



The World Bank

Somalia - Horn of Africa Infrastructure Integration Project (P173119)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 16-Nov-2021 | Report No: PIDA31634



BASIC INFORMATION

A. Basic Project Data

Country Eastern Africa	Project ID P173119	Project Name Somalia - Horn of Africa Infrastructure Integration Project	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 06-Dec-2021	Estimated Board Date 15-Mar-2022	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Public Works, Reconstruction and Housing	

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 the transport and trade sectors.

Components

- Development of Regional Economic Corridors
- Connectivity to Economic Corridors
- Institutional and Capacity Development
- Project Management
- Contingent Emergency Response

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

Environmental and Social Risk Classification

High

Decision

Other Decision (as needed)

B. Introduction and Context

Regional and Country Context

a) Regional Context

1. **The Horn of Africa (HoA), comprising Djibouti, Eritrea, Ethiopia, Kenya Somalia and Sudan,**¹ has a total area of around 1.7 million km², a population of about 233 million, and a combined Gross Domestic Product (GDP) estimated at US\$242 billion.² Approximately 70 percent of the population live in rural areas and exhibit high levels of poverty ranging from 69 percent in Somalia to 12 percent in Sudan (Table 1). The population of the region is also growing quickly and is expected to reach 300 million by 2030.

2. **The HoA is a complex region with nearly all countries exhibiting some level of conflict or vulnerability.** In the Fiscal Year 2021 edition of the global list of fragile and conflict-affected situations countries released by the World Bank Group (WBG), Somalia is one of four countries listed in the high-intensity conflict category while Eritrea is ranked as a country with high 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

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

² World Development Indicators



challenges of underdevelopment, resource scarcity, and economic shocks from global economic crises and climate challenges.³

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 study (Dappe & Lebrand, 2021)⁴ uses a general equilibrium model to estimate an increase in welfare of 3.9 to 6.3 percent in the HoA countries, as measured by percentage change of real income, with the implementation of new regional transport corridors coupled with effective trade facilitation measures. 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, Dappe & Lebrand (2021) also posit that investment in infrastructure leads to effective structural transformation in the region; having access to electricity at the district level is 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. The potential gains from deeper regional integration in cross-border trade and cross-border investment remain to be assessed but due to the prevalence of informal trade in the region, where official exports from Ethiopia of cattle or some commodities like maize are potentially under-reported by a factor of 25 or 30 respectively (Little, 2013 & 2015), it is expected that deeper regional integration coupled with effective trade facilitation measures will support sustained growth in trade and investment in all countries in the region.

4. The countries⁵ 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 (WB), 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. Details of the activities identified under each pillar of the HoA Initiative are provided in Annex 2.

5. 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 (SSA) 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.⁶ Cross border trade enhances food security through the

³ IGAD regional Strategy, Volume 1: The Framework, January 2016.

⁴ Matias Herrera Dappe and Mathilde Lebrand. "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021

⁵ Djibouti, Ethiopia, Eritrea, Kenya and Somalia

⁶ Source: Horn of Africa Regional Economic Memorandum, *forthcoming*.



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,⁷ but it is today largely informal and inefficient, due to multiple off-loading and severe non-tariff barriers to trade in the transport chains.⁸ The region is also strategically important from a digital connectivity perspective, given the number of international submarine cables landing (current/planned) in coastal cities -- Djibouti, Mogadishu (Somalia) and Mombasa (Kenya). The absence of well-developed network infrastructure in Somalia is preventing it from fully benefitting from this access as well as to facilitate transmission 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.⁹ The multi-sectoral HoA Initiative has accordingly been designed to support the countries to fully realize their economic potential through selective high-impact measures and investments.

6. The countries of the HoA are currently facing a triple crisis: The Coronavirus (COVID-19) pandemic, the resulting economic crisis, and food insecurity due to droughts and locusts. The HoA has had more than 590,000 infections and 12,000 deaths from COVID-19 as of August 30, 2021 compared to 7.5 million infections and nearly 200,000 deaths for Africa as a continent.¹⁰ Both Ethiopia and Kenya have extended restrictions in July/August 2021 as a response to a fourth wave of infections. In Somalia, a seemingly low number of cases (16,535) and deaths (897)¹¹ may reflect weak testing and reporting capacity more than it does actual lower infection rates. The continent has experienced extraordinary supply and demand shocks leading to a sharp overall decline in economic activity. Border controls imposed to hinder the spread of the virus are disrupting supply chains and the movement of basic commodities. The Africa region is poised to face its first recession in 25 years in the wake of the pandemic. GDP growth for Africa overall was impacted dramatically, with an estimated decline of 2.2 percent in 2020 and a modest recovery of 3.1 percent projected in 2021, with some key downside risks.¹² Poverty will rise, and decades of economic progress is threatened. These COVID-19 driven 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.

b) Country Context

7. 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,

⁷ Ibid.

⁸ Some of the challenges in the cross-border movements are analyzed in detail in the analysis of border markets of the upcoming Country Economic Memorandum of Somalia.

⁹ Source: Horn of Africa Regional Economic Memorandum, *forthcoming*.

¹⁰ Africa Center for Disease Control (accessed August 8, 2021). Note that these numbers are almost certainly under reported in many of more inaccessible areas of the region.

¹¹ Ibid.

¹² International Monetary Fund, Regional Economic Outlook for Sub-Saharan Africa, October 2020



provides the legal foundation for the existence of the Federal Republic and is the first step towards a new federalism model for Somalia.

8. The federation process has been complex and challenging despite the creation of several Federal Member States (FMS)¹³. The four new FMSs in southern Somalia are Jubaland, Southwest Galmudug and Hirshabelle with Puntland in the north having been formed earlier, in 1998. Somaliland in the northwest is a semiautonomous region of Somalia. 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. Relations between the Federal Government of Somalia (FGS) and FMS will likely remain fluid and asymmetric for some time, even as inter-government cooperation arrangements emerge.¹⁴

9. 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 15.4 million Somali population,¹⁵ at least 2.5 million live on the margins of food insecurity.¹⁶ 901,000 Somalis currently reside outside of the country as refugees,¹⁷ and another 2.6 million are internally displaced, many of whom live in urban areas.¹⁸ Poverty is estimated at approximately 69 percent at the national level, with even higher rates seen in Mogadishu and among the internally displaced population.¹⁹ The poor are also likely to experience non-monetary poverty with even worse access to basic services such as education, health, water and sanitation than the overall population.²⁰ 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.²¹

10. The FGS has significantly improved its ability to implement fiscal policy. Domestic revenue collection (tax and non-tax revenues) has been gradually increasing albeit from a low base, from 3.2 percent of GDP in 2017 to an estimated 4.0 percent of GDP in 2019 for the FGS. 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.²² Furthermore, fiscal space is constrained by recurrent expenditures related to the wage bill, as well as 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

¹³ Somaliland remains separate from the federation.

¹⁴ Country Partnership Framework for Somalia. August 2018.

¹⁵ World Development Indicators, World Bank

¹⁶ FEWSNET – Somalia Food Security Outlook for October 2020 to May 2021

¹⁷ UNHCR – Refugee Data Finder

¹⁸ Internal Displacement Monitoring Centre - <https://www.internal-displacement.org/countries/somalia>

¹⁹ 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>

²⁰ World Bank (2017). SCD.

²¹ World Bank, 2019. Somalia Poverty and Vulnerability Assessment: Findings from Wave 2 of the Somali High Frequency Survey. at <https://openknowledge.worldbank.org/handle/10986/32323>

²² Domestic Resource Mobilization in Somalia, Somalia Public Expenditure Review, World Bank, 2021.



supported by the IMF's Staff Monitored Programs (SMPs)²³. The government still relies heavily on external assistance for socio-economic infrastructure and services.

11. 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 WB. 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 WB's Special Financing Facility for Local Development (SFF-LD)²⁴ - 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 WB urban project (Somalia Urban Resilience Project, Phase I and Phase II²⁵) is supporting key cities by supporting the flows of funds from the federal to lower levels of government and strengthening project planning and implementation capacity at the municipal level.

12. Despite signs of improving capacity and stability, the global COVID-19 pandemic threatens 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 indicate that the outbreak is rampant within Mogadishu and throughout the country. The fragile health systems in much of the country, combined with the collapsing flow of remittances due to global recession, are creating conditions for the virus to have a particularly bad impact. The virus also threatens the country's economic and political recovery, potentially reversing the gains of the past decade. Reestablishing the country on a positive trajectory following the pandemic will require concerted effort from the FGS and FMS, as well as concerted support from DPs and with major export destinations.

Sectoral and Institutional Context

13. 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, with a long coastline of more than 3,300 km, the longest in mainland Africa. 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

²³ See *Somalia: Second Review Under the Staff-Monitored Program and Request for Three-Year Arrangements under the Extended Fund Facility-Press Release*. International Monetary Fund.

<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>

²⁴ Trust funded activities under P156257 (TF0A1715, TF0A4904, TF0B1712 and TF0A2683)

²⁵ P163857 (TF-A8112, TF-B0187 and TF-A6991) and P170922 (IDA-D5310, TF0B1519, and TF-B1409), respectively

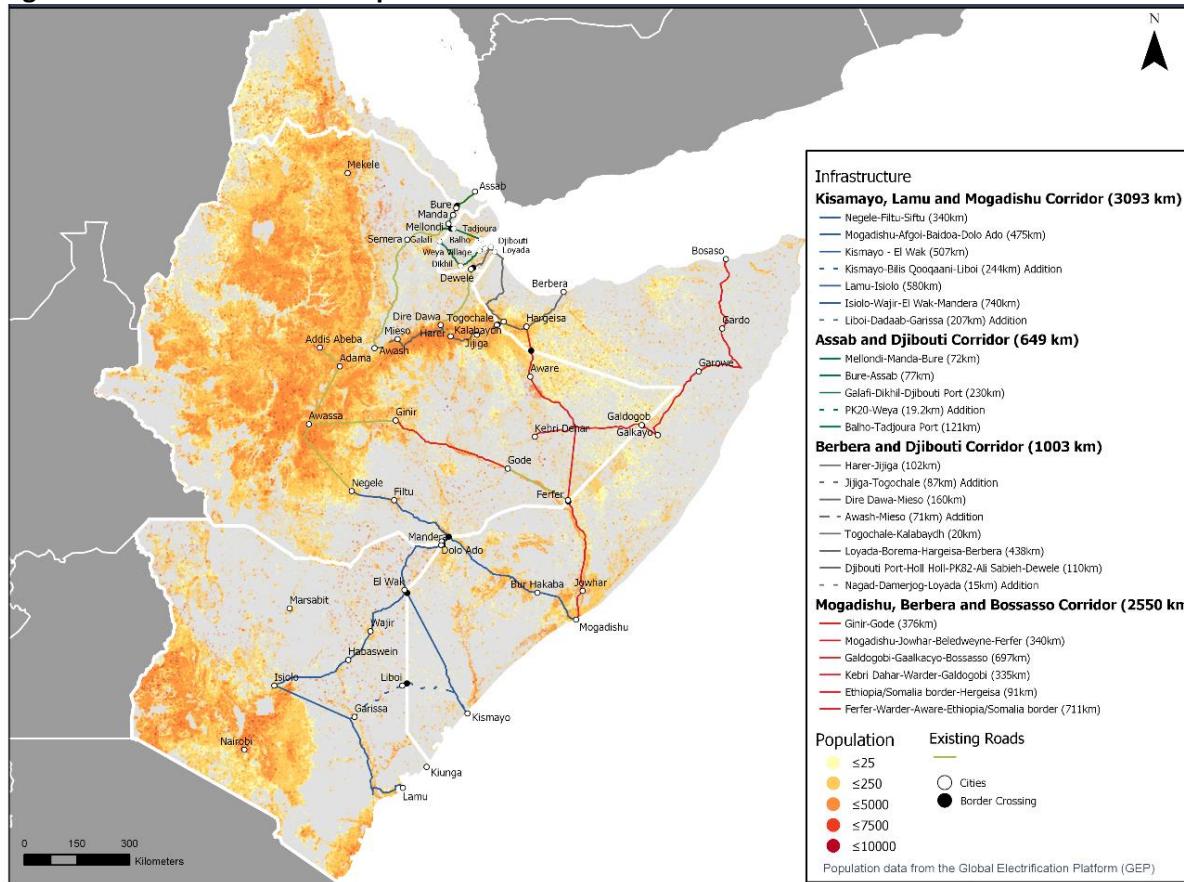


years. And yet, this significant potential for increased integration with hinterland countries is largely impeded by current infrastructure and institutional challenges, including failing road infrastructure, limited port capacity, undeveloped cold-chain infrastructures and seafood value-chains, missing 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, 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.

14. 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. See Figure 1 below. 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 – leveraging its strategic location, long shorelines, and potential as a gateway for the region – Somalia is ill prepared to deliver major regional integration infrastructure in the short term, weak institutions, policy and legal environment, and shovel ready projects needed to plan for and implement infrastructure investments.



Figure 1 - Identified HOA Transport Corridors



15. **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 (SPA) 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 WB has successfully supported the establishment of the National Communication Authority (NCA), 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. Capacity and fiscal constraints, however, limit their ability to undertake basic municipal functions, and outside of a few larger cities, these constraints deepen rapidly. Federal Member State (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.



16. **There is insufficient capacity for assessment and management of environmental and social risks in Somalia.** There are very few policies, laws, and regulations for national or State-level environmental and social oversight of development activities. Municipal-level development control and use of instruments such as zoning and land use planning is non-existent, generally. There is very weak national institutional framework that can serve as anchor for environmental and social safeguards. With the robust support of the WB, some measure of progress has been noted over the last one year. The Bank has been technically supporting the Directorate of the Environment and Climate Change in the Office of the Prime Minister (OPM). This Directorate is mandated to draft national environmental policies, regulations and legislations including establishing of the Environmental Quality Standards, Sectoral Environmental Assessments (SEAs), Environment Impact Assessments (EIAs) and Environmental Audits (EAs), among others. In November 2020, an environmental and social impact assessment bill was approved by the Somali cabinet and sent to the parliament for ratification. After its passage, the government has also published the regulations to give effect to this bill.

17. **Gender inequality and Gender Based Violence (GBV) are prevalent issues in Somalia.** According to the 2019 WB Somali Poverty and Vulnerability Assessment, only 37 percent of women participate in the labor market, compared with 58 percent of men. 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 (ILOSTAT), with men participating 34 times more than women in the transport and communications sectors, while women's involvement in utilities is almost nil. 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. The same applies in the digital 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. Evidence provides some explanations related to women's inactivity, such as gender social norms, and gaps in school enrollment. For 50 percent of women housework is the main reason for being out of the labor force, compared to 6 percent for men. WB research suggest that there is only a slight gender gap in relation to digital financial services in Somalia.²⁶ GBV, including sexual exploitation and abuse (SEA) is a significant challenge in Somalia,²⁷ 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. Studies suggest that perhaps about three-quarters of GBV/SEA survivors are internally displaced persons.

a) Regional Economic Integration

18. **The WBG's support towards regional integration in Africa is guided by the Bank's Africa Regional Integration (RI) Strategy.**²⁸ 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

²⁶ World Bank, 2018, Mobile Money Ecosystem research

²⁷ Discussion partially drawn from the Country Partnership Framework (CPF) (FY2019-22)

²⁸ Supporting Africa's Transformation: Regional Integration and Cooperation Assistance Strategy for the Period FY18–FY23, May 7, 2018, Report No. 121912-AFR.



Economic Communities and the expectations of the private sector in terms of connecting and growing markets.

19. The economies of the HoA countries are mostly agriculture-based and rely on imports for most other goods. As shown in Tables 3 and 4, 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. Apart from the Kenyan exports to Somalia therefore, intra-regional official trade in the region is at best marginal²⁹.

20. 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 study³⁰ 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.

21. The barriers, however, 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 as described in Annex 4, 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 transport prices and costs. Dilapidated infrastructure is not the only driver of high transport costs and prices as documented by recent analytical work³¹, 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 of years of support in SSA, 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.³² 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. possibly 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, in freight allocation, in cargo insurance arrangements, in bulking and storage, in monitoring prices, etc.

²⁹ The conclusions of these paragraph remain tentative given the low level of accuracy of trade statistics in the regional as discussed for example in Little (2015) and Dappe and Lebrand (2021).

³⁰ Matias Herrera Dappe and Mathilde Lebrand. "Infrastructure and Structural Change in the Horn of Africa". World Bank. 2021

³¹ Somalia Country Economic Memorandum (expected June 2021).

³² Ibid.



22. 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 (COMESA). Djibouti, Ethiopia, Kenya and Somalia are also party to the Agreement Establishing the African Continental Free Trade Agreement (AfCFTA), 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 (HoAGDP)³³ will support initiatives towards agreeing on common trading protocols, starting at bilaterally between Ethiopia and Kenya, followed by integration with the rest of the members of the HoA.

23. Kenya, Ethiopia and Somalia have long common borders, with alternative border posts for cross-border trade.³⁴ 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. Specific COVID measures have also led to the temporary closing of most border crossings since April/May 2020. 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.³⁵ 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.

24. 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 (WDI) about 6.8 million live in Somalia's urban areas, half of which are estimated to live in the primary city, Mogadishu. Those not living in urban areas face significant connectivity gaps: The Rural Access Index (RAI), 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 (2016). 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.

³³ Project ID P161305 (IDA-67680), and the first in the SoP which includes this project

³⁴ OCHA 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.

³⁵ Source: Local interviews, Country Economic Memorandum (*forthcoming*)



25. **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% of the population.** Somalia has a long tradition of pastoralism and pastoral communities make up around 60 percent of the Somali population. 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 is reported to have the largest camel stock in the world, and some of the largest goat, sheep and cattle populations. Yet the challenges to trade the livestock across borders, whether through the international ports or through the land borders (especially with Kenya) are many. Critical infrastructure improvements are needed to support the sector transformation and boost the value addition in the country, including the investment into meat processing facilities at the ports and the development of reliable cold chains.

26. **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 suggests a potential economic driver. 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

27. **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, it is estimated that only 2,860 km are 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 large majority disconnected from reliable access.³⁶ Along the coast, the lack of infrastructure expresses itself as a severe limitation on the fishing industry and with a low intensity of development of coastal infrastructure in some regions (e.g., Galmudug and Hirshabelle). Overall, a recent study by United Nations Office for Project Services (UNOPS), EU and AfDB (2015) estimates the basic needs for rehabilitating transport infrastructure at US\$1.8 billion over the next 10 years.

28. **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 FCDO and Abu Dhabi Fund for Development (ADFD)) and the Berbera-Hargeisa road (supported by ADFD) in Somaliland, the Beledweyne-Galkayo and Garowe-Galkayo roads in Puntland and the Galkayo-Hobyo road in Galmudug (supported by GIZ, AfDB and the EU), the Luuq-Doolow road in Jubbaland, (supported by AfDB and the EU) and the Mogadishu-Afgoye and Mogadishu-Jowhar roads in Banadir/Hirshabelle

³⁶ SDG 9.1.1. Rural Access Index - <https://datacatalog.worldbank.org/dataset/rural-access-index-rai>



(supported by the Qatar Fund for Development)³⁷. Beyond these interventions, other road works are not being planned, let alone shovel-ready, because of lack of requisite technical studies and a lack of resources on the part of the FGS. The institutional capacities of the ministries are also 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. See Annex 7 for more information on ongoing development partner financed road works.

29. 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.

30. 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).³⁸ 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.

31. 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.³⁹ In addition, poor transport infrastructure exacerbates women's already heightened vulnerability to climate change and difficulty accessing services for themselves and their families during periods of forced displacement.⁴⁰

32. 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 (ESPs) 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

³⁷ 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.

³⁸ WHO Estimate, 2016

³⁹ World Bank, Federal Republic of Somalia Systematic Country Diagnostic, May 1, 2018

⁴⁰ See, for instance, Somalia's National Adaptation Program of Action on Climate Change, 2013. (URL: [som01.pdf\(unfccc.int\)](http://som01.pdf(unfccc.int)))



membership to the East Africa Power Pool (EAPP), which would integrate the country into regional and continental power trade, and strategically position the country for trading with the Middle East.

33. 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, such as the three week cut that occurred in June/July 2017 which was estimated to have caused economic losses of the order of US\$12m⁴¹. Today, two international submarine fiber optic cables land in Somalia - the EASSy cable in Mogadishu and the Gulf to Africa (G2A) cable in Bossaso, Puntland, with further cables on the way. Somalia is also able to access capacity via terrestrial cross-border links to Kenya (albeit though 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; including The Djibouti Africa Regional Express 1 (DARE1), Pakistan and East Africa Connecting Europe (PEACE), and 2Africa 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. Much greater national and regional digital connectivity and market integration, as Somalia's patch terrestrial backbone network would be required to distribute capacity effectively nationwide and to link Somalia's network to other HoA countries' backbone networks. Most of south-central Somalia is consequently served by 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 (estimated to be less than 10 percent).

34. 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.⁴² 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.

35. Application of the 'dig once' principle, with coordinated deployment of linear infrastructure⁴³ along key regional corridors in Somalia, would reduce cost of deployment and hasten the rate at which

⁴¹ World Bank. 2017. *What is the economic cost to Somalia of the EASSy cable cut?*

⁴² 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

⁴³ Such as roads, electricity transmission lines, and fiber optic cables



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 safeguards etc.

36. **As addressing Somalia's infrastructure gaps will be the work of decades, the proposed project seeks to lay a foundation by supporting the technical work necessary for delivery of shovel-ready prioritized pipeline for spatially considered economic corridor development and associated connectivity.** It 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.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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 the transport and trade sectors.

Key Results

- Value (US\$) of spatially coordinated pipeline projects prepared which are ready for investment;
- National Transport Policy (NTP) developed and submitted to portfolio ministry for approval (Y/N);
- Enabling environment of trade within Somalia formulated (# of activities completed); and
- Capacity of PCU for project management (as determined by capacity audit)

D. Project Description

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50	Yes
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Projects in Disputed Areas OP 7.60	No
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Summary of Assessment of Environmental and Social Risks and Impacts



37. **The components of the Somalia – Horn of Africa Infrastructure Integration Project (SHIIP) collectively aim to unlock 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,⁴⁴ 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, where opportune these will include other linear infrastructure, mainly transmission lines and digital broadband. The proposed project will complement the initial prioritized corridors with improvement of local road connectivity and access, similarly considered for other linear infrastructure as well as other spatial consideration in planning for ports, fisheries, and economic and social dimensions intended to optimizing impact of the eventual investments.

38. **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 levels⁴⁵.** The proposed project’s capacity building activities will largely be attained by learning-by-doing; technical and analytical studies will be formulated to ensure engagement, technical exposure and decision making by civil servants. The proposed project aims at a forward-looking strategy for sectoral development, identified to cumulatively contribute to a long-term institutional and sectoral vision to be sure to leave competencies beyond the life of the project. While institutional framework for longer term sector management and its sustainability will be examined, actions on these is expected to be subject a post project implementation.

39. **Achievement of project activities will largely be through technical, analytical and diagnostic studies.** In addition to actual subject issue and ensuring that each of these is formulated to take advance of capacity development, these will also be articulated to be gender informed.

40. **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 levels⁴⁶.** The proposed 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 proposed 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.

⁴⁴ Somalia Country Economic Memorandum (expected June 2021).

⁴⁵ It will draw lessons on institutional strengthening from projects implemented in Somalia in the last years, such as in public financial management.

⁴⁶ It will draw lessons on institutional strengthening from projects implemented in Somalia in the last years, such as in public financial management.



41. **There is a recognition that infrastructure development can serve to address gender inequality, but that it can also catalyze GBV and SEA.** The studies will be used as vehicles to understand and plan for addressing gender issues by drawing on the guidance provided by the WB 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. The focus will be on building a better understanding of the specific risk factors that may contribute to GBV and SEA as WB 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

42. **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 safeguards instruments, and economic analysis. 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. Where FGS strategies and plans for new transmission lines and digital development coincide linearly with selected economic corridor, design of these will be undertaken.

43. **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 as detailed in Annex 3.** Climate risks and vulnerability were considered in the road prioritization. Annex 4 is a description of 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.

Component 2: Connectivity to Economic Corridors

44. **This Component will prepare a suite of national level activities intended 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:

- Preparation of 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, connecting the local population to the expanded opportunities presented by increased trade and economic development induced by the eventual investment in the economic corridors. Climate resilience considerations will be integrated in road design studies;



- Design of new transmission lines and digital development to coincide linearly with selected roads, including an integrated energy demand assessment covering transport, digital and fishers' loads to adequately estimate power needs for priority sites;
- Assessment of the fisheries sector's infrastructure (docks, cold chain, processing, etc.) and services (unloading/transshipping, supplying, bunkering, repairs, etc.) for their potential as economic drivers for particular value chains. Specific activities could include i) opportunity and cost benefit analyses for fishing, or multi-usage ports along the coast of Somalia, ii) needs assessment and investment plan for pre- and post-harvest infrastructures in major ports and in smaller ports, as well as other services activities, iii) detailed feasibility studies for fishing or multi-usage port developments and associated infrastructures, iv) associated safeguards instruments, and v) climate risks and port vulnerability assessments;
- Assessments geared to linked ports (Mogadishu, Kismayo, Bossaso and/or Berbera), such as operational or environmental assessment and associated designs that fit within the ports designated public domain; and
- Area-wide trade facilitation and development aspects, reflecting prioritized regional economic corridors selected for technical preparation under component 1.

Component 3: Institutional and Capacity Development

45. **This component will support select institutional and capacity development within the FGS,⁴⁷ especially within the transport and trade sectors.** Effective planning, implementing, maintaining and governing the infrastructure sector and monitoring service efficiency requires strong institutions with sufficient resources and technical, managerial, planning, procurement, financial management and socio-environmental skills. This component aims at creating a base for this to occur over time. A framework for institutional development needs to be formulated, understanding of sectoral issues needs to be sustained through appropriate analytical undertakings and human resource capacities built.

46. **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

⁴⁷ 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.



- Development of the NTP with TA and under the guidance of the Ministry of Transport and Civil Aviation (MTCA), for the purpose of framing a comprehensive guidance to all stakeholders on Somalia's long-term development of the transport sector; it would be expected that these policies be informed by or integrated with other sector priorities and potential trade flows. The ToRs for this assignment will incorporate MTCA capacity development as one key objective;
- Development of a transport sector climate strategy, with the identification of policy, regulatory, and institutional capacity measures needed to enhance the resilience of the transport sector. Such strategy would be informed by climate and natural hazards vulnerability assessment for the Transport sector and development of guidance materials on how to integrate climate resilience considerations in road design and construction, and port rehabilitation and expansion;
- Development of a Road Sector Strategy under the NTP framework, aimed at providing safe, economic, efficient, climate resilient and sustainable road infrastructure;
- Development of a National Highway Authority Development and Capacity Framework, which blueprints how such authority may eventually and sustainably take over responsibility for the sector;
- Road sector studies: (i) Road condition surveys of prioritized corridors and connecting roads not selected for support under Components 1 and 2. This may be through a mix of equipment-based, visual and virtual surveying. Approximately 2,500 km will be subject to this activity; (ii) Road safety diagnosis, to map out key stakeholders, institutional ownership and capacities, existing initiatives and support framework to address road safety, as well as conduct a road safety audit on selected primary corridors to identify blackspots, and; (iii) Analysis of gender and social inclusion in trade and transport for future investment projects;
- Update and expansion of the National Ports Masterplan to inform a cohesive national development and management of the sector, and preparation of a Somali Port Authority Development and Capacity Framework, which blueprints how such authority may eventually and sustainably take over responsibility for the sector;
- Trade Facilitation
 - Series of trade facilitation actions, including design of a national transit regime and guarantee system for a facilitated movement of trucks across FMS and the design and pilot-implementation of a cargo tracking system to improve security, efficiency and revenue collection for long-distance transport operations;
 - Support to investment strategies for and capacity development of Small and Medium Enterprises in responding to development of regional corridors.
- Integrated Economic Corridor Planning
 - Support for the development of an integrated national 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; and 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;
 - Support for the digital development sector as it relates to planning and implementing fiber optic deployment along targeted corridors, such as a feasibility study for a national fiberoptic backbone.



- Fisheries activities to support trade along the selected corridors, identifying concurrent investments and improving planning for fisheries development.
- Energy sector planning studies necessary to align infrastructure development along economic corridors developments.
- Environmental and Social Risk Management
 - Undertaking of a focused capacity needs assessment with a costed training plan, building basic understanding of social and environmental risk management, establishment of procedures and templates for risk management, 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.
 - Security Risk Management

Component 4: Project Management

47. **This component will finance overall project implementation, coordination and management costs of the project**, including costs associated with a Project Coordination Unit (PCU) in the MPWRH⁴⁸. The project will rely as much as possible on local staff, utilizing external technical assistance consultants to support but not take responsibility for deliverables. This Component will finance the following activities.

- PCU staff salaries and associated costs
- Incremental costs in setting up PCU offices, including small civil works and equipment
- PCU operating costs
- TA to the PCU
- Ad-hoc or intermittent support to beneficiary ministries to discharge their technical responsibilities
- Project audits.

Component 5: Contingent Emergency Response

48. **The contingent emergency response component (CERC)** is included under the project in accordance with the World Bank Policy on Investment Project Financing dated November 10, 2017, Paragraph 12 and 13 for situations of urgent need of assistance, as a project specific CERC. This will allow for rapid reallocation of project funds in the event of a natural or man-made crisis in the future, during the implementation of the project, to address eligible emergency needs under the conditions established in its operations manual. This component will have no funding allocation initially and will draw resources from the other expenditure categories at the time of activation. If an Immediate Response Mechanism (IRM) is established, this component will serve as an IRM CERC to allow the reallocation of uncommitted funds from the project portfolio to the IRM Designated Account (DA) to address emergency response and recovery costs, if approved by the World Bank.

⁴⁸ On occasions, TA may on interim basis be provided directly to beneficiary ministries.



E. Implementation

Institutional and Implementation Arrangements

49. **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 FMSs on relevant activities. Financial management will be conducted by the External Assistance Fiduciary Section (EAFS) within the MoF.

50. **The project's spatial planning requires active engagement and technical contributions by several beneficiary Ministries.** Principal involved ministries include the MPWRH, MPMT, the MTCA, the MCT, the Ministry of Energy and Water Resources (MoEWR), the Ministry of Fisheries and Marine Resources (MFMR), and the Directorate of Environment and Climate Change (DoECC) in the Prime Minister's Office; the Ministry of Planning Investment and Economic Development (MOPIED) and the MoF for project oversight.

51. **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 a series of Memorandum of Understanding (MoU) between the PCU and sectoral ministries to ensure agreement and buy-in.

52. **A technical Steering Committee consisting of the Directors General of the beneficiary ministries and chaired by the DG MoF will oversee the project.** It is expected that the steering committee will convene at least three times annually 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.

53. **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 EAES system in the MoF,
- Environmental and social safeguards issues
- Monitoring and evaluation
- Overall quality control in preparation for activities and in their execution
- Communications and beneficiary engagement

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

- Participating in technical Steering Committee to provide project governance
- Identifying and scoping relevant activities to be completed under the project
- Preparing initial Terms of Reference (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

55. **To guide the working modalities between the PCU and sectoral ministries, trilateral memorandums of understanding (MOU) would be prepared.** It is expected that the MoUs would be signed by the MPWRH and the PCU Coordinator on one side, the Minister of the sectoral ministry, and the Prime Minister or MoF.

56. **It is expected that the PCU would include approximately 10 key staff.** Staff will be engaged locally under ToR agreed with the Word Bank through competitive and transparent processes and may include civil servants as well as specialists sourced locally. The PCU will be supported by additional administrative staff as and if such capacity is deemed necessary.

57. **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.

58. **It is foreseen that for the duration of the project, external technical assistance 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 technical assistance would include a provision for ad-hoc capacities that can be temporarily and at short notice be 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 particular challenges and problems as they may arise.

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