

# African Development Bank

Multi-Partner **SOMALIA INFRASTRUCTURE FUND**



## 2017 Mid-Year Report



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## ACRONYMS

AfDB	African Development Bank
BRA	Benadir Regional Authority
EFGISP	Economic and Financial Governance Institutional Support Project
FGS	Federal Government of Somalia
FMS	Federal Member States
INA	Infrastructure Needs Assessment
IOM	International Organization for Migration
IsDB	Islamic Development Bank
KOAFEC	Korea-Africa Economic Cooperation
MEWR	Ministry of Energy and Water Resources
MPWR	Ministry of Public Works and Reconstruction
NDP	National Development Plan
NEPAD-IPPF	New Partnership for Africa's Development – Infrastructure Project Preparation Facility
NTCF	Nigeria Technical Cooperation Fund
SC	Steering Committee
SDRF	Somalia Development and Reconstruction Facility
SIF	Somalia Infrastructure Fund
SSIPWP	Somalia Strengthening Institutions for Public Works Project
TSF	Transitional Support Facility
UK DFID	United Kingdom Department For International Development
UN	United Nations
UNOPS	United Nations Office for Project Services
VC	Video Conference
WASH	Water, Sanitation and Hygiene

## I. INTRODUCTION

1. The *African Development Bank (AfDB) Multi-Partner Somalia Infrastructure Fund (SIF)* was established in October 2016 following approval by the Bank's Senior Management of the *Framework Document* for the Fund's establishment under the AfDB's *Transitional Support Facility (TSF)*.
2. The SIF is part of a comprehensive, coherent and coordinated multi-partner initiative to assist Somalia in consolidating peace and moving along a path of long-term development. The Somali COMPACT established the *Somalia Development and Reconstruction Facility (SDRF)* for intermediating economic reconstruction and development finance assistance to Somalia, and the SIF is one of three funding windows under this framework. The SIF takes advantage of the Bank's TSF to mobilise and channel resources.
3. As part of the COMPACT, the *Federal Government of Somalia (FGS)* specifically requested the Bank to establish and manage a fund that will support the rehabilitation and development of infrastructure. The Bank had agreed previously to take the lead on the infrastructure agenda in Somalia, given the Bank's comparative advantage and experience across the continent in infrastructure development.
4. The Fund's goal is to support and accelerate Somalia's inclusive and sustainable economic recovery, peace and state building within the context of AfDB's *Strategy for Addressing Fragility and Building Resilience in Africa*. Figure I shows the objectives and components of the SIF.

**Figure I: Objective and components of the AfDB Multi-Partner SIF**



5. The bulk of activities financed by the SIF are hard infrastructure investment projects, particularly in the energy, transport, water & sanitation, and ICT sectors. Through the preparation of *Infrastructure Needs Assessments* (INAs) in these sectors and a consolidated SIF *Project Pipeline*, the Bank has identified a pipeline of infrastructure projects for funding through the SIF.
6. The SIF also supports institutional development (i.e. softer issues) related to infrastructure rehabilitation and development. This involves strengthening the capacity of public organizations such as federal and state ministries, and public enterprises such as utilities, as well as developing the laws, rules, regulations and financial arrangements that govern the provision of infrastructure services. Capacity building at a ministry level is the basis for the country-led development and management of a broad infrastructure programme. The SIF also intends to strengthen the federal and state ministries capacities to prioritise inclusive infrastructure development that responds to the short and long-term distributive impacts of infrastructure projects, particularly on women and vulnerable groups.
7. Capacity development of the local private sector engaged in building, constructing and operating infrastructure investments may be necessary to prevent bottlenecks in implementation, and that will also develop the Somali private sector and increase employment. On-the-ground skills development related to the construction and maintenance of infrastructure is critical to enhance employment opportunities of the youth and ex-combatants, promote the development of micro and small enterprises, and ensure sustainability of infrastructure investments.
8. The financing and governance component will include support to relevant line ministries and agencies in PFM, procurement and government systems for planning, managing and funding infrastructure projects. It will also support customs management and revenue mobilisation from infrastructure assets, which will contribute to broader resources for the maintenance and upgrading of infrastructure.
9. The rest of this report is organized as follows: Section II provides an update of the financial status of the Fund. Section III provides a portfolio update and considers the projects pipeline, status of ongoing projects, and projects under preparation. Section IV assesses the SIF's current contribution to delivering relevant pillars under the *National Development Plan* (NDP) 2017-19. Section IV concludes with an update on significant challenges and risks for the Fund, and on-going mitigation measures.

## II. FINANCIAL UPDATE

### Donors and Resource Mobilisation

10. Since its establishment, the SIF has received US\$ 13.5m in commitments from three donors including the UK Department for International Development (DFID), Italian Agency for Development Cooperation, and Islamic Development Bank (IsDB). Table I shows the current pledges and contributions to the SIF.

**Table I: Donor pledges and contributions to the SIF**

Donor Contributions, US\$ m	Paid In	Pledged
 <b>United Kingdom</b>	1.9	1.9
 <b>Italy</b>	0.0	1.8
 <b>IsDB</b>	0.0	10.0
 <b>AfDB</b>	16.5	50.5
<b>Totals</b>	<b>18.4</b>	<b>64.2</b>

\*All the values in the table are according to the exchange rates as at 30 June, 2017

11. The AfDB funds will be used to finance and/or cofinance SIF projects. The AfDB will also continue to set aside resources for Somalia from internal sources and internally managed trust funds. In this regard, the SIF has received **US\$ 262,900** from the *Korea-Africa Economic Cooperation (KOAFEC) Fund* and **US\$ 77,650** from the *Nigeria Technical Cooperation Fund (NTCF)*.
12. Further interest has been expressed by: (i) the European Union to commit funds to support the road and ports corridor projects; (ii) the *New Partnership for Africa's Development – Infrastructure Project Preparation Facility (NEPAD-IPPF)* to undertake pre-feasibility and feasibility work related to transport corridors; and (iii) Italy to make an additional contribution in 2017.
13. In May 2017, during AfDB's *Annual Meetings* in India, the FGS and Bank organised a side meeting with donors and friends of Somalia on "Financing the Infrastructure Pillar of Somalia's NDP 2017-19". The well attended meeting included representatives from the following countries and institutions: Somalia, Saudi Arabia, Kuwait, United States of America, Germany, Sweden, Egypt, Italy, United Kingdom, Netherlands, Morocco, World Bank, and AfDB. Following the successful launch of a *New Partnership Agreement* between Somalia and the international community at the *London Somalia Conference* on 11 May 2017, and the broad commitments that were made to support the delivery of the NDP, this meeting was a timely

opportunity for the FGS to further articulate its infrastructure investment priorities, and outline the financing options available for delivering these priorities.

14. In the fourth quarter of 2017, the Bank plans, together with the FGS and *Organisation of Islamic Cooperation* (OIC) to arrange a funding conference for the SIF. This event will specifically target non-traditional donors.

### Statements of Financial Position

15. As shown in table II, the total contributions received (as at 30 June 2017) by the SIF were US\$ 1,945,194. Of this, US\$ 57,743 (amounting to 3% of total contributions) was committed to covering the costs of AfDB administering the SIF, while US\$ 1,848,954 was committed to the *Improving Access to Water and Sanitation Services* project. So far, US\$ 871,511 has been disbursed to this project from these funds. Table III shows a breakdown of the disbursements.

**Table II: Financial summary (US\$) at 30 June 2017**

Contributions	
Contribution received	1,945,194
Investment Income	-
<b>Total funds available</b>	<b>1,945,194</b>
Disbursements	
• Project disbursements	(871,511)
• Administration disbursements	(2,876)
<b>Net Funds available</b>	<b>1,070,806</b>

**Table III: Summary of ongoing activities (US\$) at 30 June 2017**

Item	Allocated	Disbursements	Unspent Budget
SIF Nairobi Management Unit	57,743	2,876	54,867
SIF Management Fees	38,496	-	38,496
Improving Access to Water & Sanitation Services	1,848,954	871,511	977,443
<b>Total</b>	<b>1,945,194</b>	<b>874,387</b>	<b>1,070,806</b>

16. As shown in table IV, of the US\$ 16,494,914 that the AfDB has committed to the two ongoing SIF projects, US\$ 2,608,930 has been disbursed, which is an average disbursement rate of 15.8% over the first 6 month implementation period of the projects.

**Table IV: Summary of AfDB disbursements (US\$) at 30 June 2017**

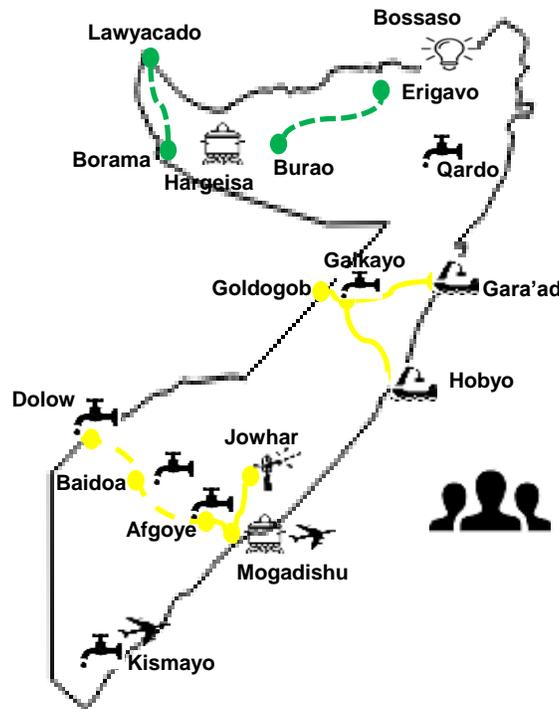
<b>Project</b>	<b>Committed</b>	<b>Disbursed</b>	<b><i>Disb. rate (%)</i></b>
Strengthening Institutions for Public Works	7,661,283	1,441,522	<i>18.8</i>
Improving Access to Water & Sanitation Services	8,833,631	1,167,408	<i>13.2</i>
<b>Total</b>	<b>16,494,914</b>	<b>2,608,930</b>	<b><i>15.8</i></b>

### III. PORTFOLIO UPDATE

#### Pipeline

17. The SIF projects pipeline was approved by the SDRF Steering Committee in November 2016. It includes about US\$ 450m worth of projects in the transport, energy, water and sanitation, and ICT sectors. About US\$ 60m of this is meant for projects concerned with institutional capacity building and skills development.
18. During the course of 2017, this pipeline has been further refined to ensure that SIF financed activities are at the forefront in supporting recovery from the on-going humanitarian crisis and building longer-term resilience. Thus, as shown in annex I, 16 projects, for a total value of about US\$ 146m, are included in the revised project pipeline up to 2020. About 31% (US\$ 46m) of this can be financed from current commitments to the SIF. Hence, there exists a funding gap of about US\$ 100m. This pipeline is shown visually in figure II.

**Figure II: Revised SIF project pipeline up to 2020**



19. The objective will be to group some of these projects into larger programmes to facilitate more effective design, appraisal and implementation<sup>1</sup>. The indicative pipeline also ensures that all

<sup>1</sup> For example, in 2018, a US\$ 48m transport programme can be prepared that incorporates the following projects: (i) rehabilitation of the Mogadishu-Jowhar road; (ii) rehabilitation of the Afgoye-Baidoa-Dolow road; (iii) rehabilitation of sections of the Galdogob-Galkayo/Hobyo-Gara'ad corridors and ports; and (iv) TA and capacity building to related Federal State Infrastructure Agencies.

*Federal Member States* (FMS) benefit from the SIF’s portfolio over the next four years. Furthermore, the state level projects are also amongst the top priorities that have been expressed by each of the FMS. A number of the projects also constitute part of a bigger project or first phase, which can be advanced if expected resource mobilisation through the SIF is very successful.

20. Inclusion of the various projects in the revised lending pipeline has also taken into account the level of information (e.g. design and feasibility studies) available, and their viability given Somalia’s insecurity and related access constraints. Thus, for all of these projects, significant information is already available or pre-project work on-going. In general, no new infrastructure developments are being proposed, as most of the projects are quick-wins focusing on the repair and rehabilitation of infrastructure that already exists or existed prior to Somalia’s civil war.

### **On-going Projects**

21. The first two SIF projects – *Improving Access to Water and Sanitation Services* and *Strengthening Institutions for Public Works* – were endorsed by the SDRF Steering Committee and approved by the Bank’s Board of Directors in November 2016. No further projects have been approved and no projects have closed in the first half of 2017. Table VI provides a detailed overview of progress with the on-going projects.
22. Furthermore, in order to provide immediate support to the on-going humanitarian crisis, the Bank approved a US\$ 35m *Short Term Regional Emergency Response Project* for Somalia in July 2017 (see annex II for further details.). This is Bank support outside its commitments to help finance projects in the SIF pipeline.

### **Projects Under Preparation**

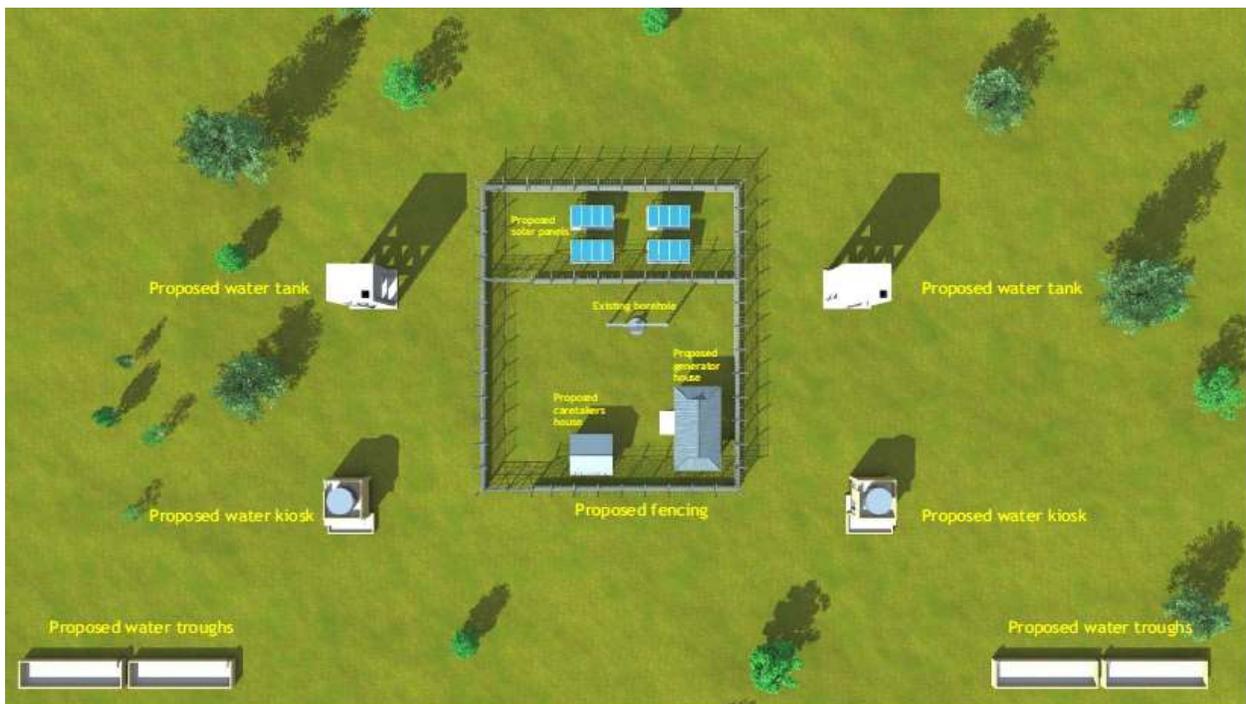
23. As shown in Table V, five projects are currently being prepared for approval in late 2017 or early 2018.

**Table V: Projects under preparation**

Project	US\$ m est.
Urban Water Supply Infrastructure Phase I (Kismayo and Baidoa)	8.5
Rehab. Mogadishu-Afgoye Rd & Mogadishu Airport Upgrades	9.2
Economic & Financial Governance ISP Phase II (FGS Infr. Line Ministries)	7.8
Somali Electrification Agency	(pre-project)
Vocational Training Centre (s)	(pre-project)



The images above are of the existing Afmadhow borehole, which is one of the locations for rehabilitation in the ongoing water project. Below is the proposed master plan that includes water tanks, kiosks, solar panels, generator house and caretaker's house.



**Table VI: Project progress**

Project	Improving Access to Water and Sanitation Services	Strengthening Institutions for Public Works
Amount	US\$ 11m	US\$ 8m
Timeframe	November 2016 - March 2020	November 2016 - December 2019
Objective (s)	<ol style="list-style-type: none"> <li>1. Improve access to water and sanitation services in rural areas of Somalia, and contribute to reduced infant and under-5 mortality caused by WASH related diseases.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve the institutional capacities of <i>Ministry of Public Works and Reconstruction</i> (MPWR) and State-level Authorities responsible for Public Works, in order to enable them to independently plan, manage, and oversee infrastructure construction projects and maintenance works.</li> <li>2. Expand employment and entrepreneurship opportunities for Somalis in Public Works.</li> </ol>
Geographical Coverage	Benadir, Puntland, Hirshabelle, South West, Jubaland and Galmudug	FGS, Jubaland, Southwest, Galmudug, Puntland and Hirshabelle
Partners	<ul style="list-style-type: none"> <li>• Ministry of Energy and Water Resources (MEWR) (Execution)</li> <li>• IOM (Implementation)</li> </ul>	<ul style="list-style-type: none"> <li>• MPWR (Execution)</li> <li>• UNOPS (Implementation)</li> </ul>
Components	<p><b>Capacity Development</b></p> <ul style="list-style-type: none"> <li>• Develop WASH Strategy for four regional states and FGS</li> <li>• Rehabilitate National Water Agency building of the MEWR, including the laboratory section</li> <li>• Rehabilitate and upgrade buildings of four regional state water agencies</li> <li>• Procure office equipment for MEWR and four regional state institutions</li> <li>• Procure vehicles for MEWR and regional state water sector institutions</li> <li>• Procure portable water quality monitoring equipment for regional states and MEWR</li> <li>• Train five key staff on water quality monitoring from each state and from FGS</li> </ul>	<p><b>Establish Framework Conditions for Public Works</b></p> <ul style="list-style-type: none"> <li>• Review legislations related to public works</li> <li>• Establish an <i>Inter-Ministerial Public Works Coordination Mechanism</i></li> <li>• Establish video conference (VC) connections for seven <i>Public Works Authorities</i></li> <li>• Basic building assessments of ministerial buildings in Mogadishu and five state capitals (i.e. inventory of buildings)</li> </ul> <p><b>Develop Capacity for Public Works and Job Creation</b></p> <ul style="list-style-type: none"> <li>• Assess current staff qualifications</li> <li>• Support capacity development of the FGS and five Public Works Authorities</li> <li>• Conduct capacity needs assessments</li> <li>• Consolidate existing organograms to a functional ministerial structure</li> <li>• Support the development of internal policies and procedures</li> </ul>

	<ul style="list-style-type: none"> <li>• Appoint national project coordinator from MEWR and focal points at the federal states</li> <li>• Travel and study tour support to MEWR and federal state water agencies</li> </ul> <p><b>Water and Sanitation Infrastructure for Sustainability and Resilience</b></p> <ul style="list-style-type: none"> <li>• Construct/rehabilitate 20 strategic water systems, incorporating sanitation facilities, and install of solar water pumps</li> <li>• Construct 53 mini solar powered/three tank water systems with draw off and sanitation facilities</li> <li>• Construct sanitation facilities and rain water harvesting in 20 schools, markets and health institutions</li> <li>• Build communities capacity and carry out hygiene sensitization and promotion</li> <li>• Environmental mitigation measures e.g. establishment of tree nurseries, soil and water source conservation measures</li> </ul>	<ul style="list-style-type: none"> <li>• Support recruitment of critical staff</li> <li>• Build capacity for the development of feasibility studies, using actual SIF projects</li> <li>• Develop guidelines for: a) gender mainstreaming, and b) youth employment and entrepreneurship in public works</li> <li>• Support the production of a study with concrete measures to enhance revenue collection</li> <li>• Establish a list of consultants and contractors</li> </ul> <p><b>Youth Employment &amp; Entrepreneurship for Public Works</b></p> <ul style="list-style-type: none"> <li>• Equip youth with professional and transferable skills with job placement support for 1100 youth (200 of them with entrepreneurship focus). Trainings will be designed to match demand by the private sector.</li> <li>• Provide seed capital for 200 construction related SME start-ups</li> </ul>
<b>Performance</b>	<b>US\$ 2m disbursed (18%)</b>	<b>US\$ 1.5m disbursed (18%)</b>
<b>Results and plans for scale up</b>	<ul style="list-style-type: none"> <li>• The first quarter of 2017 focused on setting up the project structure, consultation with stakeholders and preparing documentation and assessments with the aim of laying a foundation necessary for implementing various project activities.</li> <li>• A project implementation team comprising a Senior WASH Project Assistant, Engineer, and Procurement and Finance Officers has been appointed to ensure smooth management and coordination of project activities.</li> <li>• The project work-plan and budget for year 1 has been prepared and approved.</li> <li>• Assessments for selected boreholes and mini-water system sites in different regions have been undertaken, with technical designs and bills of quantities prepared and submitted to the MEWR for approval.</li> <li>• Tenders have been floated for construction of the water infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• A draft report reviewing existing legislation and describing the codes and requirements for drafting a revised Law has been prepared.</li> <li>• A Ministry consultation workshop was held in July 2017 to discuss the legislations and laws to be revised.</li> <li>• VC and internet assessments have been carried out at the MPWR and at various State Public Works Ministries.</li> <li>• MPWR engineers have been trained on structural inspection of buildings. Further trainings are planned in August.</li> <li>• A draft skills needs assessment report has been prepared.</li> <li>• A capacity assessment of engineers in MPWR has been conducted to develop a capacity development plan (incl. technical training) for them.</li> <li>• A computer skills assessment has been carried out on the MPWR staff. Plans are underway to recruit a national based trainer or national training organization to deliver computer skill based training to staff.</li> <li>• A request for proposals for youth employment and entrepreneurship training within the construction sector was issued in June, and the selection of a service provider will be completed soon, as trainings are expected to begin in September 2017.</li> </ul>

#### IV. SIF CONTRIBUTION TO THE NDP 2017-19

24. The overall objective of the SIF is to support interventions that promote inclusive and sustainable economic reconstruction, development and growth in Somalia. Table VII shows how the Fund’s project-level results contribute to various pillars of the NDP, and include indicators that will be achieved by the ongoing projects, as well as by projects that are currently being prepared.

**Table VII: Contribution of project-level results to the NDP**

<b>BUILDING EFFECTIVE AND EFFICIENT INSTITUTIONS PILLAR</b>		
<b>Goal: To align, improve and strengthen organization, working and operational capabilities of all governmental institutions at the national and sub-national levels.</b>		
<b>Project</b>	<b>Indicator</b>	<b>Progress</b>
<ul style="list-style-type: none"> <li>• <b>Strengthening Institutions for Public Works</b></li> </ul>	<i>No of relevant Laws, Policies, Strategies formulated and adopted for public sector institutions</i>	<ul style="list-style-type: none"> <li>• A draft report reviewing existing public works legislation and describing the codes and requirements for drafting a revised Public Works Law has been prepared.</li> </ul>
	<i>No of ministries/institutions with clear organizational structures, rules of business and terms of reference in place</i>	<ul style="list-style-type: none"> <li>• MPWR engineers have been trained on structural inspection of buildings.</li> <li>• A draft skills needs assessment report for MPWR has been prepared.</li> <li>• A capacity assessment of engineers in MPWR has been conducted to develop a capacity development plan (incl. technical training).</li> <li>• A computer skills assessment has been carried out for MPWR staff.</li> </ul>
	<i>No of Ministries with appropriate and equipped office buildings</i>	<ul style="list-style-type: none"> <li>• VC and internet assessments have been carried out at the MPWR and at various State Public Works Ministries.</li> </ul>

## SOCIAL HUMAN DEVELOPMENT PILLAR

**Goal: To ensure availability of clean drinking water, hygiene and sanitation facilities for all people in Somalia.**

<ul style="list-style-type: none"> <li>• <b>Improving Access to Water and Sanitation Services</b></li> <li>• <b>Urban Water Supply Infrastructure Phase I (Kismayo and Baidoa)</b></li> </ul>	<p><i>Percentage of population using clean water</i></p>	<ul style="list-style-type: none"> <li>• Assessments for selected boreholes and mini-water system sites in different regions have been undertaken, with technical designs and bills of quantities prepared and submitted to the MEWR for approval</li> <li>• Tenders have been floated for construction of the water infrastructure.</li> </ul>
	<p><i>Percentage of the population using safely managed sanitation services including a handwashing facility with a soap and water</i></p>	
	<p><i>Percentage of pupils enrolled in primary and secondary schools providing basic drinking water and basic sanitation</i></p>	
	<p><i>Percentage of people living in open defecation free communities</i></p>	

## INFRASTRUCTURE PILLAR

**Goal: Revitalize, operate and maintain essential infrastructure and services to improve stability and set foundations for social, economic and sustainable development.**

<ul style="list-style-type: none"> <li>• <b>Strengthening Institutions for Public Works</b></li> </ul>	<p><i>No of relevant Laws, Policies, Strategies formulated and adopted</i></p>	<ul style="list-style-type: none"> <li>• A draft report reviewing existing public works legislation and describing the codes and requirements for drafting a revised Public Works Law has been prepared.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Rehabilitation of Mogadishu-Afgoye Rd</b></li> </ul>	<p><i>Kilometers of main inter-city, inter-state and inter-region rehabilitated/constructed</i></p>	

<ul style="list-style-type: none"> <li>• <b>Mogadishu Airport Upgrades</b></li> </ul>	<i>No of Airports, airfields and airstrips rehabilitated/constructed</i>	
<b>BUILDING RESILIENCE CAPACITY PILLAR</b>		
<b>Goal: To improve resilience through reintegration of the displaced people &amp; returnees, promoting role of diaspora, regularizing migration, establishing social protection systems, promoting food and nutrition security, strengthening disaster preparedness and sustainable management of natural resources.</b>		
<ul style="list-style-type: none"> <li>• <b>Improving Access to Water and Sanitation Services</b></li> <li>• <b>Urban Water Supply Infrastructure Phase I (Kismayo and Baidoa)</b></li> <li>• <b>Rehab. Mogadishu-Afgoye Rd</b></li> </ul>	<i>No of DPs reached out and successfully reintegrated and provided better living conditions</i>	



Most government buildings have been destroyed or badly damaged. One example is the Ministry of Finance, which was visited by Mariam Ismail, Project Support Officer for the *Somalia Strengthening Institutions for Public Works Project (SSIPWP)*.



The pictures above were taken during the capacity needs assessment being undertaken by the SSIPWP Human Resource Advisor. The assessments include the MPWR's engineering, quality control, human resources, housing and environmental departments.

## V. CHALLENGES, RISKS AND MITIGATION MEASURES

25. **Fragility:** The Bank is preparing an updated “Fragility and Resilience Assessment” in order to provide a current understanding of the regional, social, economic, environmental, and political context, dynamics and drivers of fragility and conflict in Somalia. The objective is to identify context-specific entry points for the Bank’s engagement, which respond to the specificity of fragility in Somalia. The assessment will also develop a number of sector-specific fragility indicators that will be useful for project design, implementation, and monitoring, and broader risk management and policy dialogue.
26. **Political:** Delays in the political transition and appointment of the new Cabinet has hindered the preparation of projects in 2017. As a result, the Bank expects that some of the projects in table V, which were all supposed to be endorsed by the SDRF and approved by the Bank’s Board before the end of 2017, will now be finalised in 2018.
27. **Security:** Insecurity continues to negatively impact the implementation of projects. For example, the death of the Minister of MPWR in April 2017 slowed the implementation of the public works project. Insecurity is also likely to hamper the appraisal of the Mogadishu to Afogye road project. In order to manage this risk, the Bank is engaged in discussions with high level FGS Officials (e.g. Prime Minister) to ensure that there is strong political commitment to this project, which will then hopefully translate into additional efforts by the *Somali National Army* (SNA) and AMISOM to secure the 30km stretch of road during implementation. In addition, the Bank is already engaged in discussions with potential implementing partners, who have a presence on the ground and are working with local communities, to provide relevant information for appraising the project. Furthermore, the Bank will ensure community participation (i.e. in the design, as contractors) and potentially even mobilise financing from communities (e.g. business and diaspora) for the road. This will ensure a direct interest of the community in the project, which should help in facilitating project implementation.
28. **Capacity:** There is massive institutional and human resource capacity deficit in the FGS and FMS institutions. Thus, in addition to the specific capacity building projects, all construction projects will also include components to support institutional capacity development during preparation and implementation. Where capacity is not yet sufficiently developed for project implementation, key services like procurement and financial management will be contracted out, or the project will be implemented by third-parties. The *Economic and Financial Governance Institutional Support Project Phase II*, which is currently being prepared, is targeting the development of planning and budgeting, financial management, procurement, reporting, and internal audit capacity in selected FGS Infrastructure Line Ministries.
29. **Fiduciary:** As the SIF portfolio grows and donor commitments increase, the Bank will consider appointing a third-party fiduciary and monitoring agent (s) to support monitoring and provide additional controls. For now, these aspects will be ‘projectised’, and funds will flow directly to non-state actors implementing projects where fiduciary systems do not meet minimum Bank standards. The on-going SIF projects are currently being implemented by third parties with adequate fiduciary arrangements, and, thus, the Bank relies on their financial management, monitoring, procurement, and implementation systems. Furthermore, on 25

January 2017, the Bank's Board approved a *Fiduciary Principles Agreement with UN System Organisations*, which allows the Bank to use their systems to implement Bank-financed projects.

30. **Project preparation and implementation:** The lack of coordination between federal and state ministries, especially where projects are geographically dispersed, is slowing the preparation of projects. On the other hand, key portfolio performance indicators have registered improvements (e.g. no signature delays, no slow disbursing projects) due to efforts the Bank and FGS counterparts are making to improve portfolio performance. These include training of government officials on Bank rules and procedures, using third parties to implement and monitor projects (especially in areas where Bank staff have limited access due to security concerns), conducting regular project supervision missions, and recruiting consultants for short term assignments to augment the Bank's capacity and who are able to operate on the ground.
31. **Resource mobilisation:** There is currently a funding gap of about US\$ 100m for the revised project pipeline up to 2020, and this is proving difficult to fill given pressure on donors to divert resources to urgent humanitarian needs. In addition, given that paid in pledges are low, funds are limited to increase capacity in the SIF Management Unit in Nairobi. For example, there is a need to appoint an *Infrastructure Advisor* who is able to support the Bank teams in preparing projects (e.g. more easily access locations and stakeholders on the ground) and help coordinate with key Government counterparts. In order to mobilise resources, the Bank, together with FGS Officials, will continue to arrange donor roundtables and briefings that encourage donors to channel resources to the rehabilitation and development of infrastructure<sup>2</sup>. Thus, in the fourth quarter of 2017, the Bank plans, together with the FGS and OIC, to arrange a funding conference to mobilise resources for infrastructure projects. The SIF pipeline has also been further refined to ensure that SIF financed activities are at the forefront in supporting recovery from the on-going humanitarian crisis and building longer-term resilience. This will hopefully encourage donors to still consider committing resources to the SIF, even whilst the urgent humanitarian situation prevails.
32. **Information sharing:** In general, donor participation in the *PSG 4 Infrastructure Sub-Working Group* was poor. As a result, it is not always clear what donor-funded projects are on-going, and, also, to what extent donors are interested in supporting the infrastructure agenda in Somalia. Thus, the Bank strongly encourages donors to consistently participate in the new *NDP Pillar Working Group* related to infrastructure.

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<sup>2</sup> One of the biggest criticisms of the Somali COMPACT 2014-16, was that it did too little to tangibly impact on the lives of Somalis and, thereby, strengthen public confidence in the country's new political settlement. As noted in the independent review of the COMPACT (December 2016), "the successor to the COMPACT needs to agree to substantially increase the amount of international public finance for infrastructure".

## ANNEX I: SIF Indicative Four Year Project Pipeline

Year	Project
2017	Rehab. Mogadishu-Afgoye Rd & Mogadishu Airport Upgrades
	EFGISP Phase II (FGS Infr. Line Ministries)
2018	Urban Water Supply Infrastructure Phase I (Kismayo and Baidoa)
	Vocational Training Center (s) - Phase I
	Rehab. Jowhar Off-Stream Water Storage - Phase I
	Rehab. Mogadishu-Jowhar Rd & Afgoye-Baidoa-Dolow Rd
	Rehab. Galdogob-Galkayo/Hobyo-Gara'ad Rds and Ports - Phase I
	TA and Capacity Building to Federal State Infr. Agencies
2019	Somaliland Rds Programme - Phase I
	Mogadishu and Hargeisa Hhold Charcoal Replacement - Phase I
	Kismayo Airport and Access Rd Repairs
	Urban Water Supply Infrastructure Phase II (Dolow, Galkayo and Qardo)
	Repair Afgoye well-fields and water pipeline to Mogadishu
	Repair/expansion of Bosaaso Power Grid
2020	Vocational Training Center (s) - Phase II
	Rehab. Jowhar Off-Stream Water Storage - Phase II

## **ANNEX II: AfDB Response to Drought in Somalia**

In response to the humanitarian crisis in the Horn of Africa, the AfDB Board of Directors, on 21 July 2017, approved the *Short Term Regional Emergency Response Project* (STRERP) that is valued at US\$ 78m. Of this, US\$ 35m is allocated to Somalia.

The STRERP falls within the context of the Bank's "*Say No To Famine*" framework. Under this framework, the Bank plans to invest about US\$ 1.1bn in regional member countries that have been severely affected by periods of prolonged drought and unstable food production.

Targeting 804,000 individuals in Somalia, the STRERP's food, water, fodder and medical assistance will provide relief to meet the immediate hunger and malnutrition needs faced by the affected communities. Beneficiary households will also be assisted in restoring and creating community assets, which will help targeted communities in enhancing livelihoods and building resilience against future shocks.

The project aims to stimulate the local private sector and reduce cross-border migration in search of food, water and pasture. The project also includes activities to put in place the preliminary building blocks to strengthen links between the production, distribution and consumption hubs of food systems in the affected regions. This will help facilitate increased system-wide efficiency and longer-term resilience, which is aligned with the Bank's High-5 priorities, and particularly the *Feed Africa Strategy*.

The *Intergovernmental Authority on Development* (IGAD) will oversee the implementation of the project, and will work with the FGS to put in place structures, systems and facilities, so that the government is able to take on increasing responsibility for disaster management and delivery of humanitarian assistance. Thus, this project is also aligned with the Bank's *Strategy for Addressing Fragility and Building Resilience in Africa* (2014-2019) through its focus on strengthening the capacity of relevant government institutions.

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