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Report No: PAD4464

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT  
ON A

PROPOSED GRANT  
IN THE AMOUNT OF SDR 43.9 MILLION  
(US\$58 MILLION EQUIVALENT)

AND

A GRANT  
IN THE AMOUNT OF US\$5 MILLION  
FROM THE HORN OF AFRICA MULTI DONOR TRUST FUND

TO THE

FEDERAL REPUBLIC OF SOMALIA

FOR THE

SOMALIA - HORN OF AFRICA INFRASTRUCTURE INTEGRATION PROJECT (SHIIP)

September 9, 2022

Transport Global Practice  
Eastern and Southern Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2022)

Currency Unit = SDR

SDR 0.7555 = US\$1

US\$1.3236 = SDR 1

## FISCAL YEAR

July 1 - June 30

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## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
DP	Development Partner
EAFS	External Assistance Fiduciary Section
EAs	Environmental Audits
EU	European Union
FGS	Federal Government of Somalia
FM	Financial Management
FMS	Federal Member States
GBV	Gender Based Violence
GDP	Gross Domestic Product
GRS	Grievance Redress Services
HoA	Horn of Africa
IBRD	International Bank for Reconstruction and Development
ICT	Information Communications and Technology
IDA	International Development Association
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
IPF	Investment Project Financing
MFMR	Ministry of Fisheries and Marine Resources
MCI	Ministry of Commerce and Industry
MCT	Ministry for Communication and Technology
MDTF	Multi-Donor Trust Fund
MECC	Ministry of Environment and Climate Change
MEWR	Ministry of Energy and Water Resources
MoF	Ministry of Finance
MPMT	Ministry of Ports and Marine Transport
MPWRH	Ministry of Public Works, Reconstruction and Housing
MTCA	Ministry of Transport and Civil Aviation
NAPA	National Adaptation Program of Action
NDC	Nationally Determined Contribution
NDP	National Development Plan
OPM	Office of Prime Minister Federal Republic of Somalia
PBC	Performance Based Contracts
PCU	Project Coordination Unit
PDO	Project Development Objectives
PPSD	Project Procurement Strategy for Development
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights

SEA	Sexual Exploitation and Abuse
SHIIP	Somalia - Horn of Africa Infrastructure Integration Project
SOP	Series of Projects
SORT	Systematic Operations Risk Rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
ToR	Terms of Reference
US\$	United States Dollar
WBG	World Bank Group

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## DATASHEET

## BASIC INFORMATION

Country(ies)	Project Name	
Horn of Africa, Somalia	Somalia - Horn of Africa Infrastructure Integration Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P173119	Investment Project Financing	High

## Financing &amp; Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
30-Sep-2022	30-Sep-2026

Bank/IFC Collaboration

No

## Proposed Development Objective(s)

The Project Development Objective is to prepare a spatially coordinated investment pipeline of economic corridor projects, and to strengthen the national government's management of selected sectors.



### Components

Component Name	Cost (US\$, millions)
Development of Regional Economic Corridors	30.00
Connectivity to Economic Corridors	18.00
Institutional and Capacity Development	7.80
Project Management	7.20
Contingent Emergency Response Component	0.00

### Organizations

Borrower:	Ministry of Finance, Federal Republic of Somalia
Implementing Agency:	Ministry of Public Works, Reconstruction and Housing

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

Total Project Cost	63.00
Total Financing	63.00
of which IBRD/IDA	58.00
Financing Gap	0.00

#### DETAILS

##### World Bank Group Financing

International Development Association (IDA)	58.00
IDA Grant	58.00

##### Non-World Bank Group Financing

Trust Funds	5.00
Horn of Africa Initiative Umbrella Trust Fund	5.00



## IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Somalia</b>	0.00	58.00	0.00	58.00
National PBA	0.00	38.00	0.00	38.00
Regional	0.00	20.00	0.00	20.00
<b>Total</b>	<b>0.00</b>	<b>58.00</b>	<b>0.00</b>	<b>58.00</b>

## Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027
Annual	5.00	15.00	20.00	15.00	3.00
Cumulative	5.00	20.00	40.00	55.00	58.00

## INSTITUTIONAL DATA

## Practice Area (Lead)

Transport

## Contributing Practice Areas

Digital Development, Energy &amp; Extractives, Environment, Natural Resources &amp; the Blue Economy, Macroeconomics, Trade and Investment

## Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

## SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High



7. Environment and Social	● High
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

**COMPLIANCE****Policy**

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes    [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes    [✓] No

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

**Legal Covenants**

## Sections and Description

Schedule II, Section I.A.2.a. - Not later than six (6) months after the Effective Date, the Recipient shall recruit the following additional staff into the Project Coordination Unit (PCU): an environmental specialist, a social development specialist, a monitoring and evaluation specialist, and a stakeholder engagement specialist, all with terms of reference, qualifications, and experience, satisfactory to the Association.

**Conditions**

Type	Financing source	Description
Effectiveness	IBRD/IDA	HOATF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the



		Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has prepared and adopted, the Project Operations Manual, in form and substance satisfactory to the Association.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has recruited and/or seconded to the Project Coordination Unit (PCU), a Project coordinator, a financial management specialist and a procurement specialist, all under terms of reference and with qualifications and experience satisfactory to the Association.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has established the Project Steering Committee with resources, functions, and terms of reference, satisfactory to the Association.
Type Disbursement	Financing source IBRD/IDA	Description For Emergency Expenditures under Category (3) until: (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has requested the Association to address such Eligible Crisis or Emergency under Part E of the Project and in accordance with the provisions of this Agreement; and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.



## I. STRATEGIC CONTEXT

### A. Regional and Country Context

#### a) Regional Context

1. The Horn of Africa (HoA), comprising Djibouti, Eritrea, Ethiopia, Kenya, and Somalia,<sup>1</sup> has a total area of around 1.7 million km<sup>2</sup>, a population of about 233 million, and a combined Gross Domestic Product (GDP) estimated at US\$232 billion, as of 2021.<sup>2</sup> Approximately 70 percent of the population live in rural areas and exhibit high levels of poverty ranging from 69 percent in Somalia to 17 percent in Djibouti (Table 1). The population of the region is also growing quickly and is expected to reach 300 million by 2030.

Table 1: Socio-Economic Indicators<sup>3</sup>

Country	Population Growth (annual %)	GDP per Capita (US\$ current prices)	GDP per Capita Growth (annual %)	Poverty Headcount Ratio at US\$1.9/day (%)	Human Development Index (HDI)	Life expectancy at birth (years)
Djibouti	1.4	3,364	2.8	17	.524	62
Eritrea	1.4	643	7.2	N/A	.459	66
Ethiopia	2.5	944	3.0	30.8	.485	67
Kenya	2.2	2,007	5.1	37.1	.601	67
Somalia	2.9	446	0.4	68.6	.351	57

2. The HoA is a complex region with nearly all countries exhibiting some level of conflict or vulnerability. In the Fiscal Year 2023 edition of the global list of fragile and conflict-affected situations countries released by the World Bank Group (WBG), both Somalia and Ethiopia are included as conflict affected states, while Eritrea is included as a country with institutional and social fragility. A humanitarian crisis is looming in the northern Tigray region of Ethiopia due to a protracted political crisis since 2018 which has continued to escalate into violence and risks drawing in participants from the wider region. The HoA region exhibits large social, political, and economic variations between and within member countries. High poverty levels in the HoA are most prevalent in the northern parts of Kenya, Somalia, and Eritrea. Some of the countries suffer from protracted conflict and political strife arising from challenges of underdevelopment, resource scarcity, and economic shocks from global economic crises and climate challenges.<sup>4</sup>

3. Regional integration through the expansion of transport and trade infrastructure is expected to substantially support economic development and structural transformation of the HoA countries. A recent

<sup>1</sup> In some contexts, the “Horn of Africa” also includes other countries in the greater region. In this document, the terms “HoA” and “Horn” refer only to the countries of Djibouti, Eritrea, Ethiopia, Kenya, and Somalia

<sup>2</sup> World Development Indicators, 2021

<sup>3</sup> World Development Indicators; United Nations (UN Statistics Division; Human Development Index; Horn of Africa Regional Economic Memorandum 2021. All data 2021 unless no data is available, in which case the most recent data is used. Poverty estimates are based on World Bank calculations and are based on latest available survey data: 2017 for Djibouti; 2015 for Kenya; 2015 for Ethiopia, and 2017 for Somalia; Data is unavailable for Eritrea. Life expectancy based on 2020 data, while HDI data is based on 2019, the latest available in both cases.

<sup>4</sup> Inter-Governmental Authority on Development regional Strategy, Volume 1: The Framework, January 2016.



study<sup>5</sup> uses a general equilibrium model to estimate that the implementation of new regional transport corridors coupled with effective trade facilitation measures would result in an increase in welfare of 3.9 to 6.3 percent in the HoA countries, as measured by percentage change of real income. Somalia would enjoy the largest gains, followed by Djibouti, Kenya and Ethiopia. Using reduced-form analysis to understand the relationship between past investments in electricity, internet, and road infrastructure and the sectoral structure of employment in Ethiopia and Kenya, it is expected that investment in infrastructure would lead to effective structural transformation in the region; with having access to electricity at the district level associated with a 6 percentage-point reduction in the employment share of agriculture and a 4 percentage-point increase in the employment share of services while big push investments that combine paved roads and internet are associated with a 12 percentage-point additional increase in the share of services employment. Due to the prevalence of informal trade in the region, it is expected that deeper regional integration coupled with effective trade facilitation measures would support sustained growth in trade and investment in all countries in the region.

**4. Development is lagging in the border regions, where instability as well as economic and physical distance from growth centers has created persistent poverty.** Forced displacement is common in the region, lasting over 20 years in some cases. The concentration of protracted refugees and Internally Displaced Persons is one of the highest in the world, with most refugees living in camps situated near the borders of their respective countries of origin.<sup>6</sup> The livelihoods of these refugees and migrants are often entirely dependent upon cross-border trade with their communities of origin. These same communities also fail to benefit from strong cross-border digital infrastructure network links, wireless roaming and quality broadband access, with existing mobile broadband coverage primarily concentrated in urban hubs. In addition, border regions are characterized by a high intensity of agricultural and livestock production and livelihoods are entirely dependent upon the sale and export of such goods. Thus, improving connectivity, supporting livelihoods, and building resilience will contribute towards creating a sense of belonging, inclusion, sharing of benefits, and greater peace and security.

**5. The countries of the HoA are currently facing converging crises: The Coronavirus 2019 (COVID-19) pandemic and its resulting economic disruptions, food insecurity due to droughts and locusts, and the spreading repercussions of the war in Ukraine.** The HoA has had more than 875,000 infections and 14,000 deaths from COVID-19 as of July 2022, compared to 11.8 million infections and more than 250,000 deaths for Africa as a continent.<sup>7</sup> In Somalia, a seemingly low number of cases (26,830) and deaths (1,361)<sup>8</sup> may reflect weak testing and reporting capacity more than it does actual lower infection rates. While the COVID-19 rates and morbidity have begun to decline as of the time of project approval, and its impact on the African economy begun to wain - the sharp decline in GDP in 2020 (2.2 percent reduction) was followed by a surprisingly robust recovery in 2021 (4.5 percent increase), progress has been jeopardized by the Russian invasion of Ukraine which has triggered a global economic shock. Surging oil and food prices are straining regional economies and have increased food security concerns.<sup>9</sup> In the Horn of Africa these COVID-19 and global shocks are compounding already difficult challenges resulting from drought and locusts, which have heightened food insecurity and depressed the economic output of the agriculture sector which is at the heart of much of the region's economy.

<sup>5</sup> "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021

<sup>6</sup> Noack, M. Protracted Displacement in the Horn of Africa. 2020. Bonn International Center for Conversion

<sup>7</sup> Africa Center for Disease Control (accessed July 4, 2022).

<sup>8</sup> Ibid.

<sup>9</sup> International Monetary Fund, Regional Economic Outlook Sub-Saharan Africa, April 2022



6. **The countries<sup>10</sup> came together in 2019 to launch the Horn of Africa Initiative, recognizing the need for a concerted effort to collectively chart a way forward, based on recent improvements in inter-state relations.** Leaders of the HoA requested support from the World Bank, African Development Bank (AfDB) and European Union (EU) on deepening economic integration. The resulting HoA Initiative consists of a US\$15 billion package of priorities under four thematic areas: (i) development of regional infrastructure networks covering upgrading of economic corridors, energy, and digital connectivity; (ii) trade and economic integration covering trade facilitation, regional value chains, and improvements in the investment climate; (iii) resilience building involving strengthening of pastoral production systems; and (iv) human capital development, focusing on building skills for future employment and empowering women and youth.

7. **The HoA Initiative offers opportunities to transform the economies of the region, create and diversify jobs, reduce poverty, conflicts and inequality, and boost the economic performance of the region.** Between 2014 and 2019, growth in the HoA outpaced growth in Sub-Saharan Africa as a whole, but opportunities to close the development gap at a faster pace have been missed due to the low-level of integration and the infrastructure challenges that the HoA initiative has been established to tackle. Inter-regional trade for example is considerably below what would be expected based on the economic size and location of the countries.<sup>11</sup> Cross border trade enhances food security through the movement of grain and other food items from surplus areas to deficit areas and by increasing the price incentives to production in those areas where efficiency and yields are highest,<sup>12</sup> but it is today largely informal and inefficient, due to multiple off-loading and severe non-tariff barriers to trade in the transport chains.<sup>13</sup> The region is also strategically important from a digital connectivity perspective, given the number of international submarine cables landing (current/planned) in coastal cities, including in Djibouti, Mogadishu (Somalia) and Mombasa (Kenya). The absence of a well-developed network infrastructure in Somalia is preventing it from fully benefitting from this access as well as serving to facilitate digital connectivity to landlocked Ethiopia. Due to slow progress in structural transformation, especially in Ethiopia, self-employment and unpaid work still account for the bulk of employment in the HoA.<sup>14</sup>

8. **While Somalia's role in realizing the HoA Initiative is key to its success, it faces the biggest challenge and the longest road to implementation.** As part of the proposed HoA Initiative, Somalia is engaging with its neighbors to rebuild links to regional and global economies. Within the HoA Initiative's infrastructure pillar, economic corridor road connections linking to the port cities serving the HoA are high on the agenda (Figure 1). The connectivity provided by the regional corridors have the potential of supporting integration on three different but complementary levels: (i) regional integration among countries in the HoA, (ii) integration with global markets, and (iii) domestic market integration. Despite this potential, Somalia is ill prepared to deliver major regional integration infrastructure in the short term due to an absence of the institutions, policy and legal environment, and shovel-ready projects needed to plan for and implement infrastructure investments.

9. **The HoA Initiative has accordingly been designed to support the countries to fully realize their economic potential through selective high-impact measures and investments** by (i) financing the agreed investment priorities where ready, (ii) supporting the development of bankable projects where such investments are not

<sup>10</sup> Djibouti, Ethiopia, Eritrea, Kenya, and Somalia. Sudan joined in May of 2021 but had not been integrated into the HoA Initiative's planning or identified projects as of the time of project preparation.

<sup>11</sup> Horn of Africa Regional Economic Memorandum, 2021.

<sup>12</sup> Ibid.

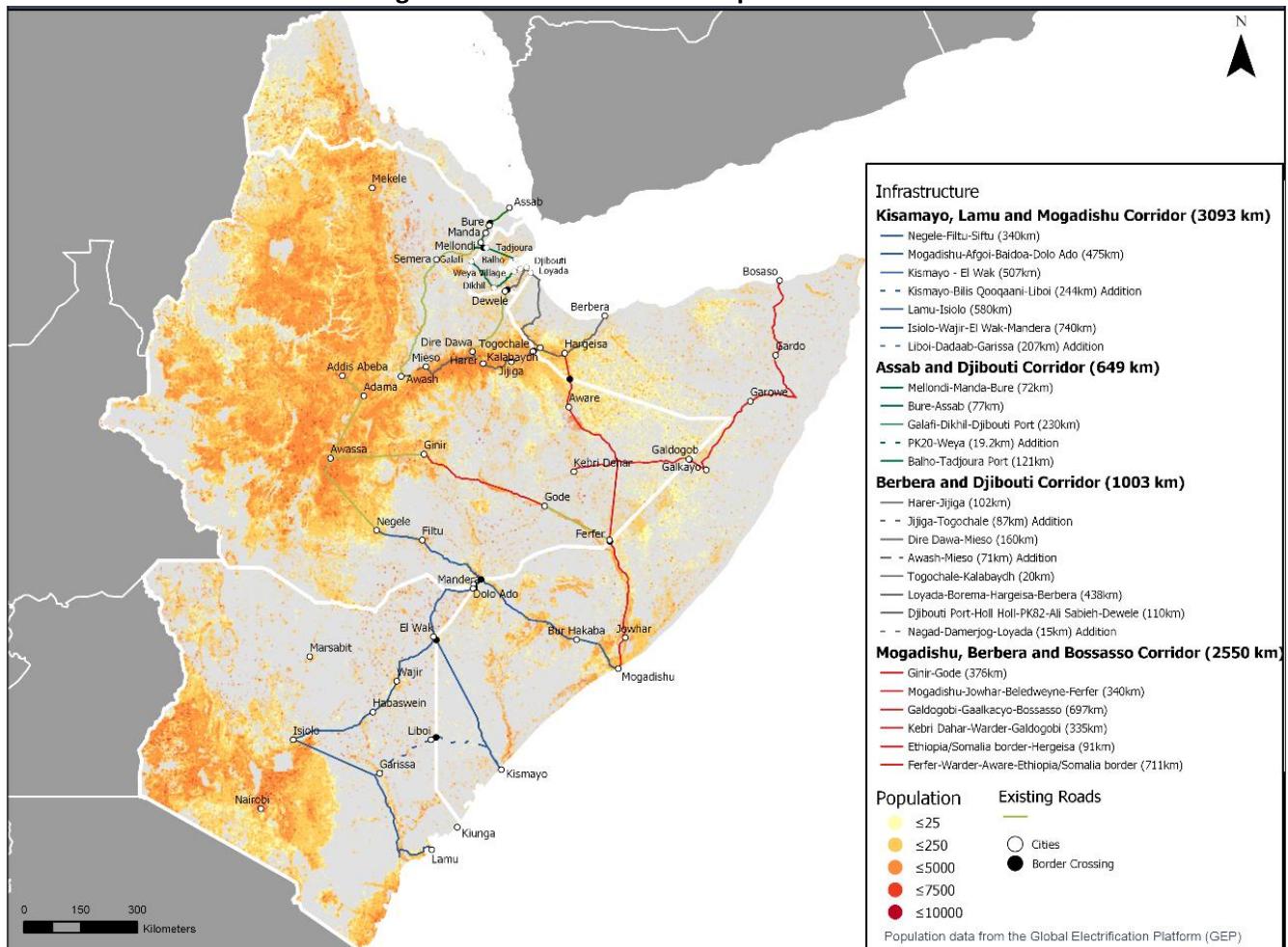
<sup>13</sup> Some of the challenges in the cross-border movements are analyzed in detail in the analysis of border markets in World Bank. 2021. Somalia Country Economic Memorandum: Towards an Inclusive Jobs Agenda

<sup>14</sup> World Bank. Horn of Africa Regional Economic Memorandum, 2021



ready for financing, and (iii) strengthening policy coordination issues amongst the HoA countries. The World Bank is actively supporting the countries in all three areas, focusing on areas (ii) and (iii) in Somalia. In the transport sector in Somalia, the proposed project is expected to finance the feasibility and design studies for corridor investments, as well as building the capacity of the government to plan for and manage such assets. While these studies and designs are intended to facilitate future projects, no civil works are planned under the proposed project. In other countries, such as Kenya, Djibouti and Ethiopia, the World Bank is supporting investments in civil works related to corridor development through the other projects in this series.<sup>15</sup>

**Figure 1 - Identified HOA Transport Corridors<sup>16</sup>**



<sup>15</sup> See Box 1 for more information on the SOP. Other projects in this series - the Horn of Africa Gateway Development Project (P161305), Horn of Africa Initiative: Djibouti Regional Economic Corridor Project (P174300), and the Horn of Africa Initiative: Regional Economic Corridor Project (Addis-Djibouti Corridor) (P174485) - are intended to support regional connectivity in Kenya, Djibouti and Ethiopia, respectively.

<sup>16</sup> Prepared by the World Bank as part of its HoA Initiative engagement

**b) Country Context**

10. **Somalia is emerging from a legacy of three decades of cycles of violent conflict and fragility.** Since 1991, the country has been fragmented by armed conflict, *ad hoc* regime changes and state capture. The August 2012 transfer of power from a transitional to a full federal government in Mogadishu and the peaceful handover of power in 2017 following an election, generated domestic political momentum, and triggered international recognition and support for the new federal government. Over this period, Somalia has made encouraging steps towards a political settlement and the rehabilitation of government institutions. The Provisional Constitution of the Federal Republic of Somalia adopted on August 1, 2012, provides the legal foundation for the existence of the Federal Republic and is the first step towards a new federalism model for Somalia.

11. **The federation process has been complex and challenging despite the creation of several Federal Member States (FMS).**<sup>17</sup> The four new FMS in southern Somalia are Jubaland, Southwest, Galmudug and Hirshabelle, with Puntland in the north having been formed in 1998. Somaliland in the northwest is a semiautonomous region. Uncertainties however remain over the assignment of functions to different levels of government, pending a final constitutional settlement. Discussions over power and resource sharing are ongoing and remain highly sensitive. Disagreements in early 2021 over electoral processes and timing, with various FMS taking opposing views and low-level violence, led to a protracted presidential election, concluding in May 2022. Despite the successfully completed election, relations between the Federal Government of Somalia (FGS) and FMS will likely remain unstable and asymmetric for some time, even as inter-governmental cooperation arrangements emerge.<sup>18</sup>

12. **Decades of conflict compounded by recurring natural disasters have displaced a significant portion of society and damaged much of the country's infrastructure, resulting in high rates of poverty and food insecurity.** Of the estimated 16.4 million Somali population,<sup>19</sup> as of 2021 at least 2.5 million live on the margins of food insecurity.<sup>20</sup> 777,000 Somalis currently reside outside of the country as refugees, and another 3.0 million are internally displaced, many of whom live in urban areas.<sup>21</sup> Poverty is estimated at approximately 69 percent at the national level, with even higher rates seen in Mogadishu and among the internally displaced population.<sup>22</sup> The poor are also likely to experience non-monetary poverty with worse access to basic services such as education, health, water and sanitation than the overall population.<sup>23</sup> However, remittances sent home from outside the country have somewhat mitigated the extreme poverty in Somalia: a 2019 World Bank study shows that households receiving international remittances are less likely to be poor, with only 58 percent of remittance-recipient households adjudged as poor, compared to 71 percent of non-recipient households.<sup>24</sup>

13. **Somalia's economy has proven remarkably resilient, but resources for infrastructure and service delivery are limited and recent challenges threaten progress.** Despite the perpetual civil conflict, the economy

<sup>17</sup> Somaliland remains separate from the federation.

<sup>18</sup> World Bank. Country Partnership Framework for Somalia. August 2018.

<sup>19</sup> World Development Indicators, World Bank. 2021

<sup>20</sup> FEWSNET – Somalia Food Security Outlook for October 2020 to May 2021

<sup>21</sup> UNHCR Refugee Data Finder. (URL: <https://www.unhcr.org/refugee-statistics/download/?url=8w7IWa>)

<sup>22</sup> World Bank, 2019. Somalia Poverty and Vulnerability Assessment: Findings from Wave 2 of the Somali High Frequency Survey.

<https://openknowledge.worldbank.org/handle/10986/32323>

<sup>23</sup> World Bank, 2017. Somalia - Systematic Country Diagnostic

<sup>24</sup> World Bank, 2019. Somalia Poverty and Vulnerability Assessment: Findings from Wave 2 of the Somali High Frequency Survey. (URL: <https://openknowledge.worldbank.org/handle/10986/32323>)



was growing at a moderate pace before the COVID-19 induced downturn, growing by 2.9 percent in 2019, mainly supported by recovering agricultural production, sustained consolidation of peace and security, gradual increase in private investment, and donor inflows. The COVID-19 pandemic has interrupted this recovery, however, with a contraction of 2.2 percent in 2020 driven by reduced demand for livestock and other goods, slowing remittances, and general disruption. While there are some signs of recovery, the downside risk is substantial, including due to political uncertainty, locust infestations, drought, security threats, and more. With an estimated GDP per capita of US\$446 in 2021, Somalia remains one of the poorest countries in the world.<sup>25</sup>

**14. With an arid and semi-arid climate, Somalia has suffered from a reoccurring cycle of droughts and floods.** Droughts occur every 2-3 years and are often followed by floods, particularly in the south of the country. The drought in 2016-2017 exacerbated the country's vulnerability by resulting in the loss of livelihoods and forcibly displacing more people and caused significant economic and environmental damages and losses. The agriculture sector, which underpins the Somali economy, experienced near total collapse with crop failures and increased livestock mortality due to widespread shortage of water. This resulted in loss of livelihoods for many, left approximately 6.7 million Somalis – more than half the population – in need of humanitarian assistance and displaced more than 926,000 people.<sup>26</sup> The majority of the drought related displacement takes place in rural areas with populations moving to urban centers to join existing settlements for the internally displaced. The cities of Mogadishu, Baidoa and Kismayo host almost 40 percent of the total drought-related displacements.<sup>27</sup> More recently, the country has been troubled by floods and an invasion of locusts, which have destroyed crops. Along the coastline, coastal flooding presents a risk that may increase with sea level rise and higher storm surges due to climate change.<sup>28</sup>

**15. Somalia could benefit from one of the most productive marine ecosystems in the world.** With 3,300 km of coastline along the Indian Ocean and Gulf of Aden, Somalia has the longest coastline in continental Africa. The Exclusive Economic Zone of Somalia extends to 825,052 km<sup>2</sup>, covering 30 percent larger than its entire land area (637,657km<sup>2</sup>). Thanks to the Somali current and a major upwelling created by the Southwest monsoon, the productivity of Somali waters is very high. Its narrow continental shelf is home to several species of demersal fish and crustaceans and the offshore waters are prime fishing grounds for highly migratory fish species such as tuna and tuna-like species. Despite this potential, the country's Blue Economy has remained largely untapped due to issues linked to weak governance, absence of management and rampant Illegal, unreported, and unregulated fishing activities.

**16. The FGS has significantly improved its ability to implement fiscal policy.** Domestic revenue collection (tax and non-tax revenues) has been gradually increasing, although remains low, at an estimated 3.1 percent of GDP in 2021.<sup>29</sup> This performance is driven by the government's continued efforts to broaden the tax base including introduction of sales tax on goods and services; enhanced compliance; and improved collection capacity which has also seen an increase in non-tax revenue. However, revenue collection levels across the states vary significantly, ranging in 2018 from US\$74 per capita in the territory controlled by the FGS, to US\$0.4 per capita in Galmudug.<sup>30</sup> Furthermore, fiscal space is constrained by recurrent expenditures related to the wage bill as well as

<sup>25</sup> World Bank. World Development Indicators

<sup>26</sup> Drought Impact Needs Assessment (DINA) Executive Summary. 2017.

<sup>27</sup> Humanitarian Bulletin, July 2017, United Nations Office for the Coordination of Humanitarian Affairs

<sup>28</sup> Think Hazard, consulted in December 2020. (URL: <https://thinkhazard.org/en/report/226-somalia>).

<sup>29</sup> Macro Poverty Outlook: Somalia, 2022. World Bank

<sup>30</sup> Domestic Resource Mobilization in Somalia, Somalia Public Expenditure Review, World Bank, 2021.



security and administrative services both accounting for about 90 percent of the total spending, hence crowding out social and economic sectors. The government's fiscal performance has been monitored by the International Monetary Fund's Staff Monitored Programs.<sup>31</sup> The government still relies heavily on external assistance for socio-economic infrastructure and services.

**17. The FGS has begun to rebuild its capacity to deliver results for its citizens, with the support of multilateral and bilateral development partners (DPs) including the WBG.** Considerable resources have been invested in the public sector at the federal level through the strengthening of financial management (FM), institutional capacity, and payment of recurrent costs. The World Bank's Special Financing Facility for Local Development<sup>32</sup> developed procurement and supervision functions at the federal Ministry of Finance (MoF) and financed small-scale investments across Somalia, mainly in smaller secondary and tertiary cities. A World Bank-financed urban project (Somalia Urban Resilience Project, Phase I and Phase II<sup>33</sup>) is supporting key cities by supporting the flow of funds from the federal to lower levels of government and strengthening project planning and implementation capacity at the municipal level.

**18. Despite signs of improving capacity and stability, global trends, including the COVID-19 pandemic, rising inflation, and food shortages driven by the war in Ukraine and drought, threaten to derail progress and set Somalia further back, both relative to its neighbors, and nominally in terms of development outcomes.** Although testing remains limited, supporting contextual evidence indicates that COVID-19 remains a challenge. Rising prices and supply chain disruptions have led to growing food insecurity and rising prices, threatening the country's economic and political recovery, potentially reversing the gains of the past decade. Reestablishing the country on a positive trajectory considering the various crises will require concerted effort from the FGS and FMS, as well as concerted support from DPs and with major export destinations.

## B. Sectoral and Institutional Context

**19. Leveraging its strategic location, Somalia is seeking to capitalize on its potential to be an economic integrator within the Horn of Africa, with trade and infrastructure services facilitating connectivity to global markets.** It is located at the intersection of four regions: Africa, Asia, Europe and Middle East. Somalia's seaports at Mogadishu, Bossaso, Kismayo and Berbera are potential assets - not only for Somalia but also its neighboring countries in the greater HoA, including Ethiopia, South Sudan, and Sudan - to improve connectivity and access greater economic opportunities in the global market. With Ethiopia's landlocked 112 million citizens to its west, Somalia recognizes a potential role as transit country connecting the hinterland to global markets. With its long coastline, established seaports, important marine resources, planned new international sub-marine fiber optic cable connections, and orientation of its primary roads as beltways into the interior, Somalia has a potential competitive advantage to becoming a gateway to international markets for its landlocked neighbors. Driven by a desire to increase resilience, the diversification away from Djibouti as the primary gateway for Ethiopia, especially through the strategically located port of Berbera in Somaliland, has been a high priority for the Ethiopian government in recent years. And yet, this significant potential for increased integration with hinterland countries is largely impeded by current infrastructure and institutional challenges, including failing road infrastructure,

<sup>31</sup> Somalia: Second Review Under the Staff-Monitored Program and Request for Three-Year Arrangements under the Extended Fund Facility-Press Release. International Monetary Fund. (URL: <https://www.imf.org/en/Publications/CR/Issues/2020/03/26/Somalia-Second-Review-Under-the-Staff-Monitored-Program-and-Request-for-Three-Year-49289>)

<sup>32</sup> Trust funded activities under the Special Financing Facility for Local Development Project (P156257)

<sup>33</sup> Somalia Urban Resilience Project (P163857) and Somalia Urban Resilience Project II (P170922)



limited port capacity, undeveloped cold-chain infrastructures and seafood value-chains, missing terrestrial fiber optic backbone networks to distribute international bandwidth, weak institutions, absent or unclear regulations, non-tariff barriers to trade and financial and fiscal challenges both at FGS and FMS levels. In addition, although the country's strategic position presents opportunities, the presence of other ports in the wider region (including Mombasa in Kenya and Djibouti) presents some level of competition, highlighting the importance of addressing wider bottlenecks and identifying specific trade flows for which it has a competitive advantage.

**20. As addressing Somalia's infrastructure gaps will be the work of decades, the project seeks to lay the foundation by supporting the technical work necessary for delivering a pipeline for economic corridor development and associated connectivity.** The project will undertake analytical work to both underpin development of that pipeline, as well as to establish the tools for good sector management, and provide initial incremental steps for institutional and capacity development. No civil works will be undertaken under this project, but subsequent projects (to be potentially financed by the World Bank or others) will be launched as designs are completed.

**21. The Government has limited capacity and resources to provide basic service delivery and bridge the country's vast infrastructure challenges.** National institutions are either weak or nascent, and the FGS has identified several national sectoral agencies to be created. Both the Somali Ports Authority and the Somali National Highway Authority are officially established but are yet to be operationalized at scale. In the energy sector, there are discussions for the operationalization of a national energy authority. While the World Bank has successfully supported the establishment of the National Communication Authority, the telecom sector regulator, since 2018, the institutions remain nascent and in need of further support and technical assistance. The FGS sectoral ministries which are attempting to fill the gap have neither the capacity nor the analytical underpinnings to effectively do so. District governments (which function as municipal governments) have the primary responsibility for providing basic services. However, capacity and fiscal constraints limit their ability to undertake basic municipal functions, and outside of a few larger cities, these constraints deepen rapidly. FMS governments are only receiving a small recurrent budget through an inter-governmental fiscal transfer, and staffing is generally skeletal with limited capacity. Municipal/district governments' own revenue collection is minimal and unstructured. They are dependent on external assistance or the private sector for capital investments. Delivery of services tends to be ad hoc due to lack of comprehensive urban development plans and limited resources.

**22. There is insufficient capacity for assessment and management of environmental and social risks in Somalia.** Much remains to be done to operationalize policies, laws, and regulations for national or state-level environmental and social oversight either newly endorsed or under development, including a National Climate Change Policy, a National Environment Policy, a National Environment Management and Coordination Act, and an Environment and Social Impact Assessment Regulation which have all been recently ratified and adopted by the Somali government. Municipal-level development control and use of instruments such as zoning and land use planning is non-existent, generally. In addition to the newly created laws and regulations, with the support of the World Bank, some measure of progress has been noted over the past several years. In particular, the World Bank has been technically supporting the capacity of the FGS to address environmental requirements, first with the Directorate of the Environment and Climate Change in the Office of the Prime Minister (OPM), and subsequently in the recently created Ministry of Environment and Climate Change (MECC).

**23. The project will provide the first step towards the multi-decade capacity building process for the country's transport and trade sectors.** While the initial set of designs and studies designed under the project will



contribute to eventually meeting the infrastructure gap, sustainable access and connectivity within Somalia and between the countries of the region will require institutions empowered to maintain and expand this base over the long term. Capacity building activities within the project have been selected with a 10-to-15-year vision, prioritizing skills and capacities which will contribute to this longer-term objective.

**24. Gender inequality and Gender Based Violence (GBV) are prevalent issues in Somalia.** According to the 2019 World Bank Somali Poverty and Vulnerability Assessment, only 37 percent of women participate in the labor market, compared with 58 percent of men.<sup>34</sup> Employment rates are low in general in Somalia compared to other low-income countries in Africa; however available data shows large employment gaps in the infrastructure sectors specifically, with men participating 34 times more than women in the transport and communications sectors, while women's involvement in utilities is almost nil.<sup>35</sup> There is no exact data about the number of women working in the maritime sector in Somalia, but it is well known that women are under-represented in this sector. In the fisheries sector, women are playing an important role acting as fishmongers buying fish from fishers and selling it to the public with minimal processing; however, fishing is still considered as male dominated sector.<sup>36</sup> Evidence provides some explanations related to women's inactivity, such as gender social norms, and gaps in school enrollment.<sup>37</sup> World Bank research suggest that there is only a slight gender gap in relation to digital financial services in Somalia.<sup>38</sup> GBV, including sexual exploitation and abuse (SEA) is a significant challenge in Somalia,<sup>39</sup> driven by pervasive insecurity, increased vulnerability, and displacement. The persistent violations take the form of rape, physical assault, intimate partner violence, abduction, forced prostitution, exploitation, and human trafficking. Key risk factors identified include internal migration and displacements linked to conflict or disaster, limited settlement security for the forcibly displaced, poor living conditions and lessened clan protection. Displaced women and girls are among the most vulnerable population, and, in particular to violence. According to the GBV Integrated Management System, between January 2015 to June 2016, 73-78 percent of survivors of GBV were female Internally Displaced Persons.<sup>40</sup>

#### a) Regional Economic Integration

**25. The WBG's support towards regional integration in Africa is guided by the World Bank's Africa Regional Integration Strategy.**<sup>41</sup> The strategy notes that priority should be given to: (i) selected transnational economic corridors where integration could be realized; (ii) addressing policy and other barriers to value addition and facilitating greater trade on these corridors; and (iii) integration priorities of the Regional Economic Communities and the expectations of the private sector in terms of connecting and growing markets.

<sup>34</sup> World Bank. (2019). Somali Poverty and Vulnerability Assessment. Findings from Wave 2 of the Somali High Frequency Survey. April 2019 Report No. AUS000040710042. (URL: <https://elibrary.worldbank.org/doi/epdf/10.1596/32323>)

<sup>35</sup> ILOSTAT. Employment by sex and economic activity: (URL: [https://www.ilo.org/shinyapps/bulkeplorer32/?lang=en&segment=indicator&id=EAP\\_2EAP\\_SEX\\_AGE\\_NB\\_A](https://www.ilo.org/shinyapps/bulkeplorer32/?lang=en&segment=indicator&id=EAP_2EAP_SEX_AGE_NB_A))

<sup>36</sup> United Nations Somalia. (2020). Fish give women in Somalia a taste of hope (URL: <https://somalia.un.org/en/50252-fish-give-women-somalia-taste-hope>)

<sup>37</sup> Federal Government of Somalia. National Development Plan 2017-2019.

<sup>38</sup> World Bank. (2018), Mobile Money Ecosystem research

<sup>39</sup> World Bank. (2018). Country Partnership Framework for the Republic of Somalia 2019-2022 (URL: <https://documents1.worldbank.org/curated/en/941361537906125793/pdf/SOMALIA-CPF-08312018.pdf>)

<sup>40</sup> World Bank. (2018). Country Partnership Framework for the Republic of Somalia (2019-2022): (URL: <https://documents1.worldbank.org/curated/en/941361537906125793/pdf/SOMALIA-CPF-08312018.pdf>)

<sup>41</sup> World Bank. Supporting Africa's Transformation: Regional Integration and Cooperation Assistance Strategy for the Period FY21–FY23, Report No. 154458-AFR



26. **The economies of the HoA countries are mostly agriculture-based and rely on imports for most other goods.** Imports from outside of the HoA region by member countries significantly exceed intra-regional trade. For instance, in 2017, Ethiopia's and Kenya's imports from the HoA amounted in value to US\$67.5 million and US\$42.6 million, respectively, while their exports to the HoA amounted to US\$20 million and US\$267 million, respectively. Somalia on the other hand, imported goods worth US\$190 million from the HoA countries in 2019 but exported officially less than US\$1 million during the same year.<sup>42</sup> Apart from the Kenyan exports to Somalia therefore, intra-regional official trade in the region is at best marginal. See Table 2 and 3 for more detail.

**Table 2: Imports Value within and outside HoA by Country (US\$ million)**

Country	Imports from HoA	Imports from Africa	Imports from the World	% share of HoA in total imports from Africa	% share of HoA in total Imports
Djibouti	7.5	187	4,450	4.03	0.17
Eritrea	1.7	140	396	1.20	0.43
Ethiopia	67.5	741	9,760	9.12	2.54
Kenya	42.6	2,250	16,900	1.80	0.25
Somalia	190.0	298	3,070	63.80	6.19

**Table 3: Exports Value within and from outside HoA by Country (US\$ million)**

Country	Exports to HoA	Exports to Africa	Exports to the World	% share of HoA in total Exports to Africa	% share of HoA in total Exports
Djibouti	0.434	9.37	99.9	4.63	0.43
Eritrea	0.0431	6.27	418	0.68	0.01
Ethiopia	20	72.1	2,260	27.7	0.89
Kenya	267	2,270	5,700	11.7	4.7
Somalia	0.911	5.43	325	16.78	0.3

Source: *World Integrated Trade Solution database and Horn of Africa Regional Economic Memorandum (P172711)*, 2021

27. **Somalia's integration with the HoA region, and the wider African economy, has the potential to spur growth.** The development of integrated economic corridors, tackling access to transport, energy, internet, telecoms, and trade, have been found to deliver real positive outcomes. A recently published study<sup>43</sup> on the potential impact of infrastructure development on the HoA found that a coordinated expansion in access to roads, electricity and internet, as could be envisioned through an economic corridor approach can have an important role in driving a structural change in employment (estimated at a 12 percent increase in the share of services employment). The same study also estimated that development of the HoA Initiative identified corridors, combined with trade facilitation support, could boost real income in Somalia by 6.3 percent. The development of such corridors is expected to support three important objectives: reduction in travel time to port for landlocked regions; generation of domestic and regional economic activity along the corridor (including in marginalized areas); and promotion of intra-regional trade. Such integration will be especially important to take advantage of the recently agreed African Continental Free Trade Area.

28. **However, the barriers to such integrated trade are many, going beyond just infrastructure provision.** Road construction and rehabilitation along the country's main corridors has been a challenge since the collapse of the state in 1991 and the road infrastructure is mostly in poor to very poor condition. Some sections are not paved which further hinders the movement of trucks, especially during rainy seasons, and substantially impact

<sup>42</sup> World Integrated Trade Solution database and Horn of Africa Regional Economic Memorandum , 2021

<sup>43</sup> "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021



transport prices and costs. Dilapidated road infrastructure is not the only driver of high transport costs and prices as documented by recent analytical work,<sup>44</sup> support for complementary measures and studies are needed to unlock the economic potential of these “conveyor belts” for international trade and economic development in the country. As a start, the establishment of corridor observatories, drawing lessons from years of support in Sub-Saharan Africa, will be instrumental in collecting disaggregate data on truck movements and trade performance along each section of the main corridors, and report major obstacles to trade such as checkpoints and roadblocks, security issues and market organization issues which have been demonstrated to significantly impact the transport prices and costs.<sup>45</sup> In the absence of state intervention, central market associations/organizations in port cities (Mogadishu, Berbera, Bossaso, Kismayo), in major trade gateways (e.g. Galkayo, Lascanod) and in some border towns (e.g., Dhobley, Elwak, Beled Hawo or Tog Wajale) have developed to organize and streamline operations where most trade and long-distance transport transactions materialize. Opportunities for more efficient operations are many, including in port-market linkages, freight allocation, cargo insurance arrangements, bulking and storage, and in monitoring prices.

**29. HoA countries are members of various regional bodies, although the effectiveness of these as economic blocks is somewhat tenuous.** For instance, Somalia, Djibouti, Kenya and Ethiopia are members of the Intergovernmental Authority on Development (IGAD) and the Common Market for Eastern and Southern Africa. Djibouti, Ethiopia, Kenya and Somalia are also party to the Agreement Establishing the African Continental Free Trade Agreement, although Somalia is still in the process of ratification. Although progress has been made to expand the coverage of these and several other agreements, effective implementation remains a challenge. The recently approved Kenya Horn of Africa Gateway Development Project<sup>46</sup> will support initiatives towards agreeing on common trading protocols, starting bilaterally between Ethiopia and Kenya, followed by integration with the rest of the members of the HoA.

**30. Kenya, Ethiopia and Somalia have long common borders, with alternative border posts for cross-border trade.**<sup>47</sup> However, formal trade has been limited in part by the lack of effective border management systems and protocols, and general insecurity which on many occasions led to the closing of the border posts or the prohibition of cross-border movements for cargo and/or individuals. Despite these limitations, informal and illegal trade thrives. Kenya has established a lead agency, Customs and Border Control, responsible for the management of border crossings and controls very strictly the movement of cargo and individuals, with stringent visa requirements preventing most Somalis (including drivers) from crossing the border and circulating in Kenya. The only Somali drivers reported to cross the borders and deliver freight into Kenyan territory (up to the refugee camp of Dadaab for example or even Garissa) hold dual nationalities.<sup>48</sup> Similar arrangements are reported along the Ethiopia/Somalia borders, but restrictions are more severe on trucks than individuals and it is not uncommon to observe truck drivers illegally changing truck plates at the borders to circulate into the neighboring country. In this context, it is paramount to put in place effective border management measures and transit systems to enable the efficient and secure movement of goods and individuals across borders thereby facilitating regional integration and delivering the job creation and economic development promise for local populations.

<sup>44</sup> World Bank. 2021. Somalia Country Economic Memorandum: Towards an Inclusive Jobs Agenda

<sup>45</sup> Ibid.

<sup>46</sup> Project ID P161305, and the first in the SoP which includes this project

<sup>47</sup> The United Nations Office for Coordination of Humanitarian Affairs for example supervises the status of 19 border posts between Somalia and its neighboring countries (Djibouti, Ethiopia or Kenya) in the periodic public COVID-19 Monthly reports.

<sup>48</sup> World Bank. 2021. Somalia Country Economic Memorandum: Towards an Inclusive Jobs Agenda



31. **Although Somalia is relatively highly urbanized, development of the hinterland and borderlands will be vital, as farmers and pastoralists living in rural areas are not well connected to domestic or international markets.** According to the World Development Indicators about 7.6 million live in Somalia's urban areas (as of 2021), with half estimated to live in the primary city, Mogadishu. Those not living in urban areas face significant connectivity gaps: The Rural Access Index, which measures the share of the rural population that is within 2 km of an all-weather road, has been calculated at just 31.2 percent, compared to 56 percent in neighboring Kenya.<sup>49</sup> In most areas of the country, total transport costs to a large city, a proxy for estimating access to domestic markets, are found to be very high, at US\$20 to US\$50 per ton, despite relatively short distances. The transport sector is vulnerable to the impacts of climate change and natural disasters like flooding, extreme temperatures, and landslides, especially in the semi-desert areas and along riverbeds in the South. A resilient transport sector could, in turn, enhance the resilience of communities by improving food and water security and providing all-season access to services like education and health.

32. **The Somali economy has been traditionally dominated by pastoralism and crop production, followed by fisheries and forestry and these four sectors are supporting over 80 percent of the population.** Somalia has a long tradition of pastoralism and pastoral communities. Most pastoralists in the North of Somalia are in the Haud and Sool Plateau, and they are also very present along the borders with Ethiopia and Kenya. Somalia has some of the largest livestock populations in the world, especially camels, goats, sheep and cattle. Yet the challenges to trade this livestock across borders, whether through international ports or the land borders (especially with Kenya) are many. Critical infrastructure improvements are needed to support transformation of this sector and boost its value addition in the country, including investment into meat processing facilities at the ports and the development of reliable cold chains.

33. **The potential for the trade of fish and the broader Blue Economy to better contribute to the regional economy remains largely untapped.** Rebuilding, managing, and diversifying the fishery sector is essential to strengthening food security and coastal livelihoods as well as to promoting employment in the sector and generate revenues for the country. With a strong market for fish in Ethiopia, development of the necessary infrastructure and systems to harvest and transport goods into the hinterland has strong economic potential. However, the state of the resources is largely unknown, the institutional capacity is weak, the legal and regulatory framework is incomplete, management and governance arrangements are missing and basic fisheries infrastructures, e.g., fishing ports and landing sites, cold chain and processing infrastructure, are lacking.

#### b) Infrastructure Integration

34. **Somalia's national transport infrastructure has suffered dramatically from a lack of maintenance and investment during the civil war and the current infrastructure gaps in the transport sector are massive.** Of the 21,830 km of roads in the country, only 2,860 km are estimated to be paved (13 percent), and most of this paved network is believed to be in poor or very poor condition. Only 31.2 percent of the rural population has access to an all-season road, with the majority without reliable access.<sup>50</sup> Along the coast, the lack of infrastructure expresses itself as a severe limitation on the fishing industry, with a low intensity of development of coastal infrastructure in some regions (e.g., Galmudug and Hirshabelle).

<sup>49</sup> World Bank Development Data Hub, Rural Access Index. Updated 2022.

<https://datacatalog.worldbank.org/search/dataset/0038250/Rural-Access-Index--RAI->

<sup>50</sup> SDG 9.1.1. Rural Access Index - <https://datacatalog.worldbank.org/dataset/rural-access-index-rai>



35. **Since 2012, the federal government and the FMS, with the support of development partners have begun to identify and act on initial priorities for critical investment in the road sector.** The AfDB supported the FGS to conduct a sector evaluation (Transport Sector Needs Assessment, 2016) to identify priorities in the sector. Few road reconstruction/rehabilitation projects are under preparation or implementation: the Berbera-Tog Wajale corridor and the Burco-Berbera road (supported by the UK's Foreign, Commonwealth and Development Office and the Abu Dhabi Fund for Development) and the Berbera-Hargeisa road (also supported by the Abu Dhabi Fund for Development) in Somaliland, the Beledweyne-Galkayo and Garowe-Galkayo roads in Puntland and the Galkayo-Hobyo road in Galmudug (supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), AfDB and the EU), the Luuq-Doolow road in Jubaland, (supported by AfDB and the EU) and the Mogadishu-Afgoye and Mogadishu-Jowhar roads in Banadir/Hirshabelle (supported by the Qatar Fund for Development).<sup>51</sup> Beyond these interventions, other road works are not being planned, let alone shovel-ready, because of a lack of requisite technical studies and resources on the part of the FGS. The institutional capacities of the ministries are limited, and the governance challenges are many, especially due to absence of clear demarcation of authorities between the federal government and FMS in the management of the sector.

36. **Somalia currently has four ports operating as international ports which serve as the gateways to the major transport corridors in the country.** In Somaliland and Puntland, the ports of Berbera and Bosasso are being operated through a long-term concession with a private company. In Mogadishu, the main port of the country is managed and operated through a recently renegotiated concession contract. In Jubaland, the port of Kismayo is publicly owned and managed. Although some progress has been made in recent years in upgrading the infrastructure of these ports, substantial investments are needed to achieve the country's ambitions in the maritime sector, especially in view of the substantial increase in demand forecasted for hinterland countries (Ethiopia and Kenya). Additional port investments are also planned (e.g., in Hobyo, Galmudug) by FMS willing to take advantage of the strategic maritime location of the country to spur the development of their respective regions.

37. **Road safety is a challenge in Somalia, but the extent of the issue is unclear due to limited data.** The combination of failing infrastructure, absent regulations and weak enforcement of the traffic laws which do exist lead to Somalia having a relatively high level of road crash fatalities and injuries for a country with such a low motorization rate (27.10 fatalities per 100,000 population).<sup>52</sup> This is unreliable, however, due to a number of reasons: it is increasingly out of date, estimates are based on unreliable information, and, most importantly, data collection has only covered part of the country.

38. **Women and girls are disproportionately affected by inadequate road and transport infrastructure.** For instance, as per the Systematic Country Diagnostic (SCD), limited geographical access is one of the main reasons behind the low usage of health facilities by women, contributing, among others, to maternal mortality, which remains persistently high at between 732-1400 deaths per 100,000 live births, with little improvement in the last 50 years.<sup>53</sup> In addition, poor transport infrastructure exacerbates women's already heightened vulnerability to

<sup>51</sup> These are estimated to cover about 1900 km of roads, with interventions ranging from periodic maintenance to rehabilitation, and with varying likelihood of eventual delivery.

<sup>52</sup> WHO Global Status Report on Road Safety. World Health Organization.2018 [https://extranet.who.int/roadsafety/death-on-the-roads/#country\\_or\\_area/SOM](https://extranet.who.int/roadsafety/death-on-the-roads/#country_or_area/SOM)

<sup>53</sup> World Bank, Federal Republic of Somalia Systematic Country Diagnostic, 2018



climate change and difficulty accessing services for themselves and their families during periods of forced displacement.<sup>54</sup>

**39. Access to electricity services is low at 33 percent, leaving 10 million in the dark, out of which 7.5 million are in rural areas.** Due to the context of fragility and conflict affecting the country since the 90s, the power sector infrastructure and institutional apparatus has never been re-built, which translated into a lack of strategic focus on the electricity access agenda. Services are currently provided by electricity service providers operating in island mode (mini-grids) through diesel gen-sets – an entrepreneurial answer to the lack of infrastructure planning. Electricity supply is inadequate in quantity, quality, and affordability to serve the Somali population and the constrained electricity consumption negatively affects productivity and economic growth. The country is currently discussing possible technical and political membership to the Eastern Africa Power Pool,<sup>55</sup> which would integrate the country into regional and continental power trade, and strategically position the country for trading with the Middle East.

**40. While the telecoms sector is perhaps more developed than other infrastructure sectors, Somalia lags its regional peers in terms of development of national broadband network infrastructure and access.** Until recently, Somalia was only served by one submarine cable, making the country prone to major communication outages. Today, two international submarine fiber optic cables land in Somalia, although with further cables are on the way. Somalia is also able to access capacity via terrestrial cross-border links to Kenya (albeit through weak microwave links) in the south and to Djibouti in the north, via Somaliland's terrestrial fiberoptic network. In the next three years, the operationalization and arrival of several new regional submarine cables is set to markedly change the connectivity landscape in Somalia, with ripple effects for the wider sub-region - creating opportunities for increased capacity, resilience, and competition. However, Somalia's weak terrestrial backbone network presents a major bottleneck in maximizing the impact of this surge in international capacity via new cables and landing points. Most of south-central Somalia is served only by expensive and slow microwave or satellite links, which throttle transmission capacity. Most end-user access networks are based on cellular wireless technology. While access to mobile communication services (2G) is thought to cover most of the main population centers, mobile broadband (3G and 4G) services are only available in Somalia's largest cities, resulting in some of the lowest broadband subscription figures in the region.

**41. Application of the 'dig once' principle, with coordinated deployment of linear infrastructure<sup>56</sup> along key regional corridors in Somalia, would reduce cost of deployment and hasten the rate at which Somalia is able to bridge its vast infrastructure gaps.** Aligning infrastructure investments across sectors allows for shared right of ways, coordinated civil works, and delivery mutually reinforcing benefits. With such coordination, however, comes a need for wider sector-based network planning that requires sectoral institutional capacity building and an improved capacity for integrated infrastructure planning, platforms for inter-sectoral coordination and collaboration, as well as joint efforts to support the development of an enabling regulatory framework that cuts across infrastructure sectors - e.g. in relation to rights of way, private public partnerships, environmental and social risk management.

<sup>54</sup> See, for instance, Somalia's National Adaptation Program of Action on Climate Change, 2013.

<sup>55</sup> The Eastern Africa Power Pool is a regional institution working to interconnect the electricity grids of eleven countries in Eastern Africa in order to take advantage of excess capacity within the network and facilitate the trade of power between members.

<sup>56</sup> Such as roads, electricity transmission lines, and fiber optic cables



42. **A fragile security situation is an ongoing challenge for infrastructure development in Somalia, especially in the central and southern parts of the country.** Although the level of violence has decreased over the last decade, instability continues to threaten the FGS and FMS governments, with Al-Shabaab and other non-state actors continuing to conduct attacks throughout most of the country. For economic corridor development, improvement in security and stability is both a precondition to effective development, and a possible outcome of infrastructure development.<sup>57</sup> The prioritization of investments within Somalia will have to take security into account, as a consideration for project readiness, as an ongoing threat to be mitigated through the project cycle, and through its mitigation as a potential project outcome.

#### C. Relevance to Higher Level Objectives

43. **The project contributes to the World Bank's twin goals of eliminating extreme poverty and boosting shared prosperity through provision of critical economic infrastructure and basic services for some of the world's poorest and most vulnerable people in one of the most fragile countries.**<sup>58</sup> The project also contributes to the World Bank's Somalia Country Partnership Framework (CPF) FY19-22<sup>59</sup> which is under discussion for extension to FY23 as part of a draft Performance and Learning Review. It supports Focus Area 1, which aims to strengthen institutions to deliver services while addressing the cross-cutting consideration of building resilience to fragility and shocks. It also supports Focus Area 2, which focuses on restoring economic resilience and opportunities. By laying the groundwork for further infrastructure development and supporting related capacity building, the project could create opportunities for public or private investment which will contribute to the country's economic resilience and recovery.

44. **The project will contribute to the Somalia Ninth National Development Plan (NDP-9) 2020-2024.** The Economic Development Pillar of the NDP-9 aims to build "a more diverse and competitive economy capable of taking advantage of emerging regional trade opportunities [as] the best route to broadening growth and mobilizing revenue in the medium to long term." NDP-9 recognizes that the investment is needed in trade corridors which link Somali ports to neighboring countries.

45. **The project also contributes to the World Bank's Regional Integration and Cooperation Assistance Strategy for Africa (FY21-23).**<sup>60</sup> There is relevance to Priority 1 of the Strategy "Generate economic dynamism along regional economic corridors" and its objectives 1.1 "Develop regional infrastructure along economically important trunk routes", 1.3 "Harmonize policy and reduce nontariff barriers to promote trade and improve productivity along these economic corridors, and 1.4 "Build effective stakeholder coalitions to deepen integration along these economic corridors". The Strategy identifies the need to spatially prioritize interventions to grow the economy and deepen regional integration, while also addressing some of the 'softer' aspects of effective corridor development, such as regional trade policy and private sector development.

<sup>57</sup> Transport development, as part of a broader suite of actions, has been shown to have had a positive impact on stability in some countries, as it serves to increase economic interdependence between regions and serves as a visible representation of state influence and control. See, for instance, the discussion in "Forced Displacement in the Great Lakes Region: A Development Approach." World Bank, Washington, DC. 2015, and "World Development Report: Conflict, Security, and Development". Washington, DC: World Bank. 2011

<sup>58</sup> As outlined in the Global Crisis Response Framework (Navigating Multiple Crises, Staying the Course on Long-Term Development: The World Bank Group's Response to the Crises Affecting Developing Countries) and World Bank Group Strategy for Fragility, Conflict, and Violence 2020-2025)

<sup>59</sup> Discussed on August 29, 2018. Report No. 12473-SO

<sup>60</sup> Discussed on December 7, 2020. Report No. 154458-AFR



46. **The project is aligned with the objectives the HoA Initiative.** Consistent with the Ministerial Communiqué launching the HoA Initiative,<sup>61</sup> the overall objective of the HoA Initiative is to rapidly develop the sub-region by facilitating regional integration and cooperation among the five HoA countries. The project will directly contribute to Pillars 1 of the HoA Initiative, namely “An Interconnected Horn”, that focuses on implementing cross-border regional infrastructure projects including transport corridors; while facilitating progress towards Pillar 2: “More Trade, More Growth, More Jobs”, that focuses on trade and economic integration, and Pillar 4: “Human Capital Development”; as well as the other goals.

47. **The HoA Initiative gives importance to transforming transport and logistics corridors into economic corridors by easing the transport of goods and people and providing incentives to stakeholders to trade and engage in various economic activities along the corridors.** The resulting effect is increased trade and economic diversification and specialization which leads to wealth generation and social cohesion, inclusivity, and stability and chance to bring about security and peace. With 40 percent of the road kilometers and 4 of the 7 port outlets for the corridors, Somalia carries an outsized role and responsibility in the HoA Initiative. Figure 1 shows the identified HoA Initiative corridors and the Somali linkages to Kenya, Ethiopia, and Djibouti.

48. **The project is aligned with the World Bank’s Africa Climate Change Business Plan,<sup>62</sup> the Somalia Nationally Determined Contribution (NDC),<sup>63</sup> and the National Adaptation Program of Action (NAPA).<sup>64</sup>** Somalia’s NDC and NAPA identify water resources, agriculture and food security, animal husbandry, health, marine and coastal resources as particularly vulnerable to natural disasters and climate change; and propose adaptation actions to reduce risk among the vulnerable population. The destruction of the natural resource base (forest and range resources that provide the raw material production of charcoal in Somalia) is identified in Somalia’s NDC as one of the greatest challenges and a key driver of recurrent humanitarian crises in the country due to severe droughts and impacts on pastoralist activities. By developing resilient infrastructure and implementing measures to overcome the deforestation and rangeland degradation the project will contribute to the achievement of Somalia’s NDC targets.

49. **The NAPA also identifies women in rural communities as the most vulnerable groups in Somalia to the impacts of climate change.** Some of the roles that women play in society are impacted by droughts and floods such as fetching drinking water. And women are found to be the ones who must find solutions to feed their families in crisis situations and are exposed to physical insecurity during migration. The World Bank’s Africa Climate Change Business Plan<sup>65</sup> highlights the importance and urgency of countries to conduct development that addresses climate impacts and manages climate risks. The project aims to ultimately enhance the climate resilience of the transport, energy and information technology sectors and of the communities served by integrating these considerations into the designs being prepared by the project for future civil works.

50. **The proposed project is the second in a Series of Projects (SOP).** The SOP consists of a series of interdependent projects to support the HoA Initiative involving multiple borrowers, all of which will need to participate for the program’s objectives to be achievable. See Box 1 for more information on the SOP.

<sup>61</sup> Communiqué of October 2019, following Side Event During the World Bank Annual Meetings

<sup>62</sup> Africa Climate Business Plan, 2020. (URL: Reports (worldbank.org))

<sup>63</sup> Somalia’s Nationally Determined Contribution to the UNFCCC, 2015. (URL: Somalia’s INDCs.pdf (unfccc.int))

<sup>64</sup> Somalia’s National Adaptation Program of Action on Climate Change, 2013. (URL: som01.pdf (unfccc.int))

<sup>65</sup> Africa Climate Business Plan, 2020. (URL: Reports (worldbank.org))

**Box 1: Description of the Series of Projects (SOP)**

**Program Objective:** The overarching objective of the HoA Program Series of Projects is “enhancing connectivity among the HoA countries and access to seaports, facilitation of domestic and regional trade and economic integration, and road safety.”

The SOP was created to support the countries of the region to build the regional integration links necessary to achieve the program objective, beginning to address the large financing requirements while tackling the wide range of needs of the individual countries. This interdependent/multiple borrower type of SOP aims to achieve benefits that go beyond each country’s boundaries, creating regional public goods and generating positive externalities. The first operation under the SOP was the Kenya Horn of Africa Gateway Development Project (P161305), which was approved September 8, 2020. Preparations are underway for subsequent operations in the SOP, including in Djibouti (the Horn of Africa Initiative: Djibouti Regional Economic Corridor Project (P174300)) and Ethiopia (the Horn of Africa Initiative: Regional Economic Corridor Project (Addis-Djibouti Corridor) (P174485)).

The SOP’s objectives and structures remain relevant for the countries in the region, and for Somalia specifically, as demonstrated by the thirteen Horn of Africa Ministerial Meeting held in June of 2022 which was attended by senior leaders from the member countries, and which called for continued investment by donors in the initiative, while preserving the country-led focus.<sup>66</sup>

51. **The proposed program meets the criteria for IDA Regional Program Funding** as: (i) it covers the fragile and conflict prone Somalia and is contiguous and economically inter-dependent on the countries of Kenya, Ethiopia and Djibouti; (ii) it contributes to transport and communication connectivity among Somalia, Kenya, Ethiopia and Djibouti; (iii) the eventual expected full transit efficiency gains will only be achieved with the direct and integrated involvement of the countries sharing the corridor; (iv) the benefits can only be adequately achieved through the implementation of an integrated set of infrastructure, trade and development facilitation activities in the countries the Somali economic corridors adjoin; (v) the program enhances competition among transport corridors in the sub-region; and (vi) the groundwork initiated in the project for development of Somali economic corridors identified under the HoA Initiative will eventually link more than three contiguous countries.

**II. PROJECT DESCRIPTION****A. Project Development Objective****Program Objective**

<sup>66</sup> Communiqué from the 13<sup>th</sup> Ministerial Meeting. Horn of Africa Initiative. June 30, 2022 (URL: [https://hoainitiative.org/commrique-from-13th-ministerial-meeting/](https://hoainitiative.org/communique-from-13th-ministerial-meeting/))



52. **The overarching objective of the HoA Program Series of Projects, which the proposed project will contribute to,** is “enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety”.

#### PDO Statement

53. **The Project Development Objective** is to prepare a spatially coordinated investment pipeline of economic corridor projects, and to strengthen the national government’s management of selected sectors.

#### PDO Level Indicators

54. **Expected results indicators include:**

- a. Value of spatially coordinated economic corridor pipeline projects ready for investment
- b. National Transport Policy developed and submitted to Cabinet for approval
- c. Harmonized trade facilitation measures are piloted in at least two FMS
- d. Number of FGS staff working for at least a month with the PCU, disaggregated by gender

#### B. Project Components

55. **Financing of the proposed project is leveraged from three sources**, the Regional IDA Window, Somalia’s National IDA allocation, and the Horn of Africa Multi-Donor Trust Fund, as agreed by the HoA MDTF Partnership Council. The project financing is outlined in Table 4 below.

- **Regional IDA** (US\$20 million) will finance the preparation of regional road corridors and associated digital development and trade aspects, as included under component 1.
- **National IDA** (US\$38 million) will complement regional IDA by contributing to component 1, prepare national specific activities under component 2, and contribute to cost of capacity building and project management under components 3 and 4, respectively.
- **HoA MDTF** (US\$5 million) complements IDA financing with contributory financing of component 1 and Trade Capacity Development in component 3.

**Table 4: Elaboration of SHIIP Components and Financing Sources**

Components / Financing (US\$ millions)	Regional IDA	National IDA	MDTF	TOTAL
1 Development of Regional Economic Corridors	16.8	8.4	4.8	30.0
2 Connectivity to Economic Corridors	-	18.0	-	18.0
3 Institutional and Capacity Development	1.0	6.6	0.2	7.8
4 Project Management	2.2	5.0	-	7.2
5 Contingent Emergency Response	-	-	-	0.0
<b>TOTAL</b>	<b>20.0</b>	<b>38.0</b>	<b>5.0</b>	<b>63.0</b>

56. **The Somalia – Horn of Africa Infrastructure Integration Project (SHIIP) aims to initiate the unlocking of the economic potential of Somalia’s development corridors.** This will be achieved through the preparation of an initial round of pipeline of investment-ready and spatially considered regional corridor infrastructure, while laying the groundwork for good sector management by taking early steps in institutional and capacity development



anchored in professional sectoral analysis. The project components represent an important start in what will be a long-term development of the 2,500 km on the Somali side of the corridors identified in the HoA Initiative connecting to Kenya, Ethiopia and Djibouti. Recognizing however that infrastructure condition is not the only driver of high transport costs and prices as documented by recent analytical work,<sup>67</sup> the project will support complementary measures and studies to unlock the economic potential of these “conveyor belts” for international trade and economic development in the country. While the financing focus is inevitably on the technical road studies for key corridors, where opportune these will include other linear infrastructure, mainly transmission lines and digital broadband. It will also address improvement of local road connectivity and access where appropriate as well as other spatial consideration in planning for ports, fisheries, and economic and social dimensions intended to optimizing impact of the eventual investments.

**57. Achievement of project activities will largely be through technical, analytical and diagnostic studies.** In addition to the subject focus of each of these studies, the terms of reference (ToRs) for these will also be systematically molded to incorporate aspects related to capacity development and GBV/SEA. All ToRs are subject to clearance by the World Bank.

**58. There is a lack of capacity in Somalia for infrastructure planning, development and management and the proposed project will support capacity enhancement at both institutional and human resource levels.**<sup>68</sup> The project’s capacity building activities will largely be attained by learning-by-doing, while technical and analytical studies will be formulated to ensure engagement, technical exposure and decision making by civil servants, including by incorporating knowledge transfers through embedment of civil servants with consultant teams and training sessions in the subject matters. The project aims at a forward-looking strategy for sectoral development, identified to cumulatively contribute to a long-term institutional and sectoral vision to leave behind competencies beyond the life of the project.

**59. There is a recognition that infrastructure development can serve to address gender inequality, but road works and infrastructure can also create opportunities for risk factors that are conducive to GBV, including SEA.** Gender assessment will be used to collect baseline data on gender gaps in employment in the fishery and trade sectors, including the barriers that women face to benefit from potential new interventions to be informed by the collected data. These studies will be used as vehicles to understand and plan for addressing gender issues by drawing on the guidance provided by the World Bank’s Africa Region Gender Action Plan for FY 18-22, mainly as it relates to gender gaps in jobs and with regard to the gender constraints in fragility, conflict, and violence settings. Through social and GBV assessments, the focus will be on building a better understanding of the specific risk factors that may contribute to GBV and SEA as World Bank transport engagement is scaled from preparatory activities envisioned in this project, to implementation of major civil works in the near future.

**Component 1: Development of Regional Economic Corridors (US\$30 million equivalent; of which US\$16.8 million from Regional IDA, US\$8.4 million from National IDA, and US\$4.8 million from the HoA MDTF)**

**60. This component will carry out the identification of a regional economic corridor, prioritizing corridor road sections, including technical design of road works, preparation of environmental and social management instruments, conducting diagnostics of area wide trade facilitations and development measures and actions,**

<sup>67</sup> World Bank. 2021. Somalia Country Economic Memorandum: Towards an Inclusive Jobs Agenda

<sup>68</sup> It will draw lessons on institutional strengthening from projects implemented in Somalia in the last several years, such as in public financial management.



**economic analysis, and other preparatory analysis and design studies.** It is expected that close to 550 km of the prioritized regional economic corridors will be subject to technical preparation and brought to bidding stage. Identified sections will be assessed to identify relevant improvements needed and preparatory works conducted, including design of the road works, environmental and social risk mitigation instruments, and economic analyses. Climate resilient considerations will be included in the design of road works. Upon identification of a corridor and corridor road sections for design, this component will finance diagnostics of area-wide trade facilitation and development measures and actions aimed at augmenting the trade viability of the corridor, such as analysis of cross-border trade and design of relevant interventions for improved and secured cross-border trade movements at international or FMS borders. Where FGS strategies and plans for new transmission lines and digital development coincide linearly with a selected economic corridor, design of these will be undertaken.

61. **A methodology for prioritization was established in the preparation of this project to determine the priority sections to be included in the project by way of an inclusive and objective methodology.** Climate risks and vulnerability are also considered in the road prioritization methodology. The description also identifies primary road corridors within Somalia, largely aligned with those identified in the HoA Initiative, of which the project will finance a subset for design studies. Within the prioritization, eventual corridors and road sections are expected to be subject of discussion between FGS and FMS. While optimally the component will support development of a contiguous corridor, the prevailing political and security considerations may require financing preparation of corridor sections that are not contiguous. An analysis of the mobility barriers that women and men face to benefit from corridors will be conducted in order to define design features that could improve mobility, as well as potential complementary interventions defined by the population.

#### **Component 2: Connectivity to Economic Corridors (US\$18 million equivalent from National IDA)**

62. **This component will prepare a national level program of activities to leverage the development of economic corridors through local connectivity and accessibility.** While not specifically cross border regional integration activities, the identified projects will be those which complement the regional nature of the project, either by providing complementary investments to those in Component 1 or building links between the fragmented member states of Somalia. Specifically, the component will finance activities which include the following:<sup>69</sup>

- Conducting feasibility, design, and other studies necessary to prepare and bring to bidding stage approximately 900 km of secondary and tertiary roads linked to the identified corridors. Climate resilience considerations will be integrated in road design studies
- Designing new transmission lines and digital development activities along selected secondary and tertiary roads, including an integrated energy demand assessment;
- Conducting operational or environmental assessment and associated technical designs to linked and selected maritime ports;
- Conducting an economic assessment of the fisheries sector's infrastructure and services, which may include carrying out: (i) an opportunity and cost benefit analyses for fishing, or multi-usage ports along the coast of Somalia, (ii) a needs assessment and investment plan for pre- and post-harvest infrastructures in major ports and in smaller ports, (iii) detailed feasibility studies for fishing or multi-usage port developments and associated infrastructures, (iv) preparation of associated environmental and social management instruments,

<sup>69</sup> Listed activities in components 2 and 3, may be integrated in larger assignments during implementation.



- and (v) an assessment on climate risks and port vulnerability; and (vi) analysis of gender gaps and barriers for women to participate and benefit from the fishery sector;
- Conducting area-wide trade facilitation and development analyses and proposing targeted interventions to support job and value creating trade activities, including identifying opportunities to address the barriers for women to benefit from trade opportunities.

**Component 3: Institutional and Capacity Development (US\$7.8 million equivalent; of which US\$1.0 million from Regional IDA, US\$6.6 million from National IDA, and US\$0.2 million from the HoA MDTF)**

63. **This component will support select institutional and capacity development within the FGS,<sup>70</sup> especially within the transport and trade sectors.** It will build the capacity of selected Federal Government ministries, departments, agencies and institutions, including: (a) the institutional capacity of trade and transport MDAs and institutions for planning, implementing, maintaining and governing the infrastructure sector, and monitoring service efficiency; (b) the technical, managerial, planning, procurement, financial management and socio-environmental skills of staff of respective agencies and institutions; and (c) carrying out a needs assessment, formulating a framework for institutional and human resource capacities.

64. **Capacity building activities have been selected with a long-term vision of sectoral development, identified to serve as first steps on a long road towards a forward-looking institutional and sectoral vision.** Recognizing that major infrastructure gaps exist, resulting from decades of conflicts and fragility, the institutional capacity must be strengthened in all sectors. Within this project, capacity building activities are focused on the planning, implementing, and leveraging economic corridors, including activities in transport and trade as well as those associated with planning integrated corridors. As may be considered appropriate during the implementation of the project, the identified activities may be delivered as a stand-alone activity or integrated in larger pieces of assignments to streamline delivery and avoid overwhelming beneficiaries. In addition, the activities will be phased throughout project implementation in order to moderate the demand on implementing and beneficiary agencies. Overall training programs will be financed on targeted basis as a complement to capacity development to be achieved through hand-on exposure and technical assistance (TA) work. Capacity and analytical support will include:

- Transport
  - Development of the National Transport Policy under the guidance of the Ministry of Transport and Civil Aviation (MTCA) and incorporating the Ministry of Ports and Marine Transport (MPMT) and other stakeholders.
  - Development of a transport sector climate resilience diagnosis.
  - Development of a Road Sector Strategy.
  - Road sector studies, such as: (i) road condition surveys of prioritized corridors and connecting roads (covering approximately 2,500 km); (ii) road safety diagnosis and a National Road Safety Strategy (mapping out key stakeholders, institutional ownership and capacities, existing initiatives and a support framework, as well as conducting a road safety audit on selected primary corridors to identify blackspots); and (iii) conducting a gender and social inclusion analysis in trade and transport for future investment projects;

<sup>70</sup> While important capacity gaps exist within FMS institutions as well, the project scope is focused on building national level capacity as a first step and aligned with the national level roads prioritized during the project. It is expected that subsequent projects conducting civil works in specific locations will support development of relevant FMS institutions.



- Update and expansion of the National Ports Masterplan to inform a cohesive national development and management of the sector, including development of a Ports and Maritime Transport Strategy.
- Preparation of a National Highway Authority Development and Capacity Framework.
- Preparation of a Somali Port Authority Development and Capacity Framework.
- Trade Facilitation
  - Preparation of a program of activities to support an enabling environment for trade within the country, such as design of harmonized trade facilitation instruments across FMS to facilitate and secure the movement of goods across FMS borders and improve the collection of tax revenues. Such initiatives will possibly include the development of a national transit regime for inter-FMS trade (aligned with regional Common Market for Eastern and Southern Africa transit instruments), and the design and pilot-implementation of selected transport facilitation measures such as a cargo tracking system to improve security, efficiency and revenue collection for long-distance transport operations; a feasibility study for the development of a single-window platform for inter-FMS and interregional trade; a capacity building program to strengthen data collection and trade development capacities among relevant public and private sector agencies (e.g. chambers of commerce) at the federal and FMS level and to support the set-up of regional corridor management mechanisms (e.g. corridor management authority) for selected corridors; and support to investment strategies for and capacity development of small and medium-sized enterprises in responding to development of regional corridors.
- Integrated Economic Corridor Planning
  - Support for the development of an integrated national infrastructure investment strategy identifying key priority economic activities and investments for the development of the economic corridors in a coordinated way; policies necessary to oversee and implement such a strategy.
  - Harmonization of sectoral data and strategies into an interactive platform reflecting dynamically sector priority investments, aggregating datasets relevant to all sectors (a national atlas) and providing a monitoring tool for sectors respective developments.
  - Development of legal, regulatory and institutional frameworks required to govern the relevant sectors, including development of a National Land Policy.
  - Preparation of a program of activities to facilitate the digital development sector as it relates to planning and implementing fiber optic deployment along the targeted corridors, such as a feasibility study for a national fiberoptic backbone and policy to guide infrastructure sharing.
  - Preparation of a program of activities to support the fisheries sector along the selected corridors, identifying concurrent investments and improving planning for fisheries development, including a needs assessment and investment plan for identified fisheries infrastructure.
  - Energy sector planning studies necessary to align infrastructure development along economic corridors developments, including conducting a feasibility study for the national power transmission backbone.
  - Designing a program of training activities, and provision of targeted training to develop and strengthen the human resource capacity of relevant MDAs and institutions, including the transport and trade sectors. Under the guidance of the MECC, project will strengthen the environmental and social management of the relevant ministries and agencies, including undertaking of a focused capacity needs assessment with a costed training plan to build a cadre of environmental and social specialists, building basic understanding of social and environmental risk management, establishment of procedures and templates for risk management, institutional strengthening in support of the creation of an Environment and Social Risk Management Unit under the MECC, conducting regional



and national training workshops, coordination and cooperation with other development partners, and a draft road map for the FGS and the associated FMS for establishing and enhancing own country environmental and social risk management system.

**Component 4: Project Management (US\$7.2 million equivalent; of which US\$2.2 million from Regional IDA, and US\$5.0 million from National IDA)**

65. **This component will finance overall project implementation, coordination and management costs of the project**, including costs associated with a PCU in the Ministry of Public Works, Reconstruction and Housing (MPWRH).<sup>71</sup> It will strengthen the institutional and human resource capacity of the PCU for project implementation, coordination, management, monitoring and evaluation, financial and technical audits and mid-term and end-project evaluations, environmental and social management, financial management, and procurement, and recruiting project staff, through the acquisition of goods, provision of works, technical advisory services, training and operating costs. The project will rely as much as possible on local staff, utilizing external technical assistance consultants to support but not take responsibility for deliverables.

**Component 5: Contingent Emergency Response Component (US\$0)**

**Following an eligible crisis or emergency, the Borrower may request the World Bank to re-allocate project funds to support emergency response and reconstruction.** This component would draw from the uncommitted resources under the project from other project components to cover emergency response. Prior to the implementation of any activities under this component, a Contingent Emergency Response Component (CERC) Manual and Emergency Action Plan will be prepared and adopted, detailing implementation arrangements for the CERC and that will meet the environmental and social requirements as to be agreed in the Emergency Action Plan and ESCP.

### C. Project Beneficiaries

66. **The direct beneficiaries of this project will be the ministries within the FGS responsible for infrastructure development.** The project will develop the underlying studies, data and capacities necessary for government authorities to plan for and manage the infrastructure sectors, focused on economic corridor development. As such, the staff of MPWRH, MTCA, MPMT, the Ministry of Communications and Technology (MCT), and other related authorities will be the focus of the project, and its direct beneficiaries. Technical staff at ministries of public works at state level will be indirect beneficiaries, because of expected exposure through technical consultations and collaboration in preparing project designs and support to some sectoral analytical assignments.

67. **Downstream, through the implementation of the project's outputs, eventual development of economic corridors and associated connectivity will lead to benefits for large segment of, if not the entire population of the country.** More than 2.1 million Somali's live within 5 km of the economic corridors under consideration for design by the project and an additional 8.5 million live in cities which may be connected.<sup>72</sup> Transport and trade

<sup>71</sup> On occasions, TA may, on an interim basis, be provided directly to beneficiary ministries in order to support their execution of project activities in their relevant sectors.

<sup>72</sup> World Bank estimate based on World Pop population distribution (URL: worldpop.org). As outlined above, not all corridors which are under consideration will be designed, although the potential number of impacted residents will be accounted for in the prioritization methodology for activities under component 1.



facilitation could lead to a 6.3 percentage increase in real income for Somalia.<sup>73</sup> Connectivity to infrastructure services, not only roads, but also electricity and internet, can open the door for residents to expand their opportunities for employment, creating service and manufacturing jobs while also boosting the potential market for the agricultural goods which already drive the economy. Linking in potential fishing ports and supporting the growth of transport and trade services could open the door for a possibly lucrative trade with markets in neighboring Ethiopia.

**68. Integration of Somalia into the wider Horn of Africa will be key to unlocking the potential of regional integration.** Developing alternatives to Ethiopia's maritime access through Djibouti, unlocking maritime access to Northern Kenya through Somali Ports, facilitating and developing intra-regional and international trade, balancing power supply and demand, interconnecting and developing digital markets, supporting job creation and structural transformation and removing physical and non-physical barriers to an interconnected region will ultimately drive benefits to the entire regional population.

#### **D. Results Chain**

**69. The project is designed to contribute to the overall objective of the Horn of Africa Initiative: to develop the HoA sub-region by facilitating regional integration and cooperation among the HoA countries.** It contributes to the objective of the SOP: enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety. Achieving this will require a series of investments, addressing gaps in the road, ports, digital, energy, and trade sectors, as well as a host of other challenges.

**70. Although the level of need is great, the scope of the challenge, the fragile context, and Somalia's nascent and weak institutions are not ready to launch such a program, and no pipeline of investment ready projects is available.** The development of economic corridor infrastructure in Somalia and connectivity thereto, will depend upon the creation and capacitation of institutions necessary to govern the various sectors, development of the analytical and strategic underpinnings of these sectors, and preparation of a strong pipeline of quality investment projects. It is only as such foundations are being put in place that a sustainable infrastructure program can be successfully launched.

**71. While the challenges facing the country in achieving these goals are many, key hurdles include:** i) fragmented and weak governance, including the legal and regulatory framework of the sectors, a lack of certain institutions, a need for clarity of jurisdictional responsibilities, etc.; ii) macro-economic and fiscal considerations which impact demand for infrastructure and sustainability, including revenue generation, borrowing capacity, consumer confidence, etc.; iii) a lack of technical maturity and capacity of the infrastructure sectors, such as staff capabilities, readiness of investments, resilience to natural and man-made disasters, technical specifications and standards, and the ability to address the integrated considerations for delivery of projects (safeguards, safety, gender, modal integration, traffic management, etc.); iv) poorly coordinated business infrastructure, including standardized procurement, business models, legal frameworks, human capacity, etc.; v) prohibitive transport prices both for long-distance freight operations and port-city transfers; vi) inefficient cross-border transport chains and dominance of informal trade at borders and vii) safety and security, including strategies to address risk tolerance, and access to work sites.

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<sup>73</sup> "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021



72. **Tackling these challenges will take decades, and the project is intended to serve as an inflection point, building government capacity through two primary channels.** It will a) finance the preparation of analytical, and feasibility studies and designs of priority projects in a spatially coordinated manner while b) supporting the development of the institutional structures and capacity necessary to plan, prepare, execute, and oversee the development of the infrastructure sector for the medium and long term. Implementation is intended to lay the groundwork for follow-on projects which deliver actual infrastructure investments (either regional projects under the same SOP, or Somalia specific projects addressing national challenges and priorities). During implementation, as these projects have been prepared and financing is identified (by the World Bank or others), it is expected that they will begin under separate implementation arrangements.

73. **Specifically, under components 1 and 2, the project will support the identification and preparation of economic corridor projects and help identify local level connectivity and accessibility investments linking the identified corridors with the local population and economic opportunities.** These components are intended to create a coherent and coordinated pipeline of investment ready projects, jumpstarting Somalia's investment in rebuilding its regional connectivity through linked investments designed to be mutually reinforcing. It will also address sector analytical gaps to improve the overall readiness for such civil works, including climate resilience and support for inclusive economic development. Furthermore, the formulation of these studies will require, as a secondary objective, engagement of ministerial staff for capacity development through a learning-by-doing approach.

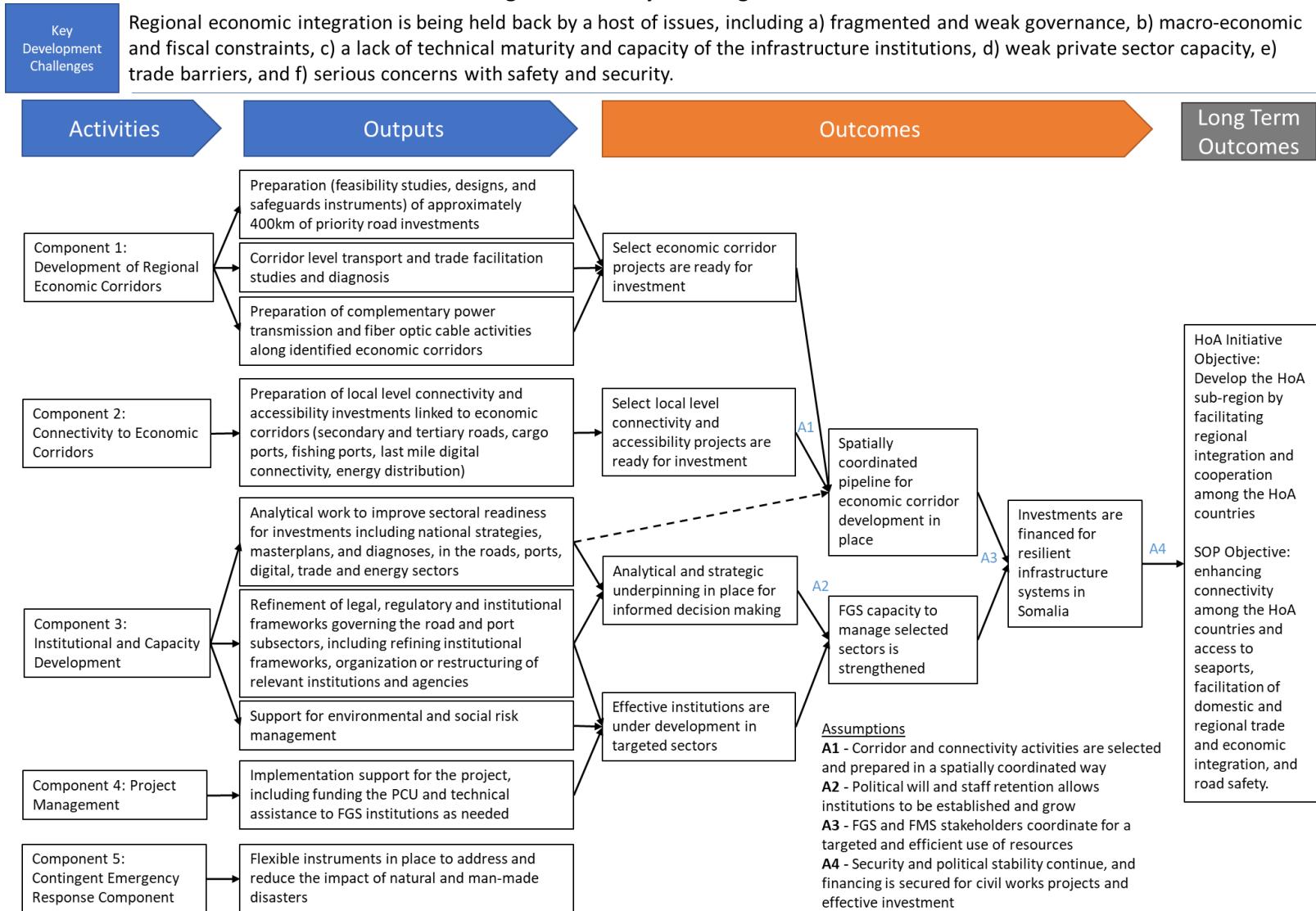
74. **As the preparation of the economic corridor projects reach readiness, donor partners (including the World Bank) are expected to mobilize financing for their implementation.** Although the financing of these follow-on operations is not explicitly part of the project, it is expected that they will launch in parallel to its implementation as designs are delivered. This "conveyer belt" of projects and their financing and implementation will be a key outcome of the project but are one step after the PDO and results framework due to the many factors beyond the scope of the project.

75. **Under component 3, the project will support the development of the legal, regulatory and institutional frameworks needed to govern the trade and transport sectors.** By doing so, it will help to lay a groundwork for sustainable planning and management of future investments. Such institutions are key to create a vision for long term development of the country, to translate such a vision into a coherent series of projects, and to then manage and maintain the resulting investments. **Component 4 is also intended to support such capacity development** by nurturing a cadre of expertise within the MPWRH, with a PCU which can remain in place following project close, as a foundation for the development of the National Highway Authority in coming years.

76. **The Project's Theory of Change is elaborated in Figure 2 below.**



**Figure 2 - Theory of Change**





## E. Rationale for Bank Involvement and Role of Partners

### Rationale for World Bank Involvement

77. **The World Bank's support will provide value to the FGS in three ways.** First, it will provide sectoral support to government agencies, leveraging global knowledge and regional expertise with urgently needed financing for institutional readiness. Second, it will bring a coherence to the development of the sector, connecting and reinforcing the more narrowly focused investments which are being made under ongoing programs financed by other development partners (which largely focus on specific road segments and limited scale capacity building). Without such an undergirding of institutional capacity, the sustainability of all investments by all partners, both ongoing and future is at risk. Finally, the World Bank's support will create a pipeline of investment ready projects which Somali decision makers can use to source financing from all sources, including but not limited to the World Bank itself, opening the door for a much larger program than could be possible with a more narrowly focused engagement.

### Role of Partners

78. **The World Bank has joined other partners already engaged in Somalia's infrastructure sectors.** The HoA Initiative countries requested and received technical support from three development partners in preparing the Initiative: the World Bank, the AfDB and the EU. These institutions have continued their engagement with the initiative, and at the more local level, are jointly engaged in supporting Somalia's interface with the region under Pillar 1 of the initiative. A joint AfDB/EU project is being launched, supporting Somalia in the preparation of design of several road lengths, rehabilitation of a segment of gravel road, and targeted capacity building for MPWRH, among other activities. Bilateral partners are engaged within Somalia as well, including from the United Kingdom, Germany, Qatar, Türkiye, the United Arab Emirates and others. The project is designed to ensure that investments do not overlap, are mutually reinforcing and that the benefits of the capacity building support planned under the project will be multiplied by strengthening Government authorities' ability to plan and implement this wider set of activities.

## F. Lessons Learned and Reflected in the Project Design

79. **The project design considers lessons learned from previous World Bank-financed projects in the region, including in other fragile, post-conflict settings.** Although this will be the first World Bank-financed project to focus on transport in Somalia in decades, projects in related sectors are ongoing and have provided valuable insights for working in the Somali context and with shared counterparts, including the Somalia Urban Resilience Project II (P170922) and the recently closed ICT Sector Support in Somalia Phase II (P152358). The project also builds upon the lessons learned from other DPs which have supported Somalia in the infrastructure sectors in recent years.

80. **Experience in rebuilding institutions in countries following conflict was considered.** For example, In the re-engagement in Liberia, implementation capacities for initial engagements were arranged with a vision towards a long-term institutional framework in mind, such as a possible evolution of an implementation unit at the Ministry of Public Works to become a future Roads Authority. In Cameroon, the experience related to the Multimodal



Transport Project and the CEMAC Transport-Transit Facilitation Project<sup>74</sup> offered critical design insights including insights into the development of a security management plan for the project and preparing road designs in insecure environments.

**81. The project's institutional strengthening approach is based on extensive experience in other World Bank supported projects working with the FGS.<sup>75</sup>** The project's capacity building activities will be established as part of a forward-looking strategy for sectoral development, identified to cumulatively contribute to a long-term institutional and sectoral vision to leave behind competencies beyond the life of the project. In particular, the project will adopt a hands-on approach, where all possible supporting stakeholders (staff at FGS/FMS level or private operators) will learn by doing. To this end, the project will rely as much as possible on local staff, utilizing any external consultant to support but not take responsibility for deliverables and leverage competencies in the diaspora to benefit from knowledge in Somalia. The project will strengthen the staffing of the institutions to prepare and deliver project activities, including development of ToRs, and execution of studies. The approach will also consider the Somalia fiscal situation and lack of coordination between institutions and will assess carefully and pragmatically the needs. Finally, the development of a PCU and the project management support identified under Component 3 is intended as an integral aspect of the project's overall capacity building approach. By integrating this coordination unit within the daily operations of MPWRH, and by relying as much as possible on local staff, the project seeks to create a core of competency for project management and oversight within this ministry which will outlive the project and contribute to the long-term capacity of the infrastructure sector.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

**82. The project will be implemented by the FGS through the MPWRH** with involvement and consultation with technical contributions by beneficiary ministries and with the participating FMS on relevant activities. Financial management will be conducted by the External Assistance Fiduciary Section (EAFS) within the MoF.<sup>76</sup>

**83. The project's spatial planning requires active engagement and technical contributions by several beneficiary ministries.** Principal involved ministries include MPWRH, MPMT, MTCA, MCT, MECC, the Ministry of Energy and Water Resources (MEWR), the Ministry of Fisheries and Marine Resources (MFMR) and the Ministry of Commerce and Industry (MCI); and the Ministry of Planning Investment and Economic Development (MPIED) and MoF for project oversight.

**84. A PCU is to be established within and hosted by the MPWRH** to coordinate the project's implementation. This unit will be responsible for the overall project implementation and coordination with stakeholders. The technical line ministries will be responsible for technical inputs for activities relevant to their sectors, with specific responsibilities clarified within the Project Operations Manual.

<sup>74</sup> Cameroon – Multimodal Transport Project (P143801) and CEMAC – Transport-Transit Facilitation Project (P079736), respectively.

<sup>75</sup> Somalia Recurrent Cost & Reform Financing Project – Phase 2 (P154875), for instance

<sup>76</sup> The project's implementation arrangements will be reassessed and potentially adjusted following the corridor selection process to select the activities for financing under Components 1 and 2. In particular, noting the likelihood that some activities will be identified in Somaliland, appropriate implementation arrangements will be established in line with other World Bank financed projects with activities in Somaliland.



85. **A Project Steering Committee will oversee the project, consisting of the Ministers of the beneficiary ministries and co-chaired by the Minister of Public Works, Reconstruction and Housing and the Minister of Finance.** It is expected that the steering committee will convene annually, or more frequently as needed, to review the project's progress in meeting its PDO, monitor updates of the results framework for the project, and guide corrective measures as may be warranted. The PCU will act as a Secretariat to the Steering Committee. See Annex 1 for more detail.

## B. Results Monitoring and Evaluation Arrangements

86. **The PCU will be responsible for results monitoring.** As the project will not be financing civil works, the expected data collection needs for project monitoring are expected to be relatively straightforward and largely built into planned studies; after such data collection, the PCU will be responsible for collating, managing and presenting results for its own and sector benefits. Any additional expertise needed for limited engagement on monitoring and evaluation requirements can be included as a potential topic for the draw-down TA technical support.

## C. Sustainability

87. **Ensuring the sustainability of Somalia's infrastructure development, and its economic corridor program specifically, is a key objective of the project.** An important benefit of adopting the approach taken is to provide the time and resources to build a foundation for longer term planning and sustainable management which subsequent projects may leverage. This would include solutions to ensure that adequate road asset management and maintenance strategies are in place before eventual investments are commissioned, including consideration of formulation of bid documents to be developed on the basis of lump-sum, longer term performance-based contracts (PBC) covering not only initial road infrastructure intervention but routine and later periodic maintenance as well.

88. **Strengthening the capacity of FGS agencies to manage environmental and social risks will drive improved performance for all future infrastructure investments.** Determined efforts will be made to enhance the low capacity for management of environmental and social risks and impacts of development progress. This will entail Environmental and Social Framework capacity enhancement programs at identified State institutions at both levels of government. In addition, the project preparation team has begun working with the Somali counterparts in a hands-on initiative aimed at demonstrating best-practices in management of environmental and social risks at national level, including conducting meaningful stakeholder consultations and the incorporation of input from traditionally marginalized segments of the population.

89. **The project activities will incorporate gender considerations throughout.** In addition to the specific consideration of the World Bank Gender Action Plan mentioned earlier, this will be done by including in the ToRs of the feasibility studies and designs of prioritized projects elements such as differences in mobility patterns between women and men and legal and social constraints for women to participate in the project's sectors. Where pertinent, analytical and diagnostic studies will similarly require gender and broader social inclusion aspects. Furthermore, the project includes a dedicated gender assessment to identify those key areas where gender intersects with the work program and opportunities for investment under the next phase of work. In implementation and coordination of the project, including in staffing of PCU, the client is encouraged to ensure gender inclusion in hiring and management.



90. **The project will integrate climate resilience considerations in the prioritization of road sections for technical preparation and brought to bidding and integrate climate resilience into its studies and designs.** Furthermore, this project builds institutional capacity through training and guidance manuals, and the development of policy documents that integrate climate resilience considerations in transport strategies and master plans. This project also enhances institutional capacity in the field of transport asset management and maintenance, which are crucial for the long-term sustainability and climate resilience of infrastructure and the transport network. Road infrastructure provides access and connectivity of vulnerable populations to markets and services like health and education. However, road infrastructure is also vulnerable to the impacts of natural hazards and climate change. Port infrastructure and fisheries enhance climate resilience by enhancing food security, especially during drought periods. However, ports are also vulnerable to climate impacts like sea-level-rise and higher storm surges. As floods and droughts become more frequent and more severe in Somalia, there is a need to not only understand how prepared the communities are, but also find approaches that can reduce the sensitivity of farmers and pastoralists to increasing rainfall variability, including the use of infrastructure systems. High levels of land degradation mean that the country is increasingly becoming more vulnerable to climate change. This project will play a direct role in the promotion of climate resilience and green growth by incorporating into the overall infrastructure construction designs climate resilience and green-growth aspects, including optimal consumption of finite water and energy resources.

91. **Somalia's fiscal space is extremely limited, so ensuring the financial viability of the infrastructure sector is key.** The FGS's revenue generation is quite limited and will very likely remain so for some years, and public expenditures are largely dedicated for the wages of public servants. As such, the likelihood of government own resources for infrastructure development and maintenance is highly unlikely in the short or medium term. Ensuring the economic and financial viability of planned investments and identifying and leveraging any synergies between sectoral interventions is key. In recognition of this key constraint, the project is designed to streamline and improve economic return in two ways: i) by supporting the FGS in a robust prioritization methodology exercise to identify road segments for design and eventual investment based on a multi-criteria analysis which includes questions of sustainability, and ii) by preparing coordinated corridor investments which leverage shared right of way between linear infrastructure (such as roads, fiber optic cables, power transmission lines) to increase the impact for only marginal added costs.

92. **Using a Performance Based Contracting (PBC)<sup>77</sup>approach can help address key sustainability challenges.** Risk exists that detailed designs are prepared which may only be financed far in the future, and then require a design update. There is also a risk that if a road is rehabilitated under a traditional single intervention approach, that routine and periodic maintenance of these roads will not materialize because of absence of budget allocation to road maintenance. Use of a performance-based, life cycle contracting approach in future works would mitigate both challenges; for the former as a PBC would only require more durable concept designs of the roads, and for the latter as it incorporates in a single longer duration contract all required road sector interventions. Discussions are underway with the MPWRH on possible use of such approach.

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<sup>77</sup> An approach to road management whereby a maintenance contract is established with a private entity where fixed payments are made based on defined performance levels.



## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

#### a) Technical Analysis

##### **Component 1: Development of Regional Economic Corridors**

93. **Activities will focus on preparation of all the studies and design works necessary for subsequent civil works investments.** The specific corridor segments to be developed have not yet been established, pending ongoing discussions with the FGS and between the FGS and FMS stakeholders. As such, the technical analysis has focused on ensuring that the prioritization of corridor segments is based on a robust and inclusive methodology, including a two-level assessment process addressing both technical aspects and project readiness. Accounting for the many demands on such a selection, the methodology considers technical considerations such as the current traffic volume and its role in inter- and intra-state connectivity, economic aspects such as potentially impacted population and impact on agriculture and other economic drivers, and social and political considerations such as poverty and job creation.

94. **The road designs will be climate-informed ensuring adaptability of the road corridor to potential natural disasters as well as enhancing mitigation measures, and road safety considerations.** The road design standards and specifications applied under the project will conform good international practice and will consider appropriate roadside amenities such as roadside stations, bus shelters, truck laybys, climbing lanes, over-taking sections, speed calming measures to enhance road safety, maintainability and proper drainage. In addition, road designs will assess neighboring country standards in the HoA to improve regional harmonization.

95. **The design of roadworks and spatially associated infrastructure, such as fiber optic cable works or power line installations, will be coordinated at an early stage in the process.** In general, the integration of such linear infrastructure is expected to lead to improved efficiency and cost savings due to shared right-of-way and dig once policies. Development of fiber optic cable infrastructure alongside the improvement of the road corridor is a cost-effective approach for the proposed investment as it will leverage the assessments for safeguards, environment, and social protection policies, as well as ensure the technical quality and coordination during implementation.

96. **Trade facilitation is included in the corridor selection and design** to ensure the ultimate economic corridor delivers the greatest return for the surrounding population and for residents in the impacted region. The implementation of a coordinated approach elsewhere has been shown to address barriers to the movement of goods and people, strengthening the movement of agricultural, livestock and fisheries products to market, and enabling a shift towards industrial and service sectors. Should border posts to hinterland countries or border towns between FMS be included in the corridor sections, the diagnostic will include detailed review of the border infrastructure, data collection and analysis of cross-border trade and design of relevant interventions for improved and secured cross-border trade movements.

##### **Component 2: Connectivity to Economic Corridors**



97. The studies included under this component include designs for investments intended to complement and support the utility of corridors identified under Component 1, as well as analytical and policy support strengthening the national level enabling environment. Those activities associated with specific corridors (such as designs for secondary and feeder roads, digital universal access projects, port nodes) will be further refined upon final selection of the project's principal corridors and segments. Analytical works at a national level are fully elaborated in the detailed list of project activities included in Annex 1.

### **Component 3: Institutional and Capacity Development**

98. Activities under this component are intended to build the institutional muscle to both deliver the project's studies, as well as to provide a foundation for future civil works planning, execution, and management. The project's capacity building activities will be established as part of a forward-looking approach to sectoral development, addressing the short to medium term gaps which contribute to a longer term institutional and sectoral vision. The project will build upon institutional goals from the Somali authorities, as well as extensive experience working in other post-conflict countries on re-establishing basic institutional competencies. Key among the institutions whose capacities will be augmented are state agencies responsible for environmental and social risk management, which will benefit from human resource capacity injection, trainings, as well as succinct policy and legislation outputs that will serve as anchors for the future.

99. The project will take as "hands on" an approach as possible to all deliverables. Those studies included under components 1 through 3, will be executed in such a way as to provide an opportunity for the staff of MPWRH and within the associated technical ministries to prepare and oversee the studies to as great an extent possible. In addition, the design of the PCU is intended to ensure that any practical skills developed through the project process are retained within the FGS at project closure.

### **Component 4: Project Management**

100. While the PCU will be established as a separate unit within the MPWRH, it is expected that MPWRH will become integral to implementation of project activities specifically falling under its mandate. Although there may be some efficiencies to be gained by creating a semi-independent PCU under the oversight of the Ministry, by integrating it into the day-to-day operations of the Ministry and working closely with other Ministry staff during preparation and oversight of deliverables, it will ensure that the project's experience rests fully within the Ministry going forward.

101. A technical support consultancy will be established with a draw down mechanism to rapidly deploy specific expertise as needed. As the project may require technical competencies which do not currently exist within the FGS, the consultancy will provide needed and targeted capacity building on call.

#### **b) Economic and Financial Analysis**

102. As this project is intended to prepare the design studies, analytical work, and capacity needed to deliver subsequent projects, traditional economic analysis is not found to be practicable. No civil works will be conducted under this project and no economic rate of return can be calculated. However, in order to provide an assessment for future investments, the project will prepare an economic analysis of all designed economic



corridors as part of project activities under Components 1 and 2. Similarly, no Greenhouse Gas emissions analysis was carried out due to methodology constraints.

**103. Recent analysis indicates that the development of Somalia's economic corridors would have a strong positive impact on the national and regional economies.** Although it will take years of sustained investments and improvements to fully implement, the development and actualization of the potential of the HoA Initiative corridors could drive a 6.3 percent increase in real incomes in the country.<sup>78</sup> Although the impact of improvements of a given corridor are likely to differ from such a national average, it is indicative of the importance of improved trade on the economy. At a regional level, these corridors are expected to drive an increase in trade flows, diversifying access routes for landlocked Ethiopia, and promoting growth.

**104. The designs and studies to be prepared under the project are expected to attract significant financing from donors (including the World Bank) and other sources.** The activities prepared under Component 1 are expected to attract between US\$650 million and US\$1 billion in financing.<sup>79</sup> Investment requirements for the activities designed under component 2 will add hundreds of millions more. The HoA Initiative has already brought together international donors, including the World Bank, and identified a total of US\$9 billion in financing for corridor development in the region. While this project will not address all the needs in Somalia, it will begin to open the door to some of this potential investment.

#### Rationale for public sector provision/financing

**105. The project is designed to strengthen the public sector's ability to manage and govern the sector, building the relevant institutions and the skills of their staff.** As public institutions improve their capacity to prepare and execute their policies and development programs through adequate resource mobilization, cost-effective procurement, reduction in resource wastage because of improved management and effective monitoring, the likelihood of spurring economic growth and achieving development objectives will increase. The project seeks to establish and enhance the performance of transport and trade sector institutions, enabling them to execute their functions more effectively and facilitate growth and poverty reduction in Somalia. In supporting the preparation of the feasibility and design studies necessary for future investments, the project is supporting the country in rebuilding its core infrastructure, the role of the public sector. While private financing of road infrastructure is possible in some countries, the security situation in much of the country paired with the low level of economic development make such options unfeasible in the short to medium term.

**106. The World Bank's support is addressing a key constraint to unlocking development of the sector.** As elaborated in Section 2.E, the project will provide support to government agencies, leveraging global knowledge and regional expertise with urgently needed financing for institutional readiness; bring a coherence to the development of the sector, connecting and reinforcing the more narrowly focused investments which are being made under ongoing programs financed by other development partners (which largely focus on specific road segments and limited scale capacity building); and create a pipeline of investment ready projects which Somali

<sup>78</sup> "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021

<sup>79</sup> The first project in this SOP (the Kenya: Horn of Africa Gateway Development Project (P161305)) estimated construction costs for its corridor investment at between US\$1.1 million and US\$1.8 million per km. As the geography and demand on the project's corridors are likely to be similar, these values have been used to calculate potential financing. It should be noted that, while the Kenya corridor is being designed and implemented in an unstable region of the country, it is significantly more secure than many of the potential locations on the long list under this project. As such, noting the likelihood of a security premium, actual investment costs may be higher.



decision makers can use to source financing from all sources, including but not limited to the World Bank itself, opening the door for a much larger program than could be possible with a more narrowly focused engagement.

**B. Fiduciary****(i) Financial Management**

107. **A Financial Management (FM) assessment was undertaken for the project, with particular attention paid to Government Public Financial Management (PFM) systems in the infrastructure sector.** In particular, the assessment covered the sector's planning and budgeting approaches, funding flow and banking arrangements, accounting and internal control frameworks - including payroll controls and the supporting systems, reporting as well as external audit and oversight arrangements. The assessment took into the account the extent to which the existing systems are mainstreamed into the country's PFM systems. The FM systems and arrangements included budgeting, accounting, internal controls, funds flow, financial reporting and internal and external auditing arrangements, FM staffing, risks management and related policies, procedures and practices. The objective of the assessment was to ascertain whether the FM systems will facilitate the preparation of regular, timely and reliable financial statements and will support the provision of a complete, true and fair record of all transactions and balances, safeguard assets, internal and external auditing arrangements, in line with World Bank financial management policies and internationally accepted standards.

108. **In view of the specific context and operating environment in Somalia, the overall fiduciary risk for the project is assessed as High.** The high-risk rating is largely attributable to: (a) weak institutional and systems capacities at the federal and states state levels, with the necessary policies, procedures and legal framework to support the sector still under formation with support from international development partners including the World Bank; (b) deficient human resource capital to restore dilapidated infrastructure both at the federal and state levels; and (c) inadequate resources to finance the sector in line with the priorities of the Government(s), i.e., establishment of delivery and accountability systems as well as rehabilitation of destroyed facilities as a result of long drawn internal conflict.

109. **The project will leverage a centralized FM system which is used for all World Bank-financed projects in Somalia.** Given the consideration for Use of Country Systems, the project will adopt such systems in various aspects of the project's FM, including budgeting, accounting and reporting, banking, and oversight arrangements with the Office of the Auditor General. This will be supported by TA with clear requirements for knowledge transfer incorporated in the ToR. Like other World Bank supported operations, EAFS units, established within the Offices of the Accountant General at Somaliland, FGS and FMS will be charged with the project's overall FM responsibility for all projects financed by IDA resources within Somaliland, FGS and FMS, whose performances thus far has been satisfactory. With overall guidance from the Accountant General(s) and the EAFS units, the PCU will be established in an integrated way within MPWRH, with an accountant working in the PCU under the authority and guidance of the Accountant General. The effectiveness of the EAFS units, alongside other key functional units, will be continuously monitored, while key areas of capacity strengthening will be identified and supported through the project. The existing organizational and functional structure of the EAFS units are expected to be maintained and further strengthened to provide effective FM support to the project.

110. **All project FM transactions will be recognized, captured, recorded, analyzed, summarized, and reported through the Government's Financial Management Information System.** The EAFS units with support of the



respective Accountant Generals will ensure that: (i) all important business and financial processes are adhered to; (ii) adequate internal controls and procedures are in place and adequately enforced; (iii) un-audited Interim Financial Reports are prepared on a timely basis; (iv) all Statements of Expenditures are submitted to the World Bank on a timely basis; (v) project financial statements are prepared on a timely basis and in accordance with International Public-Sector Accounting Standards cash-basis; and (vi) external audit is completed on time and audit findings and recommendations/issues raised in the management letter are implemented expeditiously.

**111. This approach to FM has been successfully utilized throughout the World Bank portfolio in Somalia, mitigating many of the risks inherent in working in the Somali context, however specific risks and mitigation measures are outlined in Annex 1.**

**(ii) Procurement**

**112. Procurement will be carried out in accordance with the requirements in the World Bank Procurement Regulations for Investment Project Financing (IPF) Borrowers** dated November 2020; Guidelines on Prevention 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 and July 1, 2016); and provisions stipulated in the Financing Agreement.

**113. A Project Procurement Strategy for Development (PPSD) and Procurement Plan (PP) will guide project procurement.** In this regard, the borrower has prepared the PPSD to formulate the best procurement approach/solution based on the PP for the first 18 months. The PP sets out the selection methods to be followed by the recipient during the project implementation period. The PP includes the cost estimates, time schedules, the World Bank's review requirement, brief description of the activities/contracts and so on. The PP will be updated at least once in 12 months, or as required, to reflect the actual project implementation needs, but each update shall require World Bank approval. All Procurement Plans will be publicly disclosed in accordance with the World Bank Group's Access to Information Policy 2010.

**114. The project will be implemented by the Ministry of Public Works, Reconstruction and Housing.** The Ministry is currently implementing a World Bank funded project – the Somalia Urban Resilience Project II (P170922), but the procurement support is mainly being provided by a consultant recruited under the project established PCU. The Ministry therefore lacks adequate capacity and experience in World Bank-financed operations. To mitigate the risks, the Ministry will establish a PCU and recruit a qualified Procurement Specialist among other staff to oversee the project procurement activities. The Procurement Specialist will work alongside the relevant government staff in the Ministry for knowledge transfer to enable them to gradually take over the procurement activities. In this regard, the Ministry will nominate procurement personnel (counterpart staff) for skill transfer during the project implementation. The PCU will also facilitate the procurement activities of the FMS on relevant activities and support skill transfer. To foster ownership, the PCU will work closely with the FMS during the procurement processes, including preparation of the procurement documents. The MPWRH procurement capacity will also be enhanced through on-job-training, hands-on support and mentoring by the World Bank's Procurement Team during the project implementation. In addition, designated procurement staff will be encouraged to register and undertake professional procurement courses.

**115. Procurement management risk is assessed as Substantial.** The procurement environment in Somalia remains challenging. The main procurement associated risks are: (i) limited number of competent and



dedicated procurement staff; (ii) weak capacity of bidders and limited service providers; (iii) high price bids/proposals due to security conditions in some parts of the country; (iv) fraud and corruption; (iv) collusion among bidders due to limited competition; (vi) inadequate experience in procurement planning, monitoring and contract management; (vii) delays in procurement implementation should the COVID-19 crisis remain prolonged due to disruptions in supply chains resulting in price volatility and unavailability of items; and (viii) weak legal and financial institutions (Commercial Banks and Insurance Agencies are not well established). Proposed mitigation measures include: (i) ensuring PCU always has in place dedicated procurement specialists with relevant and adequate qualification and experience acceptable to the World Bank as well as ensuring that the Project Operations Manual includes a well described procurement management process; (ii) all procurement activities regardless of value, nature, categories or packages will be treated as prior review and reviewed by the World Bank; (iii) training of the PCU staff/stakeholders by the World Bank on the New Procurement Regulations; (iv) creating awareness among the government, private sector, and other stakeholders on the key issues regarding integrity in procurement and financial management; (e) supporting procurement reforms; (v) application of flexibilities provided by the World Bank's Procurement Framework; (vi) encourage international firms to have joint ventures with local firms due to insecurity; (vii) establishment of an effective complaint handling system known to the bidding community to review and resolve complaints; and (viii) involving a Probit Advisor where appropriate during the procurement process.

116. **The main procurement activities under this project** will be (i) consulting services (hiring of firms and individuals) and (ii) procurement of goods (IT equipment, furniture, and office suppliers for the PCU Office set up).

117. **The World Bank Group's Systematic Tracking of Exchanges in Procurement (STEP) tool will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project.** The system allows the systematic planning and tracking of procurement activities throughout the project cycle, including online collaboration with clients and recording service-level standards through workflow. The PCU of the implementing agency will be trained in using STEP.

118. **Annex 1 includes a thorough elaboration of procurement risks, processes, thresholds, and activities.**

#### C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

119. **The project triggers Operational Policy (OP) 7.50, Projects on International Waterways, as the feasibility and design studies planned to be financed by this project involve the rehabilitation of ports on the Gulf of Aden which is an international waterway according to the Policy.** An exception to the notification requirement under this OP has been approved by the Regional Vice President on December 13, 2021, in accordance with paragraph 7 (a) of the Policy.

#### D. Environmental and Social



120. **The environmental and social risks are assessed as High.** This reflects the many challenges facing the country as well as the potential impact of the project on the country's infrastructure. Although no civil works will be financed under this project, in line with the World Bank's Environmental and Social Framework, the risk of the downstream projects being designed by this operation are taken into consideration as well. There are very few policies, laws, and regulations for national or State-level environmental and social oversight of development activities. Other than a poorly staffed and poorly resourced unit in the Prime Minister's office that has just been transformed (in 2022) to the Ministry of Environment and Climate Change, there is virtually no institutional framework that would serve as anchor for environmental and social risk management. It is in part because of these systemic structural deficiencies that the project team prepared, prior to Appraisal, the Environmental and Social Review Summary, the Stakeholder Engagement Plan (SEP) and the Environmental and Social Commitment Plan (ESCP). The team also helped in the preparation of the project's Labour Management Plan (LMP). The ESRS was disclosed on the World Bank's website in October 2021, while the disclosure of the ESCP and the SEP were disclosed in September 2022.

121. **As highlighted in the project's SEP consultations with key project stakeholders were undertaken on diverse dates in 2021.** On April 25, 2021, the Ministry of Public Works, Reconstruction, and Housing held its first consultation meeting about stakeholder engagement. Ten institutions of the relevant government institutions at the federal level were invited: seven institutions attended the meeting. The meeting was held virtually on account of the existing pandemic disease (COVID-19). During the consultation the participants discussed important issues related to the relationship between the stakeholders and the project. The second and third stakeholder engagement consultation workshops were conducted on July 18 and July 29, 2021. In addition, with financial support from the Somalia Urban Resilience Project II, the government recruited two E&S Specialists to support in the identification of environmental and social risks and the necessary mitigation measures. To complement this, an Environmental and Social Risks Capacity Enhancement Action Plan (ESR-CEAP) will be developed, reviewed, and cleared by the Bank within six months of project effectiveness and implemented by the Somali government. The government prepared Labor Management Procedures (LMP), which includes a summary of the security management plan for project workers and GBV/SEA risk mitigation action plan. The project has prepared TORs for an Environmental and Social Management Framework (ESMF), Resettlement Planning Framework (RPF), a Framework for SHULTC, Minorities and Marginalized Groups and a Security Management Framework, which have been cleared and disclosed prior to approval of the project. The CERC will be addressed within the ESMF as appropriate. The actual framework documents shall be prepared, cleared by the Bank, approved, and disclosed prior to issuance of the initial request for proposals for feasibility and design studies. The Strategic Environmental and Social Assessment shall be prepared, cleared by the Association, and disclosed synchronously with the preparation of the National Transport Policy and Strategy for Road Sector and Trade Facilitation, to be supported under Component 3.

122. **Anticipated key environmental risks and impacts:** While the project activities as envisaged will not involve construction or rehabilitation works, there exists significant potential for cumulative environmental risks and impacts arising from successor projects throughout the life cycle of the larger program. There are likely to be social impacts arising from Component I and Component II, as well as from future construction and the operation of future projects. Potential projects in the pipeline will involve multiple sectors, such as road transport, ports, energy, and Information and Communications Technology (ICT). Civil works may involve new construction and/or rehabilitation of infrastructures. The envisaged cumulative, incremental environmental risks and impacts may include loss of vegetation, soil erosion, soil and groundwater pollution, air pollution, public health impacts such as traffic hazards, noise, dust, e-waste, and potential loss of livelihoods. In addition, there is likelihood of



occurrence of risks related to occupational health and safety of project workers. The client's capacity to address and mitigate the identified environmental risks is weak. Therefore, the environmental risk rating is adjudged as High at this time.

123. **Anticipated key social risks and impacts:** Noting that there are no physical investments in this project, subsequent projects designed under project may encounter significant risks. Therefore, the social risk rating is High. From the nature of the proposed menu of activities and in consideration of the broader country context and system, and consistent with a precautionary and conservative approach, the following are the potential social risks and impacts:

- **Security.** Protracted conflict and insecurity in some parts of Somalia makes direct access to project sites for effective stakeholder engagement and community participation including grievance redress challenging. It also puts project workers in imminent danger of attacks and kidnapping by armed groups. See Box 2 in the discussion on risks below for more information on the project's approach to security.
- **Exclusion.** With security being a considerable risk, the risk challenge of ensuring the project reaches the poor, vulnerable and minorities is amplified.
- **Selection bias and elite capture.** In the context of fragility, endemic poverty and the formal state machinery still emerging against a backdrop of protracted conflict, the probability of project activities and site selection being influenced by complex clan-based and social dynamics, rather than the logical dictates of analytical and feasibility studies is very much probable.
- **Land acquisition and resultant displacement impacts.** Land acquisition potentially leading to and including physical and economic displacement is likely for project infrastructure activities such as roads, ports and transmission lines. This risk is compounded by gaps in legal and regulatory frameworks that makes land appropriation and asset valuation challenging
- **Gender Based Violence.** The risks of GBV including SEA is assessed as substantial based on the proposed nature and scope of infrastructural works, weaker mitigation systems and lower absorption capacity.
- **Labor influx and associated risks.** The potential for infrastructural works resulting in labor influx to project is high. Labor influx in the backdrop of weak labor management systems combine to exacerbate other risks such as child labor, human trafficking, failure to adhere to occupational health and safety for workers, labor disputes over terms and conditions of employment, discrimination and exclusion of vulnerable/disadvantaged groups and exposure of security workers to attack by armed groups.

#### Box 2. Security Considerations and Arrangements

Noting the ongoing insurgency in the southern areas of the country, and the broader FCV context in Somalia, the project will adopt a two-tier approach to security considerations: security measures for execution of the project itself and embedding security considerations in the design and arrangements for follow on projects.

- **SHIIP Security Arrangements.** The project is leveraging the World Bank's wider approach to security in Somalia, building off lessons and systems derived through the longer-term engagement in the country. In particular, the World Bank maintains a security officer based in Mogadishu as well as arrangements to ensure the safety of project teams during supervision missions. Regarding the project itself, a Security Management Plan is being developed to identify risks and plan for the security of project staff and consultants working on project activities. In addition, security will be one of the key considerations



in the readiness screening phase of the prioritization process, not only during construction, but also security of feasibility and design consultants preparing these investments under SHIIP.

- **Planning for the Secure Implementation of Follow-on Activities.** As the project will be laying the groundwork for the future implementation of corridor investments, it will incorporate considerations of security in the planning and designs of these projects, including preparing Security Management Plans for follow on projects. As above, the prioritization methodology will incorporate a security lens in their selection. This lens will be two-fold, considering both the risk security places on implementation as well as the potential for the eventual corridor to improve security in its region.<sup>80</sup> In addition, security considerations will also be incorporated in the various strategies and policies prepared under the project (such as the National Transport Policy) which will help to inform sectoral development into the future.

124. **To address those risks, the client has agreed to Environmental and Social Commitments, with a set number of instruments prepared (ESCP, SEP, LMP, and TORs for further instruments);** and further instruments due prior to contracting of key project activities in line with the ESCP. The preparation of detailed designs, as part of this project, for downstream interventions will also include the preparation of environmental and social risk management instruments for the respective project designs.

125. **Gender.** There is a lack of data on women's mobility and employment in the infrastructure sector in Somalia, as well as on the barriers that they face to benefit from promising sectors linked with infrastructure projects, such as trade and fishing. This lack of data has been a result of a civil war and humanitarian crisis which resulted in weak institutional capacity and little understanding of potential opportunities and risks for women and girls. In addition, granular data is missing on women's challenges to benefit not only from the transport sector but from others tied to infrastructure interventions with high potential for economic empowerment, such as the fishing or trade sectors. The project will support sex disaggregated data collection. Data to be collected can include but not be limited to the share of women participating in the transport, fishing and trade sectors in low, medium and high skilled jobs, bottle necks in the fishing value chain that disproportionately affect women, procurement regulations that constrain the conformation of female contractors or entrepreneurs, small participation of women in STEM careers, GBV risks at the border, etc. In this sense, the project will conduct specific gender assessments and ensure that other studies to be conducted under the project (eg. feasibility studies, road safety studies) serve as entry points to collect sex disaggregated data. Given that this project won't finance physical investments, the data collection will set the stage for designing projects and interventions that are gender responsive. This will be measured as the percentage of studies that collect sex disaggregated data and are gender responsive.

126. **Citizen Engagement.** Due to the scale of the project and in order to achieve the material objectives, the project emphasizes on the conduct of early engagement of stakeholders, extending throughout the project lifecycle. Stakeholders' input will be sought for the preparation and validation of a national transport policy and road sector strategy for Somalia, but equally for the preparation of design studies for potential downstream interventions post this project. The Stakeholder Engagement Plan includes respective monitoring indicators,

<sup>80</sup> Various studies have found that the expansion of transport and trade networks in unstable regions can help to reduce the risk of violence and instability. See, for example, the World Bank's World Development Report: Conflict, Security, and Development, 2011 for information on such findings in Colombia, or the World Bank's Forced Displacement in the Great Lakes Region: A development approach, 2015 for results of a study finding the improvements in stability at cross border regions due to transport and trade improvements in East Africa.



among others of number of formal engagement events and level of participation by specific stakeholder categories and groups on the preparation of downstream investment designs.

127. **Grievance Redress Mechanism.** Although most of the project activities are limited to desk-based studies, some amount of field work and surveys will be involved to capture on site data at the time of feasibility and detail design studies as well as respective consultations on respective studies. A centralized grievance redress mechanism will be set up at the FGS level for this purpose. At the District level and FMS level regular stakeholder meetings shall be conducted to receive feedback. The GRM will incorporate confidentiality provisions for GBV/SEAH related complaints. Details are outlined in the disclosed Stakeholder Engagement Plan.

## V. GRIEVANCE REDRESS SERVICES

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

## VI. KEY RISKS

129. **The overall risk for implementation of the project is rated as Substantial.** As identified in the SORT Matrix, the risks are directly related to reflecting the environmental and social risks of follow-on projects, the fragile nature of the country, the ongoing security threat, the COVID-19 crisis, and the weak implementation capacity.

130. **Political and governance risks are High.** Al Shabab still retains control of significant parts of Somali territory, particularly in rural areas, and frequently launches attacks on key urban areas. This threat, and other security risks from the general level of fragility are important considerations, both for this project and for the follow-on projects being developed. Box 2 above provides information on the mitigation approaches being adopted. The political process and the relationship between the FMS and the FGS remains fragile. This risk can enter the project level with political competition over scarce financial resources, or as a proxy for fight for mandate and devolution. In addition, because of the relative short history of the current FGS institutions, there is some lack of clarity of responsibility among FGS portfolio ministries within the infrastructure sectors, raising concerns of internal friction and deadlock. Mitigating measures will include regular communication on project activities, allocations and processes with all stakeholders. Such stakeholder engagement will be important within the various



offices of the FGS, as well as with FMS. In addition, recent electoral turmoil has introduced longer term questions of political stability and cohesion within the wider Somali electoral map. Such potential instability threatens the sustainability of FGS institutions and the PDO related to governance of the trade and transport sectors.

131. **The institutional capacity for implementation and sustainability risks are Substantial.** Capacity and authority in Somalia are relatively weak given the history of conflict and mistrust with public institutions. The PCU should ensure the recruitment of qualified consultants and conform to the guidelines of the Civil Service Commission. These staff will continue to receive regularly training and support both through the project management and institutional strengthening component in the project. Intensive support will be provided at key stages of implementation such as when evaluating bids for contractors.

132. **Fiduciary risks are High.** The financial management and procurement environment in Somalia remain challenging. Levels of mismanagement, fraud, lack of transparency and corruption exist. Although anticorruption and public-sector regulations are in place, problems persist, contributing to low levels of trust in government institutions. In terms of financial management, the project will leverage the EAFS which has been strengthened through previous World Bank financed projects and has a track record of successful management of such issues. Procurement remains a significant challenge for FGS entities and will require close support from the World Bank, as is done in other projects within Somalia. Mitigation measures for governance issues have been built into the project design in the form of strict fiduciary control mechanism and application of World Bank fiduciary rules as well as a focus on social accountability. The project will ensure that the PCU has dedicated procurement and financial management specialists on board and a well described fiduciary management process in place.

133. **The environmental and social risks are rated High.** While the project activities will not involve construction or rehabilitation, the cumulative environmental and social risks arising from successor projects are likely to be significant. Direct risks during the implementation of SHIIP are primarily associated with security risks, site selection bias, elite capture, and limited access to project sites for community consultations. Longer term cumulative, incremental impacts may include, on the environmental side, loss of vegetation, social erosion, soil and groundwater pollution, air pollution, public health impact and others. Longer term social risks may relate to civil works with associated issues such as land acquisition, involuntary resettlement, security risks, labor influx, inward migration, etc. In order to identify, plan for, and mitigate these risks in downstream infrastructure investments, SHIIP is designed to prepare the environmental and social measures for identified projects to be designed, as well as to provide capacity building for the relevant offices within the FGS for such environmental and social support.

134. **The Stakeholder risk is rated as Substantial.** Noting the extremely high demand for development, the limited resources, and various competing centers of power (FGS, FMS, clan affiliations, armed groups, etc.) in the country, the risk for potential objections to the project or delays are possible. This will be mitigated through sustained consultations, both formal and informal. In addition, the prioritization methodology for selecting activities under components 1 and 2 will include a consultation project which engages at the FMS and local levels in areas which will be considered for designs to better understand potential user needs. Local consultations will also be performed as part of the designs prepared under the project to ensure outputs meet the needs of the potential stakeholders.

**VII. RESULTS FRAMEWORK AND MONITORING****Results Framework**

**COUNTRY:** Eastern and Southern Africa  
**Somalia - Horn of Africa Infrastructure Integration Project**

**Project Development Objectives(s)**

The Project Development Objective is to prepare a spatially coordinated investment pipeline of economic corridor projects, and to strengthen the national government's management of selected sectors.

**Project Development Objective Indicators**

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Prepare a spatially coordinated investment pipeline of economic corridor projects</b>				
Value of spatially coordinated economic corridor pipeline projects ready for investment (Amount(USD))		0.00	200,000,000.00	690,000,000.00
Length of HoA Initiative identified economic corridor pipeline projects ready for investment (Kilometers)		0.00	150.00	550.00
<b>Strengthen the national government's management of the selected sectors</b>				
National Transport Policy developed and submitted to Cabinet for approval (Yes/No)		No	No	Yes
Harmonized trade facilitation measures are piloted in at least two FMS (Yes/No)		No	No	Yes
# of staff FGS working for at least a month with		0.00	5.00	10.00



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
the PCU (Number)				
of which female (Percentage)	0.00		30.00	30.00

#### Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Development of Economic Corridors</b>				
Priority economic corridor road designs prepared for investment (Kilometers)		0.00	150.00	550.00
Kilometers of road with aligned fiber optic or energy infrastructure studies prepared (Kilometers)		0.00	50.00	200.00
Pilot transit facilitation instrument developed and tested along selected priority corridor (Yes/No)		No	No	Yes
<b>Connectivity to Economic Corridors</b>				
Kilometers of road connecting to primary economic corridors with designs prepared (Kilometers)		0.00	300.00	900.00
# of prepared assessments/feasibility/designs for digital, ports, fisheries, and/or energy infrastructure (Number)		0.00	2.00	5.00
<b>Institutional and Capacity Development</b>				
Transport climate resilience diagnosis conducted (Yes/No)		No	Yes	Yes
National road safety diagnosis completed (Yes/No)		No	Yes	Yes



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Collection of trade data along selected priority corridors and analysis of performance of cross-border trade (Yes/No)		No	Yes	Yes
The percentage of studies that collect sex disaggregated data (Percentage)		0.00	80.00	80.00
<b>Project Management</b>				
Number of FGS staff trained on financial or technical issues (Number)		0.00	10.00	20.00
Capacity of the Ministry of Environment and Climate Change enhanced with the establishment of a nation-wide Environment and Social Management System (ESMS) (Yes/No)		No	No	Yes
Number of environmental and social specialists trained and certified in environmental and social impact assessment methodologies (Number)		0.00	7.00	15.00
Number of formal stakeholder engagement events held (Number)		0.00	7.00	10.00

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Value of spatially coordinated economic corridor pipeline projects ready for investment	The indicator will be measured as the summation of the estimated costs of all pipeline projects prepared under this financing.	Annually	Project Coordination Unit	Data will be aggregated by the PCU as part of final approval of project deliverables	Project Coordination Unit



	Investment ready will be measured as being ready to proceed to the bidding stage.				
Length of HoA Initiative identified economic corridor pipeline projects ready for investment	The summation of the length of all pipeline projects prepared under this financing. Investment ready will be measured as the project being ready to proceed to the bidding stage.	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of the final approval of project deliverables as compared to the HoA Initiative identified corridors.	Project Coordination Unit
National Transport Policy developed and submitted to Cabinet for approval	Preparation of a National Transport Policy is a key deliverable of the project, and its successful development reliant on, and indicative of wider institutional capacity to plan for transport and trade investments. This indicator will be considered achieved once the strategy has been fully developed and submitted to the Minister of Transport and Civil Aviation.	Annual	Ministry of Transport and Civil Aviation	Reporting as part of project activity	Project Coordination Unit
Harmonized trade facilitation measures are piloted in at least two FMS	This will be considered achieved once 3 of the 4 following activities have been delivered: i) diagnostic of area-wide trade facilitation and	Annual	Project Coordination Unit	Measured as part of project activity completion	Project Coordination Unit



	development measures is performed, ii) action plan for augmenting trade viability of the corridor is adopted, iii) trade facilitation capacity building workshop is completed, iv) Cargo tracking system is piloted on the corridor				
# of staff FGS working for at least a month with the PCU	The number of civil servants working with the PCU through the capacity building mechanism as defined in the project operations manual, for a minimum duration of one month.	Annual	Project Coordination Unit	Reported by Project Coordination Unit during regular reporting on unit staffing	Project Coordination Unit
of which female	In order to encourage gender equity in the capacity building aspects of the project, a gender disaggregation is included under this PDO indicator.	Annual	Project Coordination Unit	Reported by Project Coordination Unit during regular reporting on unit staffing	Project Coordination Unit

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Priority economic corridor road designs prepared for investment	The summation of the length of all pipeline	Annual	Project Coordination	Data will be aggregated by the PCU as part of	Project Coordination Unit



	projects prepared under this financing supporting primary economic corridors which are ready to proceed to the bidding stage.		Unit	the final approval of project deliverables.	
Kilometers of road with aligned fiber optic or energy infrastructure studies prepared	The summation of the length of all pipeline projects prepared under this financing which include energy or fiber optic along road corridors which are ready to proceed to the bidding stage.	Annual	Project Coordination Unit	Measured as part of project activity completion	Project Coordination Unit
Pilot transit facilitation instrument developed and tested along selected priority corridor	The pilot trade facilitation instrument is prepared and tested, such as implementation of a national transit regime for inter-FMS trade.	Annual	Project Coordination Unit	Collected as part of reporting on project implementation	Project Coordination Unit
Kilometers of road connecting to primary economic corridors with designs prepared	The summation of the length of all pipeline projects prepared under this financing supporting national or other roads linking to primary corridors which are ready to proceed to the bidding stage.	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of final approval of project deliverables	Project Coordination Unit
# of prepared assessments/feasibility/designs for digital, ports, fisheries, and/or energy infrastructure	The indicator will be measured as the summation of the number of assessments, feasibility studies or design studies	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of final approval of project deliverables	Project Coordination Unit



	prepared for investments in the digital, ports, fisheries or energy sectors under this financing.				
Transport climate resilience diagnosis conducted	Preparation of a transport climate resilience diagnosis will be conducted under this project. This indicator will be achieved when it has been satisfactorily completed and accepted by the PCU	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of final approval of project deliverables	Project Coordination Unit
National road safety diagnosis completed	This indicator measures the completion of the road safety diagnosis to be completed under this project. It will be considered achieved once the diagnosis has been completed and accepted by the PCU.	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of final approval of project deliverables	Project Coordination Unit
Collection of trade data along selected priority corridors and analysis of performance of cross-border trade	The Ministry of Commerce and Industry to collect trade data along identified corridors and preparation of an assessment of cross border trade performance at major border crossings.	Annual	Project Coordination Unit	Recorded as part of annual project reporting	Project Coordination Unit
The percentage of studies that collect sex disaggregated data	Measured as the percentage of studies prepared by the project which collect sex disaggregated data. Only studies which include data	Annual	Project Coordination Unit	Measured as part of project activity delivery	Project Coordination Unit



	collection to be included in the overall list.				
Number of FGS staff trained on financial or technical issues	The indicator measures the summation of the number of staff of the FGS trained on aspects related to project management, safeguards, or technical topics under the project	Annual	Project Coordination Unit	Tabulated by the PCU following activity completion.	Project Coordination Unit
Capacity of the Ministry of Environment and Climate Change enhanced with the establishment of a nation-wide Environment and Social Management System (ESMS)	The indicator will be used to track the establishment of nationwide system of laws and regulations, including the IT component, that will be used in the process of environmental and social (E&S) screening, E&S assessment, roster of E&S experts, and processing of EIA licenses and follow-up	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of the final approval of project deliverables.	Project Coordination Unit
Number of environmental and social specialists trained and certified in environmental and social impact assessment methodologies	The indicator will measure the number of environmental and social experts who are trained in the principles and practices of environmental and social impact assessment and issued with internationally recognized licenses as Lead or Associated EIA experts.	Annual	Project Coordination Unit	Data will be aggregated by the PCU as part of the final approval of project deliverables.	Project Coordination Unit
Number of formal stakeholder engagement events held	As measured as part of the project's Stakeholder	Annual	Project Coordination	Stakeholder Engagement Plan	Project Coordination Unit



	Engagement Plan, this indicator will measure the number of formally organized events to collect stakeholder feedback.		Unit	monitoring	
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**ANNEX 1: Implementation Arrangements and Support Plan****Project Institutional and Implementation Arrangements**

1. **The implementation arrangement will consist of one implementing agency, the MPWRH as well as six beneficiary ministries.<sup>81</sup>** Beneficiary ministries include MPMT, MTCA, MCT, MEWR, MCI, and MFMR. MoF and MPIED both provide project oversight. Additional environmental safeguards support will be provided by the Directorate of Environment and Climate Change in the Prime Minister's Office.
2. **The project will be implemented by the FGS, with engagement with FMS on relevant activities.** Financial management will be conducted by the EAFS within MoF.
3. **MPWRH has limited but growing experience acting as implementing agency for another World Bank-financed project.** The ongoing Somalia Urban Resilience Project - Phase II has established a Project Implementation Unit within the Ministry, supporting activities within urban centers around the country. In addition, MPWRH is currently acting as implementing agency for the AfDB and EU-funded Roads Infrastructure Program which is preparing road designs and funding road works on various corridors. Through these projects the Ministry team has begun to establish some initial capacities for interaction with such donor funded projects.
4. **A PCU is to be established within and hosted by the MPWRH to coordinate the project's implementation.** This unit will be responsible for the overall project implementation and coordination with stakeholders. The technical line ministries, as beneficiaries, will be responsible for technical inputs for activities relevant to their sectors, with specific responsibilities clarified within the Project Operations Manual.
5. **A Steering Committee will oversee the project, consisting of the Ministers of the beneficiary ministries and co-chaired by the Minister of Public Works, Reconstruction and Housing and the Minister of Finance.** It is expected that the steering committee will convene annually, or more frequently as needed, to review the project's progress in meeting its development objectives, monitor updates of the results framework for the project, and guide corrective measures as may be warranted. The PCU will act as a Secretariat to the Steering Committee.
6. **The PCU will be responsible for coordinating the implementation of the project and providing project management oversight, while beneficiary agencies will take responsibility for the technical aspects of project activities and technical approval of deliverables.** In particular, the PCU will take responsibility for:
  - Coordinating with beneficiary ministries
  - Procurement and contract management
  - Financial management and interface with the EAFS system in the MoF
  - Environmental and social issues
  - Monitoring and evaluation
  - Overall quality control in preparation for activities and in their execution

<sup>81</sup> The project's implementation arrangements will be reassessed and potentially adjusted following the corridor selection process to select the activities for financing under Components 1 and 2. In particular, noting the likelihood that some activities will be identified in Somaliland, appropriate implementation arrangements will be established in line with other World Bank financed projects with activities in Somaliland.



- Communications and beneficiary engagement

7. **Sectoral ministries/agencies will be responsible for:**

- Participating in Steering Committee meetings to provide project governance
- Identifying and scoping relevant activities to be completed under the project
- Preparing initial ToR for relevant activities and technical inputs in selection of consultants and in procurement
- Providing technical oversight and guidance of relevant project activities
- Providing signoff of relevant deliverables in terms of technical quality
- Coordinating with FMS on project activities relevant to a given sector.

8. **It is expected that the PCU will include approximately 10 key staff.** Staff will be engaged locally under ToR agreed with the World Bank through competitive and transparent processes and may include civil servants under arrangements to be agreed on as well as specialists sourced locally. The PCU will be supported by additional administrative staff as and if such capacity is deemed necessary. Expected key positions, which may be adjusted during implementation, include:

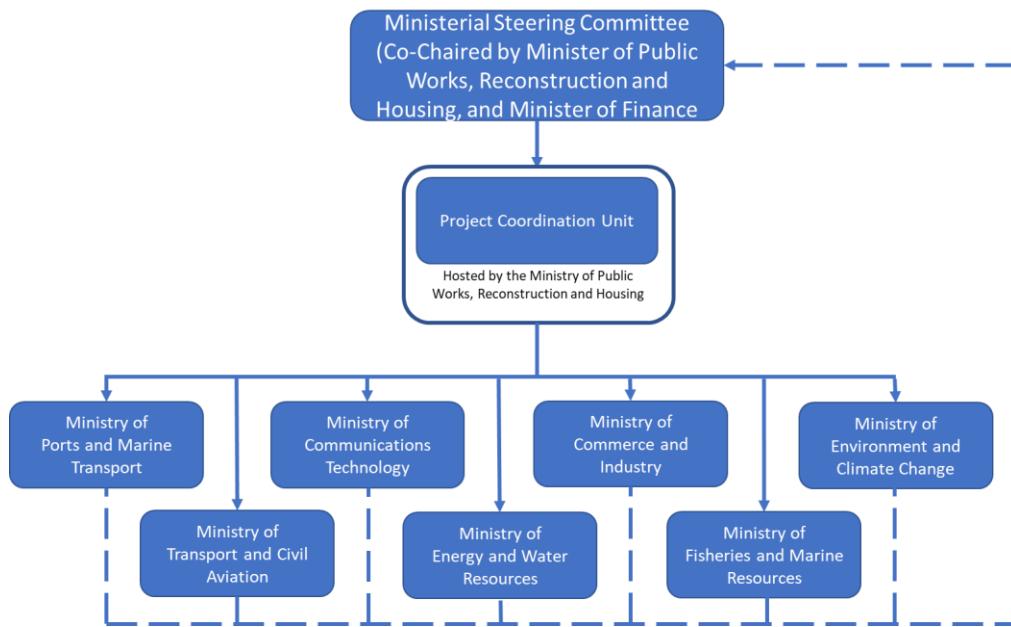
- **Project Coordinator (1 staff)** – Provide overall leadership of the PCU and serve as principal day-to-day coordinator with all project stakeholders. The Project Coordinator would also be the primary point of contact for the World Bank on implementation issues. As a first task, the Coordinator will prepare for and lead the hiring of the additional PCU staff, as outlined below.
- **Deputy Project Coordinator (1 staff)** – Provide assistance to the Project Coordinator. The Deputy Project Coordinator will be sourced from the MPWRH in order to leverage institutional memory, facilitate project activities of the PCU vis-à-vis project activities of beneficiary line Ministries, mitigate the risk of personnel gap in case of eventuality and serve as interface, as well as to benefit from knowledge transfer and skills transfer.
- **Procurement and Contract Management (2 staff)** – Working with World Bank and technical ministries, these staff would guide and manage the procurement and contract management of all project activities. The Procurement Specialists would also be expected to work closely with procurement staff in the sectoral ministries to facilitate wider capacity building.
- **Financial Management (1 staff)** – Although Financial Management for the project will be handled under the existing EAFS system, such capacity should also exist within the PCU to address day-to-day challenges (such as validating outputs and certify that invoices or Interim Payment Certificates received are in accordance with contracts and milestones, etc.) and to serve as an interface with the EAFS.
- **Environmental and Social Safeguards (2 staff)** – Working closely with the World Bank's safeguards teams, the Directorate of the Environment in the OPM, and safeguard capacities in beneficiary ministries, the safeguards staff will be responsible for preparing and addressing safeguards issues for the project itself, guide the preparation of safeguards instruments necessary for the preparation of subsequent projects and other activities and plan for and support general social and environmental capacities building in infrastructure sectors.
- **Infrastructure Economist (1 staff)** – As the project is preparing a pipeline of activities and capacity building across several sectors, an infrastructure economist would be responsible for working with sectoral ministries to develop and evolve sectoral and infrastructure wide needs assessment, plan for territorial development solutions associated with planned investments, develop methodologies to inform decisions on tradeoffs within and between sectors, and improve understanding of the socioeconomic impacts of such investments.



- **Security Officer (1 staff)** – As the project will likely include preparation of designs in remote and insecure areas, the PCU will include a security officer to prepare security management plans for the SHIIP project, as well as specific project activities. The officer will also serve as liaison with security forces, and guide consultants and contractors working under the project's oversight. In addition, the Security Officer would work with the infrastructure economist to provide input and insight into how infrastructure development projects can be leveraged to improve the security situation in the country.
- **Communications Specialist (1 staff)** – To guide the PCU and beneficiary ministries in engaging with project stakeholders and communicating results, a communications specialist will be engaged. The Communications Specialist will also take responsibility for citizen engagement for the project.
- **In addition, locally sourced part time support may be needed in the following areas:**
  - Monitoring and Evaluation – As the project will not be financing civil works, the data collection aspects of the project's Results Framework are likely to be relatively simple and may largely be built into the planned studies. As such, only part-time or interim monitoring and evaluation capacity is likely necessary.
  - Targeted Technical Expertise – As technical aspects will be the responsibility of the sectoral ministries, technical expertise in the PCU would largely be geared to support and augment where needed technical expertise existing within these ministries (such as for ToR development).

9. **The PCU will be established and gradually strengthened with support of component 4 of the project.** While the PCU's objective would be to ensure the project is successfully implemented, its constitution reflects the range of capacities most government infrastructure entities would require for sector management. As such, the PCU can be considered in the medium term as a nascent start of capacities required by a sectoral authority. The formulation, experience and training PCU staff will receive will consider the unit's evolution over time to possibly take a more formal sector role.

10. **A schematic of the implementation arrangements is provided in Figure 1.1.**

**Figure 1.1: Implementation Arrangements****Financial Management**

11. In undertaking the financial management assessment for this project, attention was paid to Government PFM systems in the infrastructure sector. In particular, the assessment covered the sector's planning and budgeting approaches, funding flow and banking arrangements, accounting and internal control frameworks- including payroll controls and the supporting systems, reporting as well as external audit and oversight arrangements. The assessment took into the account the extent to which the existing systems are mainstreamed into the country's PFM systems. The FM systems and arrangements will include budgeting, accounting, internal controls, funds flow, financial reporting and internal and external auditing arrangements, FM staffing, risks management and related policies, procedures and practices. The objective of the assessment was to ascertain that the FM systems will facilitate the preparation of regular, timely and reliable financial statements and will support the provision of a complete, true and fair record of all transactions and balances, safeguard assets, internal and external auditing arrangements, in line with World Bank financial management policies and internationally accepted standards.

12. In view of the specific context and operating environment in Somalia, the overall fiduciary risk for the project is assessed as High. The high-risk rating is largely attributable to: (a) weak institutional and systems capacities at the federal and states, with the necessary policies, procedures and legal framework to support the sector still under formation with support from international development partners including the World Bank; (b) deficient human resource capital to restore dilapidated infrastructure at both at nationally and state levels; and (c) inadequate resources to finance the sector in line with the priorities of the Government(s), i.e. establishment of delivery and accountability systems as well as rehabilitation of destroyed facilities as result of long drawn internal conflict among other challenges.

13. Given the consideration for Use of Country Systems, the project will adopt such systems in various



**aspects of the project's FM, including budgeting, accounting and reporting, banking, oversight arrangements with the Office of the Auditor General.** This will be supported by TA with clear requirements for knowledge transfer incorporated in the ToR. Similar to other World Bank supported operations, the EAFS units, established within the Offices of the Accountant General at Somaliland, FGS and FMS will be charged with the project overall FM responsibility for all project financed by IDA resources at Somaliland, FGS and FMS, whose performances thus far has been satisfactory. With overall guidance from the Accountant General(s) and the EAFS units, the PCU will be established in an integrated way within the MPWRH. The effectiveness of the EAFS units, alongside other key functional units, will be continuously monitored, while key areas of capacity strengthening will be identified and supported through the project. The existing organizational and functional structure of the EAFS units are expected to be maintained and further strengthened to provide effective FM support to the project.

**14. All project FM transactions will be recognized, captured, recorded, analyzed, summarized, and reported through the Government's EAFS.** The EAFS units with support of the respective Accountant Generals will ensure that: (i) all important business and financial processes are adhered to; (ii) adequate internal controls and procedures are in place and adequately enforced; (iii) un-audited Interim Financial Reports are prepared on a timely basis; (iv) all Statements of Expenditures are submitted to the World Bank on a timely basis; (v) project financial statements are prepared on a timely basis and in accordance with International Public-Sector Accounting Standards (IPSAS) cash-basis; and (vi) external audit is completed on time and audit findings and recommendations/issues raised in the management letter are implemented expeditiously.

**15. This approach to FM has been successfully utilized throughout the World Bank portfolio in Somalia, mitigating many of the risks inherent in working in the Somali context, however specific risks and mitigation measures are outlined in Table 1.1 below.**

**Table 1.1: FM Risks and Mitigation Measures**

FM/Fiduciary Risks	Proposed Mitigation Measures
High potential for implementation fraud risks	<ul style="list-style-type: none"><li>• Use of third-party monitoring agents and corporate procured platforms to facilitate filed based supervision beyond areas of corporate security limitations,</li><li>• Elevated implementation support supervision, collaboration with the internal audit function to mitigate limited travels in the wake of COVID-19 travel restrictions.</li><li>• Multi-layered controls at the country, portfolio and project levels help ensure funds are used for the purposes intended, and to build country systems through a learning-by-doing approach appropriate to the country context.</li></ul>
Banking arrangements AML/CTF & funds flow	<ul style="list-style-type: none"><li>• Bulk of payments are processed through direct payments modality to mitigate risk of holding excessive funds in Designated Accounts (DA) held in-country.</li><li>• Disbursements from the Designated Accounts to Federal Member States (FMSs) Projects Accounts disbursed on imprest/ replenishment modalities.</li><li>• Frequent monitoring and revision of DA ceiling.</li><li>• World Bank continue to invest in PFM and financial sector reforms to accelerate normalization of International Financial Institutions (IFI) relations and facilitate commercial banking correspondent relations.</li><li>• World Bank will continue to apply a robust, layered approach to project oversight, including funds flow.</li></ul>
Weak FM/PFM capacities (SAI, Accountant General)	<ul style="list-style-type: none"><li>• Centralized financial management function (within the Office of the Accountant General)</li><li>• Public Financial Management (PFM) Education and Training (E&amp;T) with priority to FM staff working in the centralized FM fiduciary units (External Assistance Fiduciary Section – EAFS)</li></ul>



	<ul style="list-style-type: none"><li>On the job capacity building arrangements for the Office of the Auditor General (Supreme Audit Institutions(s)-SAIs) through twinning arrangements with other SAI and regional audit firms in the public sector space.</li></ul>
Emerging Government policies - Operation expenses, travel policy	<ul style="list-style-type: none"><li>100% prior review- Operational costs by FM team, progressively strengthening the FM controls frameworks – Project Operations Manuals, and Government-wide Comprehensive Operations and Accounting Procedures Manual (COPAM).</li></ul>
Assets management and traceability	<ul style="list-style-type: none"><li>Integration of fixed assets as part of quarterly Interim unaudited Financial Reports (IFRs).</li><li>Joint periodic physical verification between the World Bank FM teams, Office of the Auditor General and Auditor General.</li></ul>

## Procurement

16. **Procurement will be carried out in accordance with the requirements in the World Bank Procurement Regulations for IPF Borrowers** dated November 2020; Guidelines on Prevention 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 and July 1, 2016); and provisions stipulated in the Financing Agreement.

17. **Project Procurement Strategy for Development (PPSD) and Procurement Plan.** The World Bank's Procurement Framework will apply to the project. In this regard, the borrower has prepared the PPSD to formulate the best procuring approach/solution on the basis of which the Procurement Plan for the first 18 months has been prepared. The PPSD includes a summary on procurement risk, mitigation, action plan, and procurement implementation support and supervision plan. The Procurement Plan will be updated at least once in 12 months, or as required, to reflect the actual project implementation needs, but each update shall require World Bank Group approval. All Procurement Plans will be publicly disclosed in accordance with the World Bank Group's Access to Information Policy.

18. **The limited MPWRH experience in implementation of World Bank-financed projects will need mitigation of risks.** The Ministry will establish a PCU and recruit a qualified Procurement Specialist among other staff to oversee the project procurement activities. The Procurement Specialist will work alongside the relevant government staff in the Ministry for knowledge transfer to enable them to gradually take over the procurement activities. In this regard, the Ministry will nominate procurement personnel (counterpart staff) for skill transfer during the project implementation. The PCU will also facilitate the procurement activities of the FMS on relevant activities and support skill transfer. To foster ownership, the PCU will work closely with the FMS during the procurement processes, including preparation of the procurement documents. The MPWRH procurement capacity will also be enhanced through on-job-training, hands-on support and mentoring by the World Bank's Procurement Team during the project implementation. In addition, designated procurement staff will be encouraged to register and undertake professional procurement courses.

19. **The procurement environment in Somalia remains challenging.** The main procurement associated risks are: (i) limited number of competent and dedicated procurement staff; (ii) weak capacity of bidders and limited service providers; (iii) high price bids/ proposals due to security conditions in some parts of the country; (iv) fraud and corruption; (iv) collusion among bidders due to limited competition; (vi) inadequate experience in procurement planning, monitoring and contract management; (vii) delays in procurement implementation should COVID-19 crisis remain prolonged due to disruptions in supply chains resulting in price volatility and unavailability of items; and (viii) weak legal and financial institutions (World Bank and insurance agencies are not well



established). Proposed mitigation measures include: (i) ensuring PCU always have in place dedicated Procurement Specialists with relevant and adequate qualification and experience acceptable to the World Bank as well as ensuring that the Project Operations Manual includes a well described procurement management process; (ii) all procurement activities regardless of value, nature, categories or packages will be treated as prior review and reviewed by the World Bank; and (iii) training of the PCU staff by the World Bank on the Procurement Regulations; (iv) creating awareness among the government, private sector, and other stakeholders on the key issues regarding integrity in procurement and financial management; (e) supporting procurement reforms; (v) application of flexibilities provided by the Procurement Framework; (vi) encourage international firms to have joint ventures with local firms due to insecurity; (vii) establishment of an effective complaint handling system known to the bidding community to review and resolve complaints; and (viii) involving a Probitry Advisor where appropriate during the procurement process.

**20. The World Bank Group's STEP tool will continue to be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project.** The system allows the systematic planning and tracking of procurement activities throughout the project cycle, including online collaboration with clients and recording service-level standards through workflow. The PCU of the implementing agency will be trained on using STEP.

**21. National Public Procurement Law and Procurement Documents:** The Public Procurement, Concessions and Disposal Act, 2015 (PPA) for the FGS, which is the relevant public procurement legal framework. The Act foresees a decentralized system of procurement and provides for an independent oversight body that will foster the regulatory and the policy framework of public procurement in the country. The PPA has been reviewed by the World Bank and found to be satisfactory and consistent with the National Procurement Procedure requirements prescribed in paragraph 5.4 of the Regulations to a large extent. The accompanying Procurement Regulations have also been prepared and issued by the Minister with responsibility for Finance to provide the necessary guidance for application of the provisions in the Act. However, institutions are not yet in place in accordance with the Act. Similarly, other procurement guidance documents, including Standard Bidding Documents, Sample Evaluation templates, Procurement Operations Manual and Procurement Reporting templates are yet to be finalized. The private sector and civil society have limited capacity or functionality in the overall procurement procedures and contracts management. Currently, the process of operationalizing the PPA is underway. Until such time that the PPA is operationalized; and the systems and documents reviewed and found satisfactory by the World Bank, the Project shall use the World Bank's Standard Procurement Documents (SPDs) customized to national standards (agreed with the World Bank by the Borrower) when approaching the national market. Also, the World Bank's SPDs shall be used for procurement of goods, works, and non-consulting services under open International Competitive Procurement. The documents include the General Procurement Notice, Specific Procurement Notice, Request for Expression of Interest, Request for Proposals, and Request for Bids documents. In addition, the implementing agencies will use Standard Bid Evaluation Forms for procurement of goods, and non-consulting contracts, and the Sample Form of Evaluation Report for Selection of Consultants. In accordance with the PPA, it is anticipated that, when the PPA is operationalized, for the national procedures to be used, the following shall be observed: (i) the request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights; (ii) and rights for the World Bank to review Borrower's procurement documentation and activities.



22. **Publication (Advertising):** The Borrower is required to prepare and submit to the World Bank a General Procurement Notice (GPN). The World Bank will arrange for its publication in United Nation Development Business online (UNDB online) and on the World Bank's external website. Specific Procurement Notices for all procurement under open international competitive procurement and Requests for Expressions of Interest for all consultancies estimated to cost not less than US\$300,000 shall be published in at least one newspaper of national circulation in the borrower's country, or in the official gazette, or on a widely used website or electronic portal with free national and international access, and in UNDB online.

23. **Training and Workshops:** The project will finance training and workshops, if required, based on an annual training plan and budget which shall be submitted to the World Bank for its prior review and approval. Training and Workshops will not be treated as Procurement Transaction unless a service provider is exclusively hired from market through agreed Selection Method of Consultant/Non-consultancy to render the training or capacity development. The annual training plan will identify, inter alia: (i) the training envisaged; (ii) the justification for the training; (iii) the personnel to be trained; (iv) the duration for such training; and (v) the estimated cost of the training. At the time of the actual training, the request shall be submitted to the World Bank for review and approval. Upon completion of the training, the trainees shall be required to prepare and submit a report on the training received.

24. **Complaints Handling:** For the procurement-related complaints, the project will follow the procedure prescribed in the World Bank Procurement Regulations (Para 3.27 and 3.32).

25. **Risk Assessment: following mitigation, the procurement risk is reduced to a residual rating of Substantial, with the measures outlined in Table 1.2 below.**

**Table 1.2: Procurement Risk Analysis**

S/No	Risk Description	Mitigation Measures	Timeframe	Responsibility
1.	Procurement law is not fully operational	As the local procurement regulations are being approved, World Bank procurement regulations should be applied/used. The customized World Bank Standard Procurement Documents (SPDs) to be used while approaching the national market. Provision of support on public procurement reforms.	During project Implementation	MPWRH/ World Bank
2.	Limited number of competent and dedicated procurement staff	Ensuring PCU always have in place dedicated Procurement Specialist with relevant and adequate qualification and experience acceptable to the World Bank as well as ensuring that the POM includes a well described procurement management.	Immediately	MPWRH/ World Bank
3.	Inadequate experience in procurement planning, monitoring and contract management;	Training of PCU on procurement procedures under World Bank financed projects; on preparation and evaluations of		



S/No	Risk Description	Mitigation Measures	Timeframe	Responsibility
		bids/proposals using World Bank's SBDs and RFP Documents, in the preparation and use of procurement plans and on procurement records keeping		
4.	Delays in procurement implementation should COVID-19 crisis remain prolonged due to disruptions in supply chains resulting in price volatility and unavailability of items	Application of flexibilities as provided for in the World Bank's procurement framework as well as innovative procurement systems to facilitate faster procurement with proper risk management. These flexibilities may include provision of options for submission of Bids/Proposals electronically among others	During project Implementation	MPWRH/World Bank
5.	Weak capacity of bidders and Limited-service providers	Conduct Market Sounding  Inclusion of pre-bidding/pre-proposal conference so the Bidders/Consultants are briefed on how to prepare their bid/proposal documents while responding to Tenders/Request for Proposal	Immediately  During project Implementation	MPWRH
6.	High price bids/proposals due to security conditions in some parts of the country	Encourage joint ventures with local/Firms/Consultants	During project implementation	MPWRH
7.	Fraud and corruption complaints	Responses to complaint by the Borrower to be reviewed by the World Bank		
8.	Collusion among bidders due to limited competition	Prior reviews of procurement Transactions  Involvement of probity advisors where applicable during the procurement process	During project implementation	MPWRH/ World Bank
9.	Weak legal and financial institutions (Commercial Banks and insurance agencies are not well established)	Supporting public procurement Reforms  Improving Financial Integrity by conducting Business Outreach Seminars to communicate and create awareness to the Government, Private Sector and other stakeholders on key issues regarding Integrity, Procurement and Financial Management	During project Implementation	FGS through the MOF/ World Bank

**Implementation Support Plan and Resource Requirements**

26. **It is foreseen that for the duration of the project, external TA to the PCU will be required.** This will be provided through engagement of a consultancy firm for provision of 1 or 2 senior advisors (with expectation of significant field presence) to work directly with the PCU for the duration of the project. The ToRs for such advisors would clearly identify the responsibility to advise, support and strengthen PCU staff, but not be responsible for preparing PCU outputs. Such TA would include a provision for ad-hoc capacities that can be temporarily and ad short notice drawn-on if needed. Such draw-down TA could be used, for instance, to temporarily augment specific technical capacities, to undertake specialized and targeted capacity building and to address challenges and problems as they may arise. Project activities will require both the World Bank and FGS institutions to allocate adequate resources for their staff to be able to carry out project implementation and supervision. Inadequate resources will hamper the implementation of the project and mitigation of the risks identified.