	Third-party verification (independent reviewer) in collaboration with the CSC and MDA through (a) review and count of staff in HR units in targeted MDA based on employment contracts and personnel action notice, (b) review and count of established HR positions.	<p>Year 2 (1)</p> <p>Year 3 (2)</p> <p>Year 4 (4)</p>

DLI	Outcome Area	Draft Protocol to Evaluate Compliance of the DLI		Year (Target) ³³
		Data Sources	Procedure	
			Adequate staffing is defined as at least 75% of established HR positions filled with full-time HR staff.	
DLI5: TMP Manual approved by the PSRSC	Civil Service TMP (Subcomponent 2.2)	TMP Operational manual; PSRSC minutes and approval letter	Bank verification through review of supporting documents	Year 1 (yes)

Annex 2: Detailed Project Description

Somaliland Civil Service Strengthening Project

Component 1: Strengthening the Policies, Procedures and Systems for Civil Service Management (US\$ 3.9 million)

1. This component will support the GoSL to strengthen the foundations for managing its workforce and reduce development risks that an unrestrained civil service presents. The main implementing agency for Component 1 is the Somaliland CSC working in close collaboration with the MoF (on payroll reform) and the MoLSA (on pension policy).

Subcomponent 1.1: Civil Service Headcount and Payroll Management

2. This subcomponent will support a number of activities to strengthen the GoSL's ability to maintain a clean and accurate payroll and an up-to-date HR data base. It will build the capacity of the CSC and MDA for monitoring, reporting, and auditing of payroll entries and exits. This will contribute to increasing the accuracy and predictability of the government's wage bill. Activities in this subcomponent will build on prior technical support from the Bank, including the development of a draft methodology for carrying out a payroll audit and support to pilot the exercise in selected MDA in late 2015. Lessons from the pilot will be used to finalize the proposed approach.

3. **Payroll audit and regular payroll verification.** The project will support the GoSL to conduct a rollout of the payroll audit to cover all civil service employees (estimated at 15,000) in six regions.³⁴ The purpose of the audit is to ensure that employees appearing in the payroll are genuine and are paid in line with their grades. The audit will help update personnel and payroll records by capturing missing data for employees and collecting key documents (for example, letter of appointment). Data will be captured electronically on-site and after data validation will be recorded on the CSC's existing Civil Service Information Management System.

4. The payroll audit will include an agreed sanctions framework to follow up on the results of the exercise, for example, unknown or absent staff, retired, or deceased. This framework will be agreed at a ministerial level before commencement of the exercise. The audit will be carried out by a cross-government task force coordinated by the CSC and with consultancy support. This activity will also support training of the identification team, awareness raising for government staff, logistical support to carry out the audit, and support to data verification and analysis.

5. In years 3–5, the project will support a regular physical payroll inspection in selected MDAs. The CSC with the OoAG will be supported to carry out regular payroll inspections to ensure the sustainability of payroll integrity and compliance with personnel budget expenditure ceilings. To implement these inspections, a workforce audit function will be established in the CSC.

³⁴ The payroll audit will exclude local government employees and employees of classified payrolls such as military and police. The purpose is to demonstrate the benefits of conducting such an exercise and to generate lessons for the GoSL that can form a separate audit for other categories of public servants.

6. **Payroll business processes.** The current payroll system is manual, labor intensive, and prone to errors. It involves the MDA sending their payroll to the OoAG for processing and approval. The MDA need to submit supporting documentation for payroll changes to the OoAG but there is no formal approval or monitoring role by the CSC. For this reason, it is not possible to establish with certainty whether the changes are duly approved by the CSC. In addition, payroll changes that do not require authorization by the CSC (for example, internal transfers, or promotions within the same grade) do not come to the attention of the CSC. This creates room for anomalies and payroll irregularities. The project will support review and reengineering of the existing payroll process and strengthen the role of the CSC in monitoring payroll changes through the introduction of a standard instrument across the MDAs recording individual payroll changes.

7. In years 3–5, the project will also advise on strengthening the back end of the payroll process, that is, salary payments and verification of civil servants identity. Salaries are currently paid in cash at the CBS in Hargeisa, upon authentication. In regions, employees are paid cash by the ministry payroll coordinator who collects cash for salaries by accessing funds from the CBS offices in their regions. This system does not allow for effective control against ghost workers or duplicate payments. The project will support the payment process and the authentication procedure for civil servants through a valid identification card.

8. **Personnel files.** The civil service head count and payroll audit will allow the establishment of paper and electronic personal files. Currently the MDA do not have employee personnel records nor a functioning system to manage paper records documenting and authorizing employee changes (appointments, transfers, promotions, and so on). A set of complete and reliable paper personnel files is an important data source for managing HR. The project will support the development of records management procedures to ensure that one master personal file is maintained for each employee. HR assistants will be trained on records management, including numbering and organization of files using cabinets as a temporary measure since registries do not exist. The project will also explore use of electronic records to back up paper files, for example, through a cloud-based records management system for the selected MDA.

9. In the long-term, the GoSL will need to introduce a functioning HRMIS as the basis for improved analysis and decision making on critical aspects of HRM in the public sector. Before the introduction of the HRMIS, a business processes review will be undertaken with the intention of strengthening existing and/or introducing new HRM processes (see Subcomponent 1.2). The project will support the CSC to identify information requirements for a future HRMIS and help define system and related hardware and software requirements that could be supported through a follow up project.

10. **Strengthening the CSC and MDA capacity.** The activities above will require adequate capacity in the CSC, OoAG, and MDA HR units. The project will start with strengthening capacities for payroll monitoring and HR data management in the CSC before rolling out capacity development activities to OoAG and line ministries. A payroll monitoring function will be established in the CSC to verify monthly changes in the payroll and to carry out data entry operations in the HRMIS database. Capacities for undertaking regular workforce audits will also be built. The CSC team will also be strengthened in the areas of records and data management.

At the MDA level, capacity of selected HR staff will be built for records keeping, payroll preparation, and HR data management.

11. **Disbursement-linked indicators.** To facilitate achievement of critical civil service management reforms under this subcomponent, the following disbursement-linked results have been identified to incentivize the government.

- Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality (Targets: 50 percent in year 2, 80 percent in year 3, 90 percent in year 5)
- Payroll audits to identify control weaknesses and ghost workers (Targets: Payroll audit in year 4 and year 5)

Subcomponent 1.2: Human Resources Management

12. This subcomponent will support the CSC to establish and strengthen its central civil service management functions and provide consistent guidance to the MDA on issues related to HRM. It will also support the CSC to develop options for a transparent pay structure that will enable the government to attract and retain qualified managerial and professional staff and improve motivation and engagement among civil servants. The focus will be on selective pay reform, building on the design of an interim pay and grading system for staff recruited through the proposed TMP (see Component 2).

13. **Legal and regulatory framework.** The project will support a review and revision of the existing legal and regulatory framework for civil service management. The existing Civil Service Law no. 7 of 1996 is outdated and currently includes elements that will more appropriately be covered by a regulation and/or administrative procedures. A revised law should lay the foundation for a professionally managed civil service by defining the organization of the Somaliland civil service, the qualifications, duties and rights of civil servants, and the structure and functions of the CSC.

14. The project will support the CSC and the Law Reform Commission with TA and sharing of international experiences. A strong focus will be on supporting stakeholder consultations and consensus building on critical issues and principles that should be reflected in the revised law. This will include debate on the underlying principles and values for a permanent, nonpolitical, and professional administration (including for example, the role of director generals which are currently de facto political appointees) and/or principles for admission and careers based on competence and merit. Upon adoption of the new law the project will support dissemination and awareness raising on the new law, including through a communications strategy.

15. **HR business processes.** The project will support the CSC to revise and document critical procedures for HRM. Improved business processes will be developed in close consultation with the MDA and on the basis of a review of current practices. A phased approach will be adopted to introduce revised procedures that can be implemented on the basis of the existing civil service law and commensurate with limited capacities for HRM in the MDA. Key HR procedures include establishment control; recruitment and selection; personnel management (for example,

promotions, transfers, attendance, and leave); and staff records management. These procedures will be incorporated into an HR manual. Clearly documented HR business processes will also be a prerequisite for the development of an HRMIS (Subcomponent 1.1).

16. **Policy guidance on pay reform.** The project will support the GoSL in designing a revised pay structure for professional and managerial civil servants, as well as laying the foundation for long-term pay reform in line with fiscal constraints. The structure will consolidate the existing responsibility allowances, which senior managers presently enjoy with base salary, thereby enabling fair and transparent pay differentials to be established. It will also provide for individual salary progression within each grade up to the grade maximum. Since the pay structure will not be developed until the end of the second year of the project, in the short term, the project will review and advise the government on management and payment of allowances.

17. As a first step, the GoSL will develop a long-term pay strategy for the civil service which sets out its overall pay objectives and an implementation plan for achieving them based on its priorities and the fiscal constraints. An immediate priority is to change the pay arrangements for managers and professionals. After the pay strategy has been approved by the cabinet, a grading structure will be developed (covering all jobs) and a remuneration survey carried out to compare civil service pay with the rates prevailing in the nongovernment sector for professional and managerial jobs. This will enable a pay structure for professionals and managers to be designed which establishes appropriate differentials between jobs of differing weight and which is aligned, to the extent possible, with the market. The project will also advise on the development of a sequenced and realistic implementation plan. Implementation of the revised pay structure will proceed through a phased approach.

18. **Strengthening the CSC capacity.** A critical element for improved HRM in the GoSL's civil service, is a CSC that has the capacity to exercise its central civil service management functions in line with new HR procedures and the revised civil service law. The CSC will also need to be able to provide consistent guidance to the MDA on issues related to HRM and support the rollout of new policies and regulations. Currently, the CSC is not adequately organized and staffed to perform its expected core functions. The project will support an assessment of the CSC's existing capacity and organizational structure and provide advice for revising its structure and realigning staffing with new mandates. This will include identifying critical positions that should be filled by the TMP. The focus will be on strengthening functional areas related to establishment control, personnel management, pay administration, and job analysis and grading.

19. The project will also support the CSC to develop and implement an action plan for rolling out new HRM systems and processes to the MDA. This will include guidance for strengthening HR functions in line ministries, including on organizational design and suggested staffing levels for HR departments depending on the MDA size, as well as a scheme of service for HR professionals. This will provide the basis for recruitment of a cadre of HR professionals, initially under the TMP and later as part of the implementation of a new pay and grading structure for managers and professionals.

20. **Disbursement-linked indicators.** The following disbursement-linked results have been selected under this subcomponent to incentivize the reforms.

- Number of improved HR procedures (including establishment control, recruitment, HR records management, termination, retirement) approved by the PSRSC and submitted to the cabinet (Targets: 2 procedures in year 2, 4 procedures in year 3, and 6 procedures in year 4).

Subcomponent 1.3: Public Sector Pension Reform

21. The absence of a functioning pension scheme has limited the government's capacity to retire staff and thus create the space for recruiting fresh talent into the civil service. This subcomponent will support the government to develop tailored solutions for retiring civil servants above retirement age, those already retired, and those several years from retirement. A transition arrangement will also need to be put in place for those civil servants likely to reach retirement in the next few years, as the policies and institutional arrangements for a pension system are being developed. This subcomponent will be led by the MoLSA, working closely with the CSC and the MoF.

22. **Severance and interim pension policy.** This subcomponent will support the design of a severance policy and program to address the immediate challenge of retiring civil servants who are past retirement age but are still in the civil service. This arrangement will be put in place to resolve the current backlog of older employees waiting to retire. There will also be a need to determine how to deal with (a) employees who have left the civil service and are retired, and (b) those who are likely to retire in the next five years (until a new pension system has been established). Options include a cash handshake and/or continuous monthly payments, or a combination of the above for the different target populations.

23. The project will support the CSC to analyze public service employee data collected through the civil service head count (see Subcomponent 1.1) to provide the SC with accurate cost estimates for interim retirement solutions. This will include analysis of former employees (retired or deceased), including whether salary payments continue to be made. The government's capacity to finance interim pension costs is likely to affect how expansive or narrow the SC will apply payments to employees who already vacated their posts and to employees whose posts will be vacated in the future.

24. **Identification and verification systems.** Pension systems rely on verification of pension recipients. The project will provide advice how to ensure reliable verification of all recipients of severance and interim pension payments. The project will leverage expertise and resources from the Bank's Identification for Development initiative to assess whether verification of pension payment recipients could be provided through the Somaliland identity card program, administered through the Ministry of Interior, and what measures for strengthening the identification system may be required. On the basis of the assessment, the project will support the CSC and the Ministry of Interior to develop a plan, including a communications strategy, to ensure each public service employee will be provided an identity card within a defined period. The HR database administered by the CSC will track civil service employee records using the employee's identification card number.

25. **Pension policy and pension law.** This activity will support the development of a long-term public service employee pension policy and the related legal basis once a pension policy

has been adopted. TA will be provided to identify the main parameters for a suitable pension system that is adapted to the context of Somaliland. This would include advising on the type of pension scheme (for example, defined benefit versus defined contribution), pension coverage, and pension payment calculations for old age, disability, and survivor pensions. The development of the pension policy will be led by the MoLSA in close consultation with the MoF and the CSC. Policy options will be discussed with the PSRSC and presented to the cabinet for endorsement.

26. Once a pension policy has been endorsed by the PSRSC, the project will provide legal advisory services to the MoLSA and the Law Reform Commission for the preparation of a public service pension law and regulation or procedures needed to establish the public service scheme. It will also fund workshops for consultations and validation of the proposed legal framework.

27. **Assessing capacity needs.** The implementation and administration of a severance program and interim pension arrangement as well as a future pension scheme will require adequate capacity and clearly defined institutional arrangements. While the development of a pension policy will be led by the MoLSA, it is likely that the administration of severance and/or interim pension payments will fall to the MoF. The project will provide advice to both ministries for revising their structure and realigning staffing with their respective functions in relation to the design and implementation of severance and pension arrangements. This will include identifying critical positions that should be filled by the TMP. The implementation of the proposed severance program will require additional international TA support beyond the resources available under this project. The project will therefore identify priority assistance needs that could be funded with additional / separate resources.

Component 2: Strengthening Core Capacity of Targeted Ministries (US\$3.6 million)

28. This component will improve core functionality in targeted ministries that play a critical role in the implementation of key donor-funded projects or initiatives supporting socioeconomic development.³⁵ The main implementing agencies for this component will be the targeted ministries for Subcomponent 2.1 and the CSI for Subcomponents 2.2 and 2.3. All activities will be carried out in close consultation with the CSC.

Subcomponent 2.1: Reorganization of key departments in Targeted MDAs

29. This subcomponent will finance organizational diagnosis and design in selected public institutions, and provide implementation support for essential improvements.³⁶ These will incorporate ministry-specific changes in structures and staffing, the introduction of common HR and policy management processes which have been designed centrally and other changes in management processes and incentives, as appropriate. A key objective is to support the establishment and/or strengthening of HR and the Policy and Planning Departments in the MDA and the rollout of related reforms in these areas.

³⁵ Ministries will be drawn from the following list: Ministry of Education, Ministry of Health, Ministry of Environment and Rural Development, Ministry of Energy and Minerals.

³⁶ The organizational diagnostic will adopt a light-touch, problem-driven approach focusing on the binding capacity constraints for improved service delivery and economic management.

30. **Organizational diagnostic and design.** The organization reviews will be conducted in stages. At the outset, appropriate change management arrangements will be established in individual ministries for the duration of the exercise. These will include the establishment of a reform management team and agreement on procedures for communications with senior management, stakeholder engagement, and data collection.

31. The first step will involve the diagnosis of problems using a simple organizational design tool and agreement with management on the priority problems to be addressed and key ministry functions to be strengthened. In the second step, critical organizational changes and improvements will be identified to address the problems. Organizational changes will focus on the overall high-level management structure and a limited number of critical MDA functions, including establishment and/or strengthening of HR and the Policy and Planning Departments.

32. Organizational reviews have already been completed in the Ministry of Health and the Ministry of Education and Higher Education with the support of the UNDP. The diagnostic will review progress in implementation to determine exactly what further support is required for implementing the revised structures.

33. It is expected that a result of this activity will be a revised organizational structure with clearly defined functional remits, job descriptions for senior management, and staffing requirements for critical ministry functions, notably for HR and the Policy and Planning Departments. An action plan will be developed to implement organizational changes, including a sequenced recruitment plan for the TMP and regular civil service positions. The aim will be to build capability in an incremental fashion, rather than to seek out ideal solutions.

34. **Implementation of organizational change and rollout of HR and policy reform.** Ministries will implement the action plans with the support of a central organization development team in the CSI. It is expected that the change process will focus on (a) reassignment and/or recruitment of existing and new qualified staff and (b) introducing enhanced HR and policy management processes. In addition, an effort will be made to identify some 'quick wins' on nonstructural reforms which, if successfully implemented, can help overcome resistance and generate an appetite for further changes.

35. Organizational change can be time-consuming and can easily create fatigue among participating managers and staff. The appointment and/or recruitment of staff to the positions created will, therefore, be broken down into incremental steps. Initially, managers will be appointed to senior management posts using agreed selection processes. These managers will then be responsible for building their departments and units by identifying and selecting the staff needed, in consultation with the CSC. The TMP will be used to fill critical positions in the MDA. In addition, support will be provided to assess staff competencies and to develop a capacity development plan for the MDA staff. This will provide the basis for the provision of training and coaching under Subcomponent 2.3.

36. The MDA will also implement revised HR and policy management procedures and systems developed centrally under Components 1 and 3. This will proceed in a gradual fashion commensurate with the MDA's capacity.

37. **Strengthen central and MDA organization development capacity.** The organizational review and change process will be carried out jointly by a central organization design team in the CSI and reform teams in each of the participating institutions. An international consulting firm will develop the methodology to be used in consultation with government stakeholders, and it will train, coach, and support the local teams. This approach is intended to build a competent in-house organization development team, which can be deployed subsequently to support the reorganization of other ministries not assisted directly by the project.

38. The organization design model should be light-touch and based on the Somaliland context, learning from lessons from previous functional reviews carried out with support of the UNDP. It will follow a problem-driven approach to highlight the main sources of organizational ineffectiveness in government institutions. In addition, budget guidelines will be developed with the MoF to make sure that any changes proposed, especially those related to structures and staffing, are realistic and sustainable.

39. **Disbursement-linked indicators.** The following DLI results and targets have been designed to incentivize the achievement of organizational reforms under Subcomponent 2.1.

- Newly established or reorganized HR units in targeted MDA adequately staffed (Targets: 2 MDAs in year 2, 4 MDAs in year 3, and 6 MDAs in year 4)

Subcomponent 2.2 Civil Service Talent Management Program

40. The TMP will provide targeted MDA with a cadre of managerial and professional staff to strengthen core functional capacities. Expected outcomes from the TMP are first, improved leadership and management in the civil service; second, the formulation of key government strategies, policies, and regulations; third, improved HRM and organization design capabilities; and fourth, the development of basic functionalities in the areas of M&E and project oversight.

41. An important feature of the program is that it will be linked to ministry reform efforts: access to the TMP will depend upon the achievement of key reform benchmarks in the reorganization process. These access criteria are identical with the DLI indicators for the disbursement of the results-based financing portion.

42. **TMP design.** The TMP will adopt a prioritized approach that targets a limited number of critical government institutions and focuses staffing support on specific functions. The institutions that have been identified as beneficiaries are the MoF, office of the president, Ministry of Planning and National Development, MoLSA, CSC, and Ministries of Health, Education, Environment, and Energy. Once the TMP has demonstrated its benefits, the GoSL may extend its application to other ministries and agencies.

43. **Priority staffing areas.** The TMP will focus on critical staffing priorities of the government as well as those functions (for example, HRM) where a common approach across ministries is necessary to strengthen core government functionality. Positions will need to be approved and budgeted and either derived from an approved organization chart or justified by reference to an agreed strategic plan.

44. The following functional areas and/or departments will be targeted:

- **Mid- and senior-level management.** This will provide the MDA with mid- or senior- level managers for priority managerial positions from section head to department head level. It is anticipated that these positions will be identified as a result of the reorganization process and include newly established management positions.
- **Policy and planning departments.** This will provide the MDA with professional staff in the areas of policy, M&E and project oversight, and information management. A specific focus will be on a cadre of civil servants who can perform policy and regulatory functions (for example, legislative drafting, policy analysis, and formulation), possibly as part of future policy units. A second priority will be staff capable of supporting M&E in their sector as well as staff with responsibility for overseeing project implementation, notably donor-funded projects, and managing contracts with nonstate actors.
- **HR departments.** This will provide the MDA with a cadre of HR professionals who will play a central role in implementing new policies and procedures in the areas of payroll preparation, HR data management, personnel management, job analysis, and change management.

45. The TMP will distinguish an entry-level program for skilled young professionals from within the civil service and a mid/senior-level program open to internal and external recruitment. The entry-level program will aim to attract and select talent from within the civil service, for example, high potential graduates already employed as civil servants. This group will undergo a structured training and development program in one of the core TMP areas/streams, for example, HRM, M&E, or policy management.

46. Remuneration of the TMP recruits will be based on a common pay structure which is linked to the market. The TMP recruits will receive a regular civil service salary based on their grade under the exiting government pay scale as well as an allowance based on the level of the position. Pay scales will be set at affordable levels, so that it will be feasible for the government to pay allowances in future years, when a new civil service wide pay structure for managers and professionals is introduced.

47. Salary payments will be made through the government payroll process with processing of the TMP allowance through the CSC. The CSC will ensure that salary payments will only be made if the TMPs are attending work and performing to the required standard.

48. The project will support the development of a detailed TMP operational manual to describe the objectives and detailed processes and procedures involved in the implementation of the TMP. The manual will cover the following topics: (a) identification of positions; (b) recruitment and selection process; (c) remuneration, terms of employment, and form of contract; (d) induction; (e) performance management; (f) salary payment/payroll; and (g) training and development. The manual will also describe the roles and responsibilities performed by the CSC, the CSI, and the line ministries.

49. **Sequencing of TMP recruitment.** Given the challenges in attracting, recruiting, and placing qualified applicants in significant numbers, the TMP will need to adopt a gradual approach. A first priority will be to strengthen the CSC as the agency with the responsibility for managing the TMP. Recruitment will then proceed in batches on the basis of prioritized positions and annual targets. As mentioned above, recruitment of the TMP staff will be scaled up in those institutions where internal reform is progressing and where the reform is supported by an appropriate senior management establishment.

50. **TMP management capacity.** The CSC will need to strengthen its own capacity to administer and coordinate the processes associated with the program. The approach will be to assign dedicated staff from the CSC's line departments to support the program as required. This is likely to require the recruitment and training of additional staff. To ensure strategic alignment between the TMP and the overall project objectives, the TMP will be implemented under the guidance of the PSRSC and technical committee.

51. The project will support the CSC through the procurement of an HR firm that will support the CSC to carry out its recruitment and placement function, including advertisement, selection, and contracting. It will also build the capacity of the TMP team to support outreach to the MDA and identification of staffing needs.

52. **Disbursement-linked indicators.** The following DLI results and targets have been designed to incentivize the achievement of organizational reforms under Subcomponent 2.2.

- TMP Manual approved by the PSRSC (Target: yes in year 1)

Subcomponent 2.3: Management and Common Services Training

53. A key objective of this subcomponent is to implement and roll out the GoSL policy and reform initiatives designed under Components 1 (HRM) and 3 (policy management and monitoring) through the design and delivery of practical in-service training. An important additional training objective is to promote ethical values and (re)shape attitudes for managers and new civil service entrants, including from the TMP. Trainings will be delivered to senior/mid-level management and common services staff focusing on the MDA targeted by the project.

54. **Civil service training partnership.** The project will support the CSI to establish a partnership with a regional and/or international public service training institution or provider. The scope of the partnership will include designing curricula and training modules, establishing certification and evaluation mechanisms, and delivering a training-of-trainer program for the various trainings. In the initial years of the project, Somali trainers will participate, observe, and help design improvements before gradually co-delivering training alongside the partner organization.

55. Three forms of 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 civil service, and basic rules and procedures of the government, and its development framework and priorities. Induction training will also equip new civil servants with a good understanding of the principles and values of public service.

- **Leadership and management training.** This will target mid- and senior-level managers as well as senior professionals with proven management potential. It will aim to improve managerial effectiveness and strengthen leadership in the public sector. Particular focus will be on promoting values and ethics of public service.
- **Specialized technical training.** 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 HRM, policy management and M&E, and possibly ICT. The purpose of the latter will be to facilitate the use of ICT and the introduction of information management systems (for example, HRMIS and FMIS) in the public sector. Training courses will not be off-the shelf products but built around the government's evolving policies, rules, and regulations.

56. **Building CSI capacity.** To ensure sustainability of civil service training and development efforts, it will be necessary to strengthen the institutional capacity of the CSI. In addition to adequate permanent staff, the CSI will need to identify, select, and form a pool of trainers and lecturers in the core areas of training mentioned in paragraph 45 so that it has access to a network of professionals. The project will provide advice on the CSI's organizational structure, staffing, and management arrangements for training delivery. This will include advice on strengthening the faculty used by the institute and enhancing the cooperation with local universities and training institutions. The project will also support the CSI to learn from other country experiences through a study tour or exposure visits (for example on the 'caravan approach' adopted by the Uganda Civil Service College for delivering training for decentralized staff). Finally, advice will be provided to facilitate and establish a network of partnerships with other institutes and/or international bodies to enable the CSI to keep up-to-date with recent developments and trends in public sector management.

Component 3: Strengthening Policy Management Capabilities at the Center of Government (US\$0.75 million)

57. This component seeks to build basic systems, processes, and capacities for policy management at the center of the Somaliland government. Importantly, it will provide the framework for improving related core functions and capacities in line ministries targeted under Component 2. The component will support the MoP to improve capabilities to plan and monitor policy development and coordinate key policies across the government. This component will be implemented in years 3–5 of the project.

Subcomponent 3.1: Policy Planning and Development

58. This subcomponent will support the MoP to set and enforce policy standards and to improve its capabilities to plan and coordinate future policy development.

59. **Central policy coordination capacity.** This activity will support the MoP to set and enforce policy standards. This will include developing basic standards for policy development, including for policy submissions to the council of ministers and its subcommittees. A new policy coordination and oversight function within the office will be established to review the quality of policy proposals submitted for cabinet and/or committee consideration. Support will also be provided to strengthen capacity of the MoP to monitor implementation of the cabinet decisions and to track progress in the implementation of major policy decisions and flagship service delivery initiatives of the government. Support will build on the assistance provided by the DfID.

60. **Strengthening MDA capacity.** This activity will provide support to develop an action plan for rolling out new policy management processes to the MDA. This will include guidance for strengthening the Policy and Planning Departments in line ministries, including on organizational design and staffing levels. Among others, this will aim to ensure each line Ministry establishes a ‘focal point’ to act as counterpart for policy-related requirements, including issues relating to the cabinet and committee business. The activity will also support the development of a scheme of service for policy and M&E professionals. This will provide the basis for recruitment of professionals, initially under the TMP and later as part of the implementation of a new pay and grading structure for managers and professionals. This work will be closely coordinated with related activities on HRM under Component 1 and rolled out through the capacity-building approach in Component 2.

Component 4: Project Management and Support in Delivery (US\$ 1.75 million)

61. This component will support the management, coordination, and M&E of project activities. It will also pilot innovative approaches on rapid results to support implementation and delivery of project activities under Components 1–3.

Subcomponent 4.1: Project Management and Implementation Support

62. **Project coordination.** A PSR Secretariat has been created by the GoSL to coordinate CSR activities under the overall supervision of the PSRSC. The project will establish a PCU to manage the project activities and provide institutional support to the CSC to coordinate work plans among different stakeholders. This activity will finance a project manager as well as local and short-term international project management professionals in the areas of FM, procurement, M&E, and communications. It will also support the procurement of basic equipment and limited operational expenses.

63. **Communication of project achievements and citizen engagement.** An important function of the PSR Secretariat and the PCU will be to communicate and disseminate information about public administration reforms in general, and the activities supported by the project in particular. A robust communication strategy will be developed under the project to engage and inform the various stakeholders about the purpose of reforms and to communicate achievement of key reform milestones. Specific measures will be taken to target the citizens of Somaliland to engage them in the reform process.

64. **M&E.** This component will finance the services of an M&E consultant to support and validate data collection for key performance indicators in the Results Framework and conduct regular qualitative assessments of capacity-building progress at the ministry level. Due to the qualitative nature of the results anticipated under the project, regular M&E of project activities is considered vital for successful implementation. The consultant will also support the CSR teams and other relevant staff from the line ministries to conduct baseline and subsequent assessments to monitor progress.

65. The subcomponent will finance the following activities: (a) facilitate high-level review or retreat sessions at the cabinet and/or SC level to build trust and consensus on priority reforms supported by the project and (b) build capacity of the CSR Reform Secretariat (PCU), the CSI organizational reform team, and selected ministry-based reform teams to implement result-focused strategic planning and delivery approaches such as rapid results to advance organizational change and project implementation.

66. **High-level retreat sessions.** This component will finance the organization of high-level retreats or workshops at the cabinet and/or SC level to establish a shared vision for CSR and garner support for the reform initiatives supported by this project. The key target group will be members of the PSRSC and senior officials involved in the implementation of project activities.

67. An important objective of these retreats will be to enhance collaborative leadership skills and strengthen the cohesiveness and effectiveness of ministry-leadership teams in the context of this project. This will help provide an authorizing environment for ministry-based reforms teams as well as system-level reforms (for example, on HRM) that require ownership and support by multiple ministries. Retreats will be held at the beginning, midterm, and end of the project to review progress, learn from implementation of the reforms, and foster cross-sectoral collaboration within the government.

68. **Supporting reform teams in results-focused planning and delivery.** This component will build the capacity of relevant stakeholders involved in project implementation to apply result-focused strategic planning and delivery approaches for selected reform initiatives designed in Components 1 and 3. It will target staff of the PCU and the CSC/CSI as well as the ministry reform teams to help them drive change and achieve concrete results on time. The activity will pilot RRIs and tailor the approach to the context of Somaliland and this project.

Box 2.1. What are Rapid Results Initiatives?

Rapid Results Initiatives (RRIs) provide a structured process, which mobilizes reform teams to achieve specific results in 100 days. RRIs are organized into four phases: (a) orientation and team formation; (b) RRIs planning, (c) mid-cycle review, and (d) end-cycle review and scale-up.

The purpose of the first phase is to prepare stakeholders for implementation. This is a set of face-to-face engagement activities spread over two to three days that will (a) orient stakeholder groups in the content, process, tools, and methods to be used, (b) clarify the scope and scale of the intervention, and, (c) define the composition of steering and implementing teams and their roles in tracking progress and providing feedback to implementing teams. In the second phase, a three-day workshop will help clients: (a) narrow down the challenge and identify priority problems that need to be addressed; (b) confirm steering and implementing teams; and (c) develop implementation such as RRI work plans. In the third phase, implementation teams will reconnect, review progress, and document lessons learned through facilitated exercises during a three-day workshop. The fourth phase is to conduct an end-point assessment to review achievements, identify gaps, and decide future intervention and capacity enhancement needs.

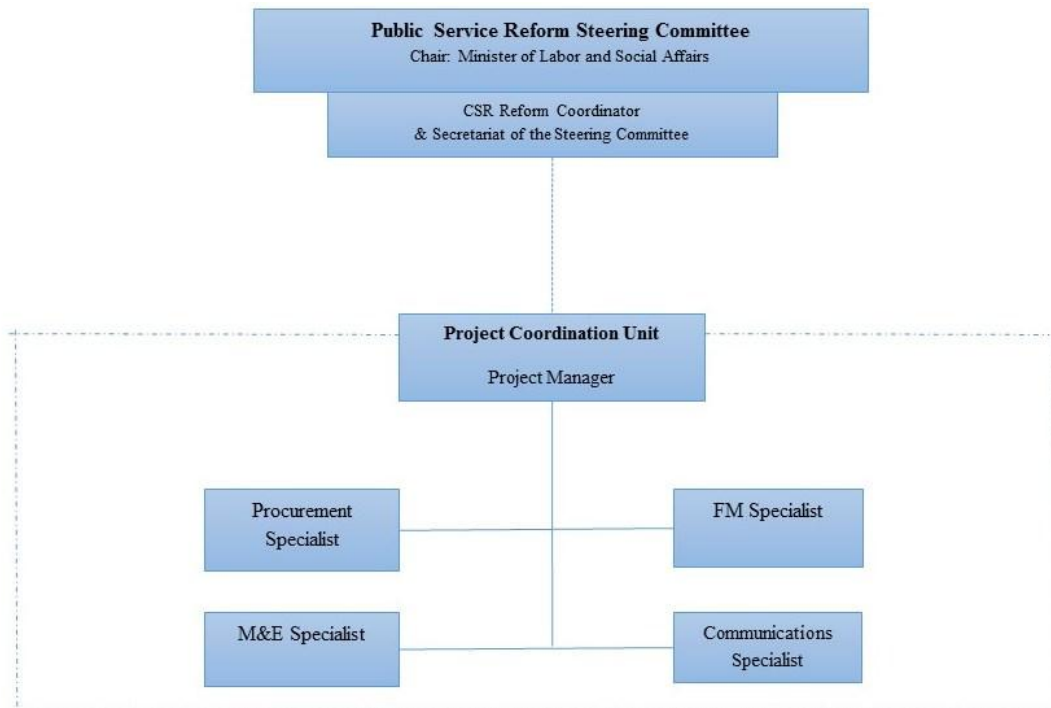
Annex 3: Implementation Arrangements

Somaliland Civil Service Strengthening Project

Implementation and Institutional Arrangements

1. To ensure ownership and sustainability of reforms, the project will utilize the GoSL's existing governance and management arrangements. Overall project implementation will be led by the CSC and CSI. The key central implementing agencies for the project are the CSC, MoLSA, MoNPD, MoF, and MoP. The project will also support organizational reform and capacity strengthening in up to four line ministries that are deemed important with regard to service delivery and economic management. These ministries are the Ministry of Education, the Ministry of Health, the Ministry of Environment and Rural Development, and the Ministry of Energy and Mineral Resources. The implementation arrangements and management structure of the project will involve the following as shown in figure 3.1.

Figure 3.1. Institutional Arrangements for Project Implementation



2. **PSRSC.** This committee is responsible for providing strategic oversight and guidance for the implementation of the government's PSR strategy. In relation to the Bank project, the SC will provide strategic guidance, oversee implementation, and monitor overall performance. It will also approve key outputs, review work plans and budgets, and take decisions on critical implementation issues. The SC will receive regular progress reports from the PCU. The PSRSC is chaired by the MoLSA. Its membership includes the ministers of Planning, Finance, Justice, Interior, and Defense and the chair of the CSC. The PSRSC also includes the Good Governance and Anticorruption Commission as an ex officio member. The ministers of Education, Health, Energy, and Environment will be ex officio members and can be invited as required.

3. **PCU.** A dedicated PCU will be established and colocated with the government's PSR Secretariat. The secretariat currently draws on existing CSC/CSI staff or experts each leading on the pillars of the Government Public Sector Reform Program. The PSR Secretariat provides secretarial support to the PSRSC. The embedded PCU will be responsible for project management and coordination and will report progress to the SC through effective data collection and analysis, and tracking and evaluation of results indicators. It will also play a key communications role for the project and related reforms.

4. The PCU will be headed by a project manager and include a small team of experts: (a) FMS; (b) procurement specialist; (c) M&E specialist; and (d) communications specialist. The project manager will coordinate the implementation of respective project components and day-to-day administration of the project. All positions in the PCU will be recruited externally based on agreed ToR. The project will also recruit short-term international experts to support FM and procurement functions.

5. **The key responsibilities of the PCU shall include:**

- (a) Coordinate, engage, and share information with all beneficiary ministries;
- (b) Oversee and drive the implementation of technical inputs under the project;
- (c) Prepare and consolidate all necessary documents required by the GoSL and the Bank for project reporting;
- (d) Maintain fiduciary records and generate all financial information required by the GoSL and the Bank;
- (e) Manage the entire project procurement life cycle for all contract packages;
- (f) Ensure compliance with the agreed FM arrangements, procurement regulations, and other administrative requirements;
- (g) Prepare and disseminate project results and achievements across all stakeholders through regular communication materials; and
- (h) Conduct high-level discussion forums and workshops on the CSR agenda;
- (i) Regularly report to the PSRSC and the Bank on project implementation progress and ensure M&E of all project activities as discussed in the project appraisal document (PAD) and PIM.

6. **Ministry reform teams.** Each beneficiary ministry to be supported under the project will establish a ministry reform team that will be led by the director general and consist of the director for Administration and Finance, the director for Planning and Coordination, and the most senior HR staff. The ministry reform team will lead the implementation of new ministerial organizational structures and the change process. The reform teams will also support the implementation of new systems, policies, and guidelines on HRM, policy development, and M&E. These teams will be supported by HR and/or organizational development experts recruited

through the TMP. The project will provide international experts to support the work of the reform teams. The reform teams will report to the respective ministers regularly and liaise closely with the CSC and PCU.

Implementation Arrangements for the TMP

7. The TMP will be implemented under the overall guidance of the PSRSC and under the direct guidance of a Technical Committee. The CSC in close collaboration with the CSI will be responsible for day-to-day management of the TMP. The TMP recruitment will be overseen by the civil service commissioners.

8. **SC.** The SC will ensure that the TMP is responsive to the needs of the government and is aligned with the broader objectives of the project, in accordance with the PSR strategy. It will also approve key documents and work plans prepared by the CSC Implementation Committee.

9. **TMP Technical Committee.** The Technical Committee will direct and guide the implementation of the TMP. It will approve work plans, ensure the supervision of accomplished results, monitor the TMP's coherence with other activities of other partners, and resolve any major challenge which might impede obtaining the expected results. This will include:

- Review prioritization and sequencing plans for the TMP;
- Review proposed staffing plans for beneficiary institutions;
- Review ministry reform progress as precondition for TMP support; and
- Propose necessary adjustments to the TMP for approval by the SC.

10. **CSC.** The CSC will be responsible for the day-to-day management of the TMP and coordinate with the beneficiary institutions. It will have the following specific responsibilities:

- Develop the TMP implementation manual, including procedures for recruitment, remuneration, and performance monitoring;
- Reach out and liaise with the MDA to develop staffing requests;
- Manage and coordinate recruitment, placement, and contracting of the TMP recruits;
- Develop and manage a performance monitoring system for the TMP recruits;
- Manage payroll preparation and salary payment process for the TMP recruits (this function may be shifted to the regular payroll process under the MoF); and
- Liaise with the CSI to coordinate training and capacity-development activities for the TMP recruits.

11. The project will support the CSC to create a small team for recruitment, personnel management, and payroll management of TMP recruits. It is envisaged that the first cohort of

recruitments under the TMP will be posted within the CSC to facilitate the roll out of the TMP across the beneficiary agencies. The recruitment of all TMP staff will be overseen by the civil service commissioners in line with existing regulations.

Financial Management, Disbursements, and Procurement

Financial Management

12. **Introduction and summary of assessment.** The FM risk is assessed as High. Substantial FM capacity challenges exist and are likely to affect the project. This includes the lack of key FM competencies and internal controls, overreliance on external assistance, a rudimentary unregulated banking sector with potential risks of money laundering and terrorism financing, and the lack of a regulatory framework for key PFM aspects. Various risk-mitigating measures are designed, both specific to the project and as part of the Bankwide country portfolio. Given the need to integrate the project activities into the use of country systems, the project's FM activities will be mainstreamed into the country FM systems. This will include key aspects of staffing, planning and budgeting, banking and funds flow arrangements, accounting, internal controls, reporting, and internal and external audits. The project will also focus on developing FM capacity within the implementing MDA.

13. **Project FM system.** The overall FM activities of the project will be managed by the EAFS within the Office of the Accountant General (OoAG) in the MoF in close consultation with the Directorate of Finance of the Somaliland CSC, CSI, and the PCU. A Project Financial Management Specialist (FMS) will be externally recruited under the project to provide FM support to the PCU and build the capacity of the CSC, CSI, and the implementing MDA. In line with this arrangement, the CSC will be required to identify and/or recruit a dedicated accountant to work under the guidance of the FMS in overseeing the FM activities of the project at the PCU and the implementing MDAs. The Terms of Reference for the FMS will have clear provisions on capacity building and knowledge transfer to the Government Accountants working on the project

14. The EAFS Unit will be established with the support of the PFM Project and will consist of a team of professionals with relevant and adequate qualification and experience in FM acceptable to the Bank. The project will closely link and liaise with other Bank/development partner-led initiatives aimed at strengthening the banking arrangements. These include the rapid development of a banking and payments contingency plans for MPF projects such as establishment of the safe financial corridors and Bank financial sector work.

15. **Overall fiduciary issues.** The 2006–2007 Joint Needs Assessment of PFM systems in Somaliland, Puntland, and South Central Somalia indicated that 'systems that manage public resources are weak'. The Somaliland PFM Reform Strategy 2013–2017 cites key weaknesses in the PFM systems, in particular, (a) gaps in the proposed PFM bills on FM, procurement, audit, revenue, and customs; (b) budget classification system does not support further expansion and is not aligned to international best practices; (c) limited capacity in microanalysis; (d) weak MDA capacity to carry out budget planning, allocate resources, and link budgets to procurement with high budget allocation on recurrent expenditures (e) manual revenue and accounting systems with accounting records maintained exclusively in physical manual registers in the OoAG (f) incomplete/inaccurate financial information with inordinate delays in updating information,

particularly between the Central Bank and the MoF; (g) inadequate resourcing/training of staff within the OoAG and the lack of a professional certification body; (h) inadequate resourcing for the Office of the Auditor General; (i) weak parliamentary oversight; and (j) manual banking systems at the Central Bank. Additionally, the banking arrangements for the Somaliland projects have to be domiciled outside of the Somaliland as none of the local financial institutions are assessed acceptable by the World Bank Disbursement Department. This presents major financial control challenges and costs in the movement of funds and payments of vendors into Somaliland. However, further 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 Bank and development partners, and is in line with the Bank’s overall approach to strengthening its PFM work.

16. **Budgeting.** The Civil Service Commission (CSC) budget including the Civil Service Institute (CSI) annual budget provisions are prepared and consolidated under the CSC and submitted to the MoF for government-wide consolidation and onward submission to the parliament. Although the CSC and by extension the government does not have adequate time and expertise to carry out budget policy analysis to inform government budgeting, the CSC’s annual budgeting process is developed in an orderly process and is in line with the budget policy guidance note from the MoF. The parliamentary finance committee is regularly involved in consultations with the CSC (and other MDAs) through the MoF during the budget approval process. The approved budget is delineated and disbursements from the MoF are requested and received on a quarterly basis. However, the revenue generated by the CSI through training programs to external students is not included in the annual appropriated budget. Going forward, the CSC’s internally generated revenue should be declared and integrated into the CSC’s annual appropriated budget to foster comprehensiveness and transparency of the budget projections.

17. To operationalize the Eligible Expenditure Program (EEP) of the project, notably the payment of TMP allowances, the CSC in consultation with the MoF will need to ensure the creation of appropriate budget codes to ring-fence financing earmarked for the TMP allowances under the EEP and the ensuing disbursement related to the disbursement-linked results. These specific budget codes (for the EEP) and the related budgetary allocations shall be formally agreed and communicated to the Bank. The government will also need to ensure that adequate resources are allocated to these budget codes to pre-finance disbursement-linked activities. Additionally, commitment for the government to make available adequate financial resources in a timely and predictable manner to finance the TMP will be a critical success factor for the project.

18. The EAFS Unit working closely with the project Financial Management Specialist (FMS) and accounting staff in the PCU will prepare and submit the project’s annual work plans and budget and cash flow forecast for each project component for the necessary approvals by the task team leader (TTL) at the Bank. The work plans, cash flow projections, and budget should include the figures for the year analyzed by months and quarters. The cash budget for each month and quarter will reflect the detailed specifications for project activities, schedules (including Procurement Plan), and expenditure on project activities scheduled respectively for the quarter.

All annual cash budgets will be sent to the TTL at least two months before the beginning of the Government fiscal year for review and approval. The project estimated annual disbursements for each component will be integrated and aligned to the CSC budget calendar ('on-budget') and will form part of the appropriated budget by the parliament. Budget utilization reports shall be prepared from the government FM system as part of the internal government periodic reports as well as quarterly reports and submitted to the Bank. The reports shall provide an overview on all the project resources disbursed to the government through the designated account (DA) as advances to finance the eligible project activities as well as disbursements for the achieved DLIs to the Government Treasury Single Account (TSA).

19. **Accounting.** The CSI expenditures and accounting processes are integrated with the CSC activities. The financial transactions at the CSI and CSC are captured using manual vote books. No specific accounting standards exist, invariably, the CSI and CSC transactions are maintained on a single entry basis. The transactions are not captured and classified using any form of standardized Chart of Accounts. Funds are released from the MoF through quarterly warrants that are reviewed and approved by the Office of the Auditor General, Directorate of Budget, and MoF. The CSC files expenditures accountability statements which include quarterly cash requisitions (warrants). Original supporting documentation are attached to the accountability statements with copies maintained at the CSC/CSI. Expenditures for goods and services are supported by purchase orders/contracts, documentary evidence on the procurement process followed, and goods received notes. Checks are issued directly in the names of the vendors for onward encashment at the Central Bank of Somaliland. Vendors are required to ensure that checks bear their official stamp (at the back) for them to be able to cash the checks at the Central Bank. The CSC often sights delays in the release of warrants as well as liquidity challenges leading to inadequate warrants financing.

20. The CSC and CSI payrolls are maintained on excel sheets with cash-based salary payments done within the CSC offices. Salaries for senior CSC officials paid directly as deposits into their bank accounts. Employees sign hard copies of the payroll lists which are subsequently used as supporting accounting documents. Leveraging on the interventions from other Bank-supported PFM and Somalia Core Economic Institutions and Opportunities Program (SCORE) as well the safe corridor initiatives, the CSC and by extension the government will need to explore possibilities of direct staff/vendor payments to mitigate the fiduciary risks inherent with the cash payments, or over-the-counter cheques encashment.

21. The funds earmarked for eligible expenditure financing to support the government in the achievement of the DLIs shall be expended from the single treasury account. Progressively, the CSC will maintain all the supporting documentation relating to the EEP (primarily the TMP salary payments). All the expenditures shall be recognized, recorded, analyzed, and summarized in line with agreed EEP budget codes.

22. The project finances will be captured, recorded, analyzed, summarized, and reported using the cash basis of accounting. These will be supported with appropriate records and documentation to track commitments and safeguard assets. The project budgets and expenditures will be classified to facilitate the preparation of relevant reports and financial statements, including information on total project expenditures; total expenditure on each project component/activity, and analysis of that total expenditure into various categories of goods,

training, consultants, and other procurement and disbursement categories. The project's FM arrangements will be spelled out in the EAFS manual and will include all the relevant accounting procedures. The project's financial transactions that are reported will cover all project funds from the Bank and any other contributions under the project. These will be supported with appropriate records and documentation to track commitments and safeguard assets. Accounting records will be maintained in U.S. dollars. The EAFS unit, project FMS, and directors of finance at the CSC and CSI will ensure the following:

- (a) All important project business and financial processes are adhered to;
- (b) Adequate internal controls and procedures are in place;
- (c) Unaudited Interim Financial Reports (IFRs) are prepared on time;
- (d) The financial statements are prepared on time and in accordance with International Public Sector Accounting Standards (IPSAS) cash basis; and
- (e) The external audit is completed on time and audit findings and recommendations/issues raised in the management letter are implemented expeditiously.

23. The standard Chart of Accounts (SCoA) mapped into the bespoke Somaliland Financial management Information System (SL-FMIS) - as shall be rolled out under the PFM project. The SCoA and SL-FMIS will facilitate the preparation of relevant reports and financial statements, including information on total project expenditures; total expenditure on each project component/activity, and analysis of that total expenditure into various categories of goods, training, consultants, and other procurement and disbursement categories. All project FM records will be maintained through the government's systems. Microsoft-Excel-based reporting systems may be adopted, as may be deemed necessary to supplement/complement the financial reports from the SL-FMIS. The EAFS manual and specific PIM will describe all the project FM arrangements and requirements. Eligibility of expenditures will be based on the actual amount expended evidenced by appropriate supporting documents.

24. **Internal control and internal auditing.** The CSC established an internal audit function in 2014 and currently consists of two staff, an internal auditor, and an audit assistant. The auditors do not carry out risk-based systems audit but rather focus on transaction-based audits. The internal auditor reports directly to the CSC chairman, who escalates any potential issues to the CSC Board. The auditors do not prepare a formal reports. The project EAFS manual and PIM will incorporate relevant internal control procedures and acceptable control procedures for approval and payment processes. These procedures will require the CSC/CSI as the implementing MDA to certify the completion and acceptance of goods or services before requesting for payment. The project FMS, accountants, and directors of finance at the CSC and CSI will ensure that the contracts are consistent with the invoices and payment request before processing them. They will also monitor and report the utilization of project funds, including the fiduciary standards complied with and the reliability of the FM system.

25. The Fixed Assets Register relating to the project will be prepared by the project and updated regularly and physical verification/count of assets will be carried out periodically. The Fixed Assets Register will reflect details of suppliers, description and location of goods, original

cost, disposal of assets, asset reference (identification) number; serial or registration number; date of purchase and price (cost) and/or valuation, additions to the asset; condition of asset, useful life, and residual value; and disposal. A Contracts Register will also be maintained with regard to all contracts with consultants, contractors, and suppliers. The finance teams at the PCU/CSC/CSI in close consultation with the EAFS Units will prepare quarterly Contract Status Reports as part of the IFRs. Control procedures over fixed assets and contracts management will be the responsibility of the implementing ministries. Detailed internal control systems including records retention policies and procedures shall be outlined in the PIM.

26. An internal audit function within the CSC/CSI will be integrated into the project activities and evidence of their internal audit will be maintained in file for review during the periodic implementation support missions. As part of the CSC's organizational development process, the internal audit function within the CSC should be reorganized and strengthened to (a) focus on undertaking risk-based systems audit as opposed to transaction audit; (b) establish an audit committee to address and lead in the implementation of the internal and external audit recommendation; (c) develop an internal audit strategy and guidelines in line with the best international practices; and (d) facilitate training for internal audit staff on specific courses on internal audit and systems audit. All the project activities including those qualifying for the EEP shall also be subject to internal audit. In addition, the EEP as well as the DLI results shall be reviewed and cleared by an independent verifier as shall be discussed and agreed between the Bank and the Government. The DLI verification mechanism including protocol for verification, supporting documentation, reporting arrangements and timing shall be documented in the Project Implementation Manual (PIM).

27. **Financial reporting.** The CSC prepares quarterly financial statements for the MoF and the CSC Board. Although the CSC has been receiving support from the UNDP, FM staff do not have experience in donor reporting and in particular Bank reporting requirements. The PCU (project FMS and accountant) in consultation with the EAFS unit will prepare quarterly IFRs. The IFR covering all project funds for the purpose of monitoring the implementation of the project is submitted to the Bank within 45 days of the end of each fiscal quarter. This report must cover all funds received for the project as a whole as well as other donors or government funds received under the project, if any. The report shall include but not be limited to statements showing period and cumulative inflows by sources and outflows by main expenditure classifications; beginning and ending cash balances of the project; and supporting schedules comparing actual and planned expenditures. Expenditures will be classified by component and by category as shall be agreed upon between the government and the Bank.

28. The EAFS Unit in consultation with finance staff at the PCU as well as the directors of Finance at the CSC and CSI will be responsible for providing overall consolidated financial reports as defined in the relevant covenants. The accounting system to be established will ensure that financial reports are designed to provide relevant and timely information to the project management, implementing agencies, and various stakeholders monitoring the project's performance.

29. At all levels of implementation, adequate filing and archival system of all accounting and relevant supporting documents shall be maintained for review by the Bank's FM team during implementation supervision missions and also for audit purposes. All the original documents

shall be maintained at the EAFS offices with copies at the PCU. The EAFS will also prepare annual financial statements (AFSs) for the entire project and the AFSs signed by the accountant general are submitted to the auditor for auditing. The format and content of the statements will be documented in the audit ToRs as shall be agreed between the government and the Bank. The AFS will be prepared in accordance with cash basis IPSAS. The AFSs shall include adequate notes and disclosures consistent with the cash basis of financial reporting under the IPSAS.

30. Financial reports shall be designed to cover all the project activities including the EEP and disbursements for the achieved Disbursement Linked Results (DLR). The eligible expenditure investment financing activities shall be reported using the agreed IFR formats. The EEP shall be reported through budget comparison reports which shall contain, among others, the approved budget codes, budget code description, appropriated budget costs, actual amount expended against the approved budget, variance, and a commentary on the budget execution against each activity code, as well as progress reports on the overall DLI performance. The EEP budget execution performance reports, supporting documentation, and DLI verification reports shall be reviewed and submitted to the independent verifier for review and certification. The independent verification certification report shall explicitly provide advice on the specific DLI amount to be disbursed.

31. **External auditing.** The CSC FM system is subject to an annual external audit by the Office of the Auditor General. In addition, the auditor general undertakes surprise audits and structured walkthroughs on the financial transaction processes. The auditor general specifically focuses on audit of revenues as expenditures are audited as part of the quarterly warrants processing. Development partner projects are audited by private independent audit firms engaged directly by the development partners. The auditor general is appointed by the president and endorsed by the parliament. He reports on a quarterly basis to the president, but tables his reports regularly to the parliament. The auditor general has no restriction to information access and has prosecutorial powers against officers violating the provisions of the warrants. The Office of the Auditor General currently has over 90 staff; however, the office lacks adequate technical expertise to carry out external audits in line with the provisions of the International Standards on Auditing (ISA).

32. The project will support the appointment of an external audit TA to work with the staff of the OoAG to carry out the external audit for the project. The audit shall be carried out in line with the provisions of the ISA. The audited project's annual financial statements, management letters, together with any additional information required will be submitted to the Bank not later than six months after the end of the financial year. The audits shall be in conformity with the Bank's audit requirements and in accordance with internationally recognized auditing standards. The respective Offices of the Auditor General will express an opinion on the financial statements in compliance with International Standards for Supreme Audit Institutions; and also prepare management letters giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls, and compliance with financial covenants in the Grant Agreement(s). The project will ensure adequate resources are earmarked and made available to support the project's external audit activities in line with the advice from the Bank FM team. The ToR for the external audit shall be extended to include all project activities under the eligible expenditure investment financing as well as reimbursements for the activities qualifying for the DLI financing.

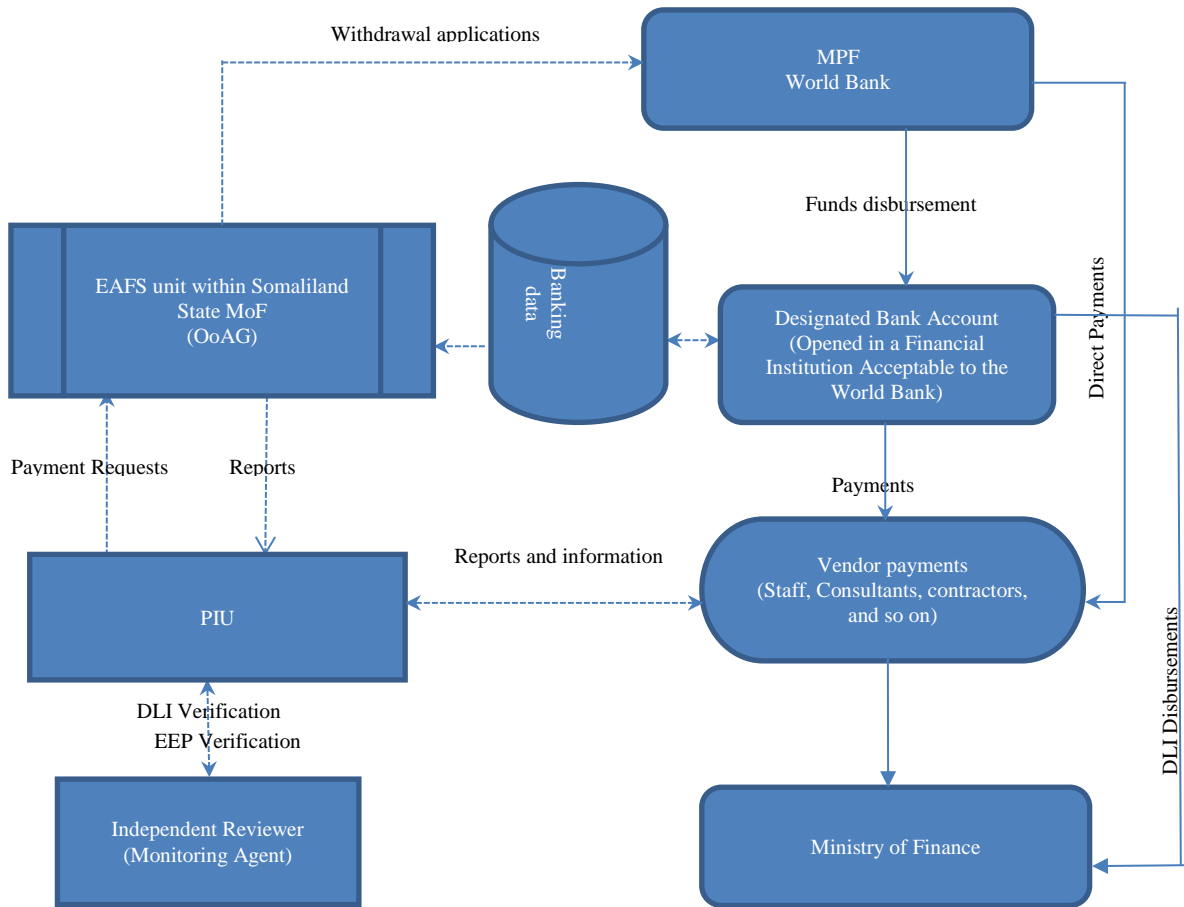
33. **Flow of funds and banking arrangements.** The CSC and CSI maintain Bank accounts in the CBS. To date, financial support received from development partners (for example, UNDP) is maintained in the ‘commercial banks’ with exclusive management of the donor(s). The authority to open and manage bank accounts is a reserve of the accountant general. Reconciliation of vote book balances with real-time bank balances is usually a challenge as bank statements are only available from the CBS on request.

34. One DA will be opened in a Bank on terms and conditions outlined in the Bank Disbursement Guidelines for Projects (May 1, 2006:11). All the expenditures incurred through the DA and those submitted to the Bank for direct payments will be justified, supported, and eligible as shall be defined in the PAD and the Grant Agreement. All project withdrawal applications to the Bank will be made in United States Dollars and will be submitted online through Bank’s client connection interface. Disbursements for the DLIs disbursement will be accompanied by dully approved DLI verification reports as shall be detailed in the PIM and in accordance with the procedures established in the Disbursement Letter and the Bank’s Disbursement Guidelines. Based on the independent verification reports, disbursement for the DLIs shall be made directly from the DA to the Government’s Single Treasury Account (TSA). Detailed disbursement arrangements will be documented in the Disbursement Letters. The EAFS unit in consultation with the accountant general will institute adequate controls in the management of the DA.

35. **Signatories.** The signatories to the DAs (treasury checks/payment instructions/electronic funds transfer) and withdrawal applications will include at least two bank account signatories’ categories (either from each panel must sign) in each of the following panels:

- Panel A: Director general of MoF (with director of administration as alternate)
- Panel B: Accountant general (with deputy accountant general as alternate)

Figure 3.2. Funds Flow Process



36. The EAFS unit will ensure:

- (a) A DA in U.S. dollars for the project component in a financial institution acceptable to the Bank.³⁷ The ceiling of the DA and subsequent replenishment are based on the statements of expenditures.
- (b) Project component funds are transferred into the DA against an approved withdrawal application to be prepared and submitted in line with the provisions of the PAD, Grant Agreement, and Disbursement Letter.
- (c) Detailed disbursement arrangements will be documented and updated as necessary in the Disbursement Letter, EAFS manual, and PIM.

37. **Fraud and corruption.** The possibility of circumventing the internal control system with colluding practices such as bribes, abuse of administrative positions, misprocurement, and so on is a critical issue and may include: (a) late submission of supporting documents; (b) poor filing and records; (c) lack of system integration; (d) lack of work plans and budget discipline; (e)

³⁷ On terms and conditions in the World Bank Disbursement Guidelines for Projects (May 1, 2006:11).

unauthorized commitment to suppliers, bypassing budget and expenses vetting procedures; (f) unsecured safekeeping and transportation of funds; (g) uncertainty over the banking arrangements supporting the project; (h) potential exposure to money laundering; and (i) insecurity and political instability. These are mitigated as follows: (a) specific aspects on corruption auditing will be included in the external audit and monitoring arrangements ToR; (b) FM procedures (as part of the EAFS manual) will be approved and in operation for the project; (c) strong FM arrangements (including qualified project accountants in the EAFS units) will be put in place; (d) periodic IFRs including budget execution and monitoring will be prepared; (e) measures to improve social accountability and transparency will be built into the project design by ensuring that project reports are available to the public; and (f) annual PFM forums will be held. The external audit will pay special attention to the risks of material misstatement of the financial statements due to fraud, in line with ISA 240: “The auditor’s responsibilities relating to fraud in an audit of financial statements.”

38. The FM Action Plan is shown in table 3.1.

Table 3.1. FM Action Plan

Action	Responsibility	Due Date
Development of a ToR and recruitment of a qualified and experienced FMS	CSC/CSI/MoF	31 May 2016
Recruitment of FMS and secondment of a Government Accountant at the PCU	MoF	15 July 2016
Opening of DAs in a financial institution acceptable to the Bank	MoF	30 June 2016
Agreement on transitional IFR reporting formats pending the roll out of the Somaliland FMIS	MoF/CSC/CSI	31 May 2016
Agreement on the DLI and EEP reporting format	MoF/CSC/CSI	31 May 2016
Agreement on the EEP and DLI verification mechanism	MoF/CSC/CSI/Independent Reviewer	31 May 2016
External audit ToR	MoF	31 May 2016

39. **FM supervision plan.** The FM risk for the project is High. There will be intensive on-site visits in the first year of implementation with due consideration to the security situation to ascertain continued adequacy of arrangements. This will be supplemented by desk reviews of IFRs, independent reviewer reports (as necessary), and annual audit reports. The FM supervision missions will be planned jointly with the general project supervision mission and the objectives will include ensuring that strong FM systems are maintained for the project throughout the project life. In adopting a risk-based approach to FM supervision, the key risk areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and funds disbursement arrangements, ex ante and post ante internal controls, and key risk areas identified by the independent reviewer.

Disbursements

40. There will be two disbursement categories: (a) Bank disbursements for project activities under the eligible expenditure investment financing and (b) for an EEP under the DLI financing.

Table 3.2 summarizes the expenditure categories to be financed out of the grant proceeds and the project's disbursement arrangements.

Categories	Amount of the Grant Allocated (US\$, millions)	Percentage of Expenditure to be Financed (Inclusive of Taxes)	Disbursement Cycle	Disbursement Condition
Goods, small works, training, consultancy services, and operating costs ('IPF element')	8	100%	Semiannual advance based on forecast	None
EEP ('DLI element')	2	Variable depending on the CSC budget for the respective fiscal year	Semiannual reimbursement of eligible expenditure based on certification of DLIs achieved and expenditure reported in semiannual reports	Achievement of DLIs
Total Amount	10	–	–	–

Table 3.2. Disbursement Table

41. **Disbursements under results-based financing.** Fund disbursements under the DLI mechanism are conditional on the achievement of reform actions or results as represented in the table in annex 1. A certain amount of grant proceeds will be allocated to each DLI, referred to as DLI price, which is the amount that the government can claim as reimbursement against the EEP if that DLI has been achieved and verified. For each year, the maximum amount eligible for disbursement will be equivalent to the price of the DLIs achieved as given in table 3.3. Payment is made for compliance with DLIs on a semiannual basis.

42. A semiannual review will be undertaken by an independent reviewer to verify the accomplishments of the DLIs and make necessary proposals for disbursements. Where the achievement of a DLI cannot be verified, an amount equivalent to the price of that DLI will be withheld. This amount may be paid at any later date when such achievement can be verified by the Bank. Selected DLIs have been designed to be scalable to allow proportionate disbursement in the case of partial achievement. This allows for lower disbursement amounts when results are only partially achieved. This is only applicable for DLIs with numerical targets (that is, DLIs 4, 5, and 6).

Table 3.3. Pricing of DLIs

DLI	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	US\$					
DLI1 Share of civil servants with verified and completed personnel records in central HR personnel database of satisfactory quality (percentage)	0	100,000	150,000	0	200,000	450,000
DLI2 Payroll audits to identify control	0	0	0	250,000	250,000	500,000

DLI	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	US\$					
weaknesses and ghost workers						
DLI3 Number of improved HR procedures approved by the PSRSC and submitted to the cabinet	0	100,000	100,000	100,000	0	300,000
DLI4 Newly established or reorganized HR units in targeted MDA adequately staffed	0	200,000	200,000	200,000	0	600,000
DLI5 TMP Manual approved by the PSRSC	150,000	0	0	0	0	150,000
Total	150,000	400,000	450,000	550,000	450,000	2,000,000

43. **Disbursement schedule.** Table 3.4 shows the indicative disbursement schedule for DLI-based disbursements.

Table 3.4. Indicative DLI Disbursement Schedule

Period	Performance and IFRs Period	No. of DLI Targets to be Achieved	Submission of DLI Results Report to the Bank Along with IFR and Withdrawal Application	Verification and Agreement on DLI Results Between the Bank and Government	Amount to be Disbursed (US\$)
Year 1	January-June 2017	1	May 2017	June 2017	200,000
	July-December 2017	2	November 2017	December 2017	200,000
Year 2	January-June 2018	1	May 2018	June 2018	200,000
	July-December 2018	1	November 2018	December 2018	150,000
Year 3	January-June 2019	2	May 2019	June 2019	300,000
	July-December 2019	2	November 2019	December 2019	300,000
Year 4	January-June 2020	1	May 2020	June 2020	250,000
	July - December 2020	2	November 2020	December 2020	450,000
	Total	12	-	-	2,000,000

Procurement

44. The administration does not have the institutional capacity and a legislative framework to handle robust public procurement. To strengthen the government procurement system, a Public Procurement Bill—one of the five PFM bills—was prepared to be tabled in the parliament. The council of ministers has granted approval for revisions to some aspects of the bills. The private sector is also underdeveloped and remains in its infancy. The lack of private sector regulation further compounds the challenges of limited capacity or functionality, and it is still susceptible to the insecure and fragile environment.

45. At the entity level, the MDA do not have any designated procurement cadre. The institutional framework and managerial capacity remains very inadequate and poorly staffed. The designated officers in the CSC, like the rest of the beneficiary institutions, do not have the desired skills and experience to handle public/project procurement. In the MoF, a procurement directorate for procurement policy and implementation of procurement reforms is being created,

but it is yet to become functional. The Ministry of Planning and International Cooperation, Somaliland CSC, and Office of the President likewise have limited capacity to handle procurement.

46. Procurement for the proposed project will be carried out in accordance with the latest revision of the Bank’s ‘Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by the World Bank Borrowers’, dated January 2011 (revised July 2014) and ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants 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’, dated October 15, 2006 and revised in January 2011 (the Anticorruption Guidelines) and the provisions stipulated in the Legal Agreement will be applied. Somalia being a fragile and conflict-affected country, procurement under the projects will be processed under special procurement arrangements referred to in paragraph 20 of OP 11.00.

47. **Project procurement implementation arrangements and risk identification.** Procurement under the project will be carried out by a PCU to be established in the CSC. The PCU will be staffed with specialists competitively selected.

48. The activities in the procurement plan include selection of firms for various consulting assignments; equipping of CSC with the necessary logistics i.e. office equipment, furniture, computers and a vehicle for project management.

49. Due to the apparent capacity limitations and the tight timelines for the implementation of the grant, a qualified TA procurement specialist will be recruited competitively under the PCU. He or she will also ensure that procurement capacity is built and knowledge is transferred. The TA procurement specialist will report directly to the project manager. S/He may also be engaged to support the ongoing public procurement and concession reforms being spearheaded under the MoF. Appropriate ToR will be drafted to provide clarity to the dual roles.

50. A procurement officer will be recruited by the project to understudy the TA procurement specialist. It is hoped that the officer will be absorbed into the civil service to constitute the Procurement Unit for the CSC or be deployed to any other entity. The logistics officer currently contracted by the CSC will join the procurement team and work alongside them to ensure that transfer of knowledge and mentoring sessions take place.

51. As a 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 shown in table 3.5.

Table 3.5. Procurement Risk Mitigation Plan

S. No.	Issue	Risk Mitigation Action Plan	Responsibility and Time Frame to Implement the Actions
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S. 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, and so on)	Procurement in Somaliland will be guided by the Project Operations Manual to be developed.	PCU/after project effectiveness
2.	The Procurement Unit is limited in experience and skills.	The Procurement Unit will be established and supported by a procurement specialist and one procurement officer locally recruited and a logistics officer seconded from the CSC. The procurement specialist will train the local staff in the Procurement Unit to enable them to gradually take over the procurement activity of the project.	PCU/TA procurement specialist and counterpart staff to be recruited before project's effectiveness
3.	Lack of procurement oversight and monitoring arrangement for the project procurement	The PCU will have a management structure to supervise, monitor, and approve the implementation of the planned procurement activities, supported by the Procurement Directorate in the MoF responsible for procurement monitoring and reporting.	PCU/after project effectiveness
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 accounting officer through the head of the PCU and the manager has to respond to complaints within a reasonable time.	PCU/after project effectiveness
5.	Security challenges, weak public sector functionality, and limited private sector participation and efficiency affects the supply market functionality	All bidding opportunities will be advertised on the available website and posted on the widely circulated local gazette. If the contract is procured through International Competitive Bidding (ICB) or if the assignment includes international firms, it has to be advertised on United Nations Development Business online in addition to the local posting; private sector orientation and outreach seminar will be conducted on the project opportunity.	PCU/after project effectiveness

52. **Specific procurements under the project.** Procurement under the project includes a number of consultancy service assignments (both firms and individual consultants) to provide training and technical support for the CSRs. Procurements for the first 18 months have been identified in the initial Procurement Plan.

53. **Procurement and selection methods.** Procurement of goods and non-consulting services, where applicable, will utilize methods such as ICB, National Competitive Bidding (NCB), Limited International Bidding, procurement from UN agencies, shopping, and Direct

Contracting. Procurement from UN agencies such as the United Nations Office for Project Services will be used for procurement of vehicles. Selection of consultants will follow Quality- and Cost-Based Selection, Quality-Based Selection, Selection based on the Consultants' Qualifications, Least-Cost Selection, Selection under a Fixed Budget, Selection of Individual Consultants, and Single-Source Selection.

54. **Workshops, conference attendance, and study tours.** These will be carried out based on approved annual work plans that will identify the general framework of training or similar activities, including the nature of training/study tours/workshops, number of participants, and estimated cost.

55. **Operating costs, excluding salaries, bonuses, and fees** for government civil servants, will be incurred using procedures acceptable to the Bank and described in the Project Operations Manual.

56. **Procurement plan.** The recipient has developed an initial Procurement Plan indicating procurements to be carried out over the first 18 months of the project. The Procurement 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 Bank.

57. **Threshold for each method of procurement/selection and prior review.** Table 3.6 shows the recommended method of procurement/selection and the prior review threshold requirements. Guidance to the Bank prior review requirements is found in appendix 1 to the Procurement Guidelines and appendix 1 to the Consultant Guidelines. All ToRs regardless of the contract amount shall be subjected to the Bank's prior review.

Table 3.6. Procurement Methods and Thresholds for Goods, Works, and Non-Consulting Services

	Procurement Method	Threshold (US\$)	Comment
1	ICB (goods and non-consulting services)	500,000	Equivalent or more
2	NCB (goods and non-consulting services)	500,000	Less than
3	Shopping (goods and non-consulting services)	100,000	Equivalent or less
4	Direct Contracting	Any value	–
5	UN Agencies	Any value	–

Table 3.8. Prior Review Thresholds for Goods and Non-Consulting Services

	Procurement Method	Prior Review Threshold (US\$)	Comment
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)
4	Direct Contracting (goods, works, and non-consulting services)	100,000	–
5	UN agencies	All contracts	–
6	Shopping (goods, works, and non-consultancy services)	None (see comment in the next column)	The first shopping under each category will be under prior review.

Table 3.9. Selection Methods and Thresholds for Consultants

	Selection Method	Threshold (US\$)	Comment
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	–

Note: QCBS = Quality- and Cost-Based Selection; QBS = Quality-Based Selection; CQS = Selection based on the Consultants' Qualifications; LCS = Least-Cost Selection; FBS = Selection under a Fixed Budget; SSS = Single-Source Selection.

Table 3.10. Prior Review Threshold for Consultants

	Selection Method	Threshold (US\$)	Comment
1	Competitive Methods (Firms)	200,000	Equivalent or more
2	Individual Consultant Selection	200,000	Equivalent or more
3	Single-Source Selection (Firms/Individuals)	100,000	Equivalent or more

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

59. **Frequency of procurement supervision.** In addition to the prior review supervision to be carried out by Bank, annual post procurement reviews of a sample of about 20 percent of all contracts finalized by the project shall be carried out.

Environmental and Social (including safeguards)

60. The activities planned under the project do not trigger any social or environmental safeguard issues.

Monitoring and Evaluation

61. The project will design and use a dedicated M&E system that incorporates PDO and intermediate indicators to track performance of project activities. A subset of indicators have been identified as DLIs. Details of the Results Framework, an overview of DLI indicators, and the DLI verification protocols can be found in annex 1.

62. The indicators in the Results Framework emphasize the foundational outputs that will be necessary to achieve more strategic outcomes in later phases of the project and/or in future reform interventions. This output-focused approach will be complemented by qualitative,

outcome-focused M&E tailored to the particularities of capacity-development and governance activities in a fragile context.

63. Standard evaluation techniques (for example, basic results chains) often fail to capture the change processes targeted by capacity-development interventions. Therefore a more comprehensive approach is required to also “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.”³⁸

64. The project will therefore develop a qualitative methodology for assessing capacity improvements. This will place greater emphasis on ‘change agents’—the critical individuals or groups with the 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.³⁹

65. The project will fund a third-party M&E consultant or firm to support and validate data collection for key performance indicators in the Results Framework and to provide for independent verification of DLIs on the basis of an agreed verification protocol (see annex 1). The consultant or firm will also be responsible for the design and implementation of qualitative monitoring of capacity building progress at the ministry level.

66. M&E of results will occur at different levels of project implementation and will be coordinated by the PCU which will have a dedicated M&E specialist. The PCU will rely on reports from the implementing government agencies and the M&E consultant/independent verifier. A monitoring plan will be drawn up by the PCU with the support of the M&E consultant/firm which outlines timing and responsibility in reporting requirements against the indicators and milestones. Results will be used to aid any recalibration of implementation efforts, including necessary midcourse corrections. The M&E reports will be discussed and validated by the SC which will agree to any measures for corrective action, as required.

67. A fund-level evaluation of the impact of the Bank’s MPF projects that are aimed at strengthening core government functions is envisaged. This evaluation will examine the impact of capacity-development efforts for men, women, and institutions within the government, with a broader look at how these three projects work together.

³⁸ WBI (World Bank Institute). 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.

³⁹ World Bank Institute, for example, distinguishes six types of intermediate capacity outcomes: (a) raised awareness, (b) enhanced knowledge or skills, (c) improved consensus and teamwork, (d) strengthened coalitions, (e) enhanced networks, and (f) new implementation know-how.

68. A biannual public sector and institutional capacity development forum will be organized by the PCU to deliberate on progress and impact of the project and other capacity-development initiatives on the reform process in Somaliland. The Bank will also monitor the project through its supervision and implementation support missions. Annex 4 provides details of implementation support activities of the Bank task team.

Annex 4: Implementation Support Plan

Somaliland Civil Service Strengthening Project

Strategy and Approach for Implementation Support

1. **The implementation of the project will entail extensive collaborative support from the Bank task team.** The purpose of the Implementation Support Plan is to explain the requirements to assist the GoSL to achieve the PDO and manage implementation risks. The design of the project and its implementation arrangements intend to respond to the identified issues through the following measures and arrangements.

- (a) **Limited experience with Bank-financed projects.** The CSC and other implementing agencies have limited experience with Bank-supported projects. Moreover, the government will also require significant assistance to administer and monitor the results-based financing (DLI) activities. As a result, the counterpart agencies will be provided with targeted support, training, and a close and steady communication with the Bank team on project implementation mechanisms and processes. The government has been closely involved in the design and preparation of the project.
- (b) **Limited knowledge of the Bank's fiduciary rules.** The CSC has limited experience with the Bank's fiduciary rules and has not been involved in the procurement of goods and services under the Bank guidelines. Before implementation, relevant staff from the GoSL implementing agencies and the PCU will receive training on the Bank's procurement guidelines. The project will also recruit international specialists for FM and procurement. The FM and procurement specialists from the Bank task team will be responsible to react to requests for support from the PCU and the GoSL throughout the implementation period. Intense support will be provided during the initial stages of project implementation.

2. **Specific provisions have been considered under the project to support implementation and guarantee sound fiduciary and M&E support:**

- (a) **Close supervision and support during the implementation period.** The GoSL and the implementing agencies will be regularly advised by the TTL, co-TTL, sector specialist staff and consultants, and the fiduciary team based in Nairobi. Implementation support missions and other short-term ad hoc missions will be conducted to provide necessary guidance to the implementing agencies. Short-term consultants will be engaged to support implementation as needed. This will allow for effective and efficient supervision and ongoing support to the government.
- (b) **Procurement.** Procurement implementation support by the Bank will include: (i) providing training to the PCU and other CSC staff; (ii) providing detailed guidance on the Bank's Procurement Guidelines to the procurement officers; (iii) reviewing procurement documents and providing timely feedback to the procurement staff; (iv) recruitment of senior international procurement advisors to assist the PCU and the CSC; and (v) monitoring procurement progress against the Procurement Plan.

- (c) **FM.** The Bank fiduciary team will: (i) provide training to the PCU FM officers and the project team and (ii) regularly review the project's FM system and its adherence to the Project Operations Manual, including but not limited to, accounting, reporting, and internal controls.
- (d) **M&E.** The Bank will support capacity building in M&E by providing targeted training through Bank staff and specialist international advisors recruited through the project.

Implementation Support Plan

3. Implementation will be supported by the Bank team through the following activities. The main focus of implementation support is summarized in table 4.1.

- **General supervision inputs.** There will be two formal missions per year which will be complemented by regular visits made by staff based in Nairobi to respond to requests by the government. The first implementation mission will take place immediately after effectiveness to provide direct feedback on the quality of project implementation plans and review progress made against the agreed risk mitigation actions. The first mission is expected to include the core task team and staff predominantly from the Bank fiduciary teams, who are based on the ground and are in charge of day-to-day implementation support. Subsequent missions will have a stronger emphasis on technical implementation support.
- **Fiduciary inputs.** Training will be provided by the Bank's FM and procurement specialists before the beginning of project implementation. The Bank team will continue to support the PCU to identify capacity-building needs to strengthen overall project implementation, with an emphasis on fiduciary aspects. Formal supervision of project implementation and FM will be carried out semiannually or as needed, while procurement supervision will be carried out on time as required by the client.
- **Technical implementation support.** Since the project involves a range of technically complex and sensitive reforms, a number of specialist consulting firms and international experts will be mobilized to support implementation and provide technical advice to the GoSL. This specialized technical expertise will be embedded within the implementing agencies to provide support in strategic areas such as HRM, organizational redesign, payroll management, pay and grading, pension reforms, and civil service training. As part of project implementation, beneficiary ministries will establish change management/reform teams comprising civil servants to work alongside these consultants. This will contribute to building capacity and reform ownership within the line ministries.

Table 4.1. Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Implementing Agency Role
First six months	Support to implementing agencies to finalize work plans and Procurement Plans and begin implementation, including ensuring adequate resources and M&E capacity	Project management, payroll specialist, HRM specialist, M&E specialist, FM, and procurement specialists	Monthly discussions in Hargeisa to review plans and progress; team of 4–5 specialists	Available to meet with Bank staff to discuss plans and progress Ensure complete staffing of PCU and contracting of immediate consultancy needs
6–12 months	Quarterly discussions with implementing partners to review progress and plans for next cycle	Technical skills in main project component areas and ability to work with clients	Quarterly discussions in Hargeisa to review plans and progress; team of 4–5 specialists	Available to meet with Bank staff to discuss plans and progress and to provide monitoring data Completion of procurement activities for the first 24 months of the project
12–24 months	Quarterly discussions with implementing partners to review progress and plans for next cycle	Technical skills in main project component areas and ability to work with clients	Semiannual discussions in Hargeisa to review plans and progress; team of 4–5 specialists	Available to meet with Bank staff to discuss plans and progress and to provide monitoring data
Years 2–3	Midterm review	Project management, technical experts, M&E, FM, and procurement specialists	Two-week mission; team of 6–8 specialists	Participating as observers to provide project information for evaluation of progress

Table 4.2. Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks (per year)	Number of Trips (per year)
Task team leader	36	4
Co-task team leader	12	4
Public sector management specialist	12	4
Procurement specialist	10	4–6
FMS	12	4–6
M&E specialist	10	2–4

Annex 5: Milestones and Sequencing of Project Activities

Somaliland Civil Service Strengthening Project

Activity	2016	2017	2018	2019	2020
Subcomponent 1.1: Strengthen Pay Roll Management					
Undertake Civil service headcount and regular payroll audits	Conduct civil service headcount Remove “ghosts” from payroll	–	Conduct sample pay roll audit	Conduct sample pay roll audit	Conduct sample pay roll audit
Strengthen payroll business processes and controls	Agree enhanced payroll processes	Implement improved manual payroll processes	Agree enhanced payroll processes (v 2.0)	–	–
Establish manual personnel files	Create central personal files	Build MDA employee records (batch 1 MDAs)	–	Build MDA employee records (batch 2 MDAs)	–
Develop CSC capacity on HR data and payroll management.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Subcomponent 1.2 Strengthen HR Management					
Develop legal and regulatory framework for civil service	–	Enact revised Civil Service Act	Approve Civil Service Regulations	–	–
Strengthen HR policies and procedures	Develop HR procedures (first batch)	Implement HR procedures in MDAs (first batch)	Develop HR procedures (second batch) Implement HR procedures in MDAs (first batch)	Implement HR procedures in MDAs (second batch)	Implement HR procedures in MDAs (second batch)
Develop options for selective pay reform	Approve pay strategy	Complete remuneration survey Agree grading structure	Approve pay structure	–	–
Develop CSC HR capacity	Develop HR Policy capacity in CSC	Develop pay and grading capacity in CSC	Ongoing	Ongoing	Ongoing
Subcomponent 1.3 Public Sector Pension Reform					
Design severance policy and interim	Identify overage civil servants based on civil	Propose policy options and costing for	Approve severance policy and interim	–	–

arrangements for retirement	service headcount	severance and interim pension arrangements	arrangement for retirement		
Design pension policy and pension law	–	–	–	Approve pension policy and pension strategy	Pension Law approved
Subcomponent 2.1 Reorganization in Targeted MDA					
Undertake organizational diagnostic and redesign	Agree approach and organization design model	Undertake diagnostics Agree revised organizational structure in MDAs	Undertake diagnostics Agree revised organizational structure in MDAs	Undertake diagnostics Agree revised organizational structure in MDAs	–
Implement organizational and staffing changes	–	Establish and staff HR units in MDAs	Establish and staff HR units in MDAs Establish and staff Policy Planning units in MDAs	Establish and staff HR units in MDAs Establish and staff Policy Planning units in MDAs	Establish and staff HR units in MDAs Establish and staff Policy Planning units in MDAs
Develop CSI organization development capacity	Establish OD team in CSI	Provide training and mentoring of CSI OD team	Provide training and mentoring of CSI OD team	Provide training and mentoring of CSI OD team	–
Subcomponent 2.2 Civil Service Talent Management Program					
Design Talent Management Program	Approve TMP operational manual	–	–	–	–
Develop CSC and CSI capacity to administer TMP	Procure services of HR firm	Strengthen CSC TMP Management capacity and support TMP implementation	Ongoing	Ongoing	Ongoing
Subcomponent 2.3 Management and Common Services Training					
Establish partnership arrangement with public service training institution	Identify and sign MoU with partner institution	Design training curricula and modules Deliver pilot training and make necessary adjustments	Conduct training of trainers Deliver management and common services training	Conduct training of trainers Deliver management and common services training	Deliver management and common services training

Develop CSI capacity to manage and deliver training	Provide advice on CSI organizational structure and training management	Targeted support to strengthen CSI capacity	Facilitate and establish a network of partnerships with other institutes and/or international bodies	Targeted support to strengthen CSI capacity	Targeted support to strengthen CSI capacity
Subcomponent 3.1 Policy Planning and Development					
Develop basic standards and procedures for policy development	–	Design improved policy formulation process and action plan for roll out	–	–	–
Improve policy coordination capacities in MoP	–	–	Provide targeted support to strengthen MoP policy coordination function	Provide targeted support to strengthen MOP policy coordination function	–