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The World Bank

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Report No: **PAD1587**

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT
IN THE AMOUNT OF US\$ 6 MILLION EQUIVALENT
TO THE
FEDERAL REPUBLIC OF SOMALIA
FOR A
SOMALI URBAN INVESTMENT PLANNING PROJECT

February 3, 2016

Social, Urban, Rural and Resilience Global Practice
AFRICA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2015)

Currency Unit = Somali Shilling
Somali Shilling 588.2 = US\$1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| BE | Bank Execution |
| BRA | Benadir Regional Administration |
| DA | Designated Bank Account |
| EAFS | External Agency for Fiduciary Support |
| E&S | Environmental and Social |
| ESMF | Environmental and Social Management Framework |
| FGS | Federal Government of Somalia |
| FMS | Financial Management Specialist |
| GDP | Gross Domestic Product |
| GM | Garowe Municipality |
| GoPL | Government of Puntland |
| GoSL | Government of Somaliland |
| HM | Hargeisa Municipality |
| HWA | Hargeisa Water Agency |
| ICT | Information and Communications Technology |
| IDP | Internally Displaced Persons |
| IFRs | Interim Unaudited Financial Reports |
| IPSAS | International Public Sector Accounting Standards |
| ISN | Interim Strategy Note |
| LGs | Local Governments |
| LDF | Local Development Fund |
| JPLG | Joint Partnership for Local Governance |
| MoF | Ministry of Finance |
| MoPW | Ministry of Public Works |
| MPF | Multi Partner Fund |
| NDP | National Development Plan |
| NGOs | Non-Government Organizations |
| OP | Operational Policy |
| PFM | Public Financial Management |
| RAP | Resettlement Action Plan |
| RETF | Recipient Executed Trust Fund |
| RPF | Resettlement Policy Framework |
| SoE | Statement of Expenditure |

SUDP Somali Urban Development Project
SUIPP Somali Urban Investment Planning Project
UCS Use of Country Systems
WSP Water and Sanitation Project

| | |
|----------------------------------|--------------------------|
| Regional Vice President: | Makhtar Diop |
| Country Director: | Bella Bird |
| Senior Global Practice Director: | Ede Jorge Ijjasz-Vasquez |
| Practice Manager: | Idrissa Dia |
| Task Team Leader: | Dean Cira |

SOMALI URBAN INVESTMENT PLANNING PROJECT

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PAD DATA SHEET

Somalia

Somali Urban Investment Planning (P150374)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009354

Report No.: PAD1587

| Basic Information | | | |
|---|---|--------------------------------|---|
| Project ID P150374 | EA Category B - Partial Assessment | Team Leader(s) Dean A. Cira | |
| Lending Instrument Investment Project Financing | Fragile and/or Capacity Constraints [X] | | |
| | - Fragile States | | |
| | Financial Intermediaries [] | | |
| | Series of Projects [] | | |
| Project Implementation Start Date 15-Feb-2016 | Project Implementation End Date 30-Sep-2017 | | |
| Expected Effectiveness Date 15-Mar-2016 | Expected Closing Date 30-Jun-2017 | | |
| Joint IFC No | | | |
| Practice Manager/Manager Idrissa Dia | Senior Global Practice Director Ede Jorge Ijjasz-Vasquez | Country Director Bella Bird | Regional Vice President Makhtar Diop |
| Approval Authority | | | |
| Approval Authority RVP Decision please explain The project is being processed under OP 10, para 12 whereby the Bank will be executing activities on behalf of the Recipient due to limited capacity. | | | |
| Recipient: Ministry of Finance | | | |
| Responsible: H.E Mohamad Adan Ibrahim, Minister Ministry of Finance Federal Government of Somalia +252616310844 | | | |

minister@mofa.gov.so

Responsible: H.E Ali Hussein Ismail, Minister
Somaliland Ministry of Planning and Development
+252634425833
alijirdeh@gmail.com

Safeguards Deferral (from Decision Review Decision Note)

Will the review of Safeguards be deferred? Yes No

Project Financing Data(in USD Million)

Loan IDA Grant Guarantee
 Credit Grant Other

Total Project Cost: 6.00 Total Bank Financing: 0.00

Financing Gap: 0.00

Financing Source

Amount

| | |
|----------------------------|------|
| Borrower | 0.00 |
| Somalia Multi-Partner Fund | 6.00 |
| Total | 6.00 |

Expected Disbursements (in USD Million)

| Fiscal Year | 2016 | 2017 | | | | | | | | |
|-------------|------|------|--|--|--|--|--|--|--|--|
| Annual | 2.00 | 4.00 | | | | | | | | |
| Cumulative | 2.00 | 6.00 | | | | | | | | |

Institutional Data

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Cross Cutting Topics

Climate Change
 Fragile, Conflict & Violence
 Gender
 Jobs
 Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % |
|---|--|-----|--------------------------|--------------------------|
| Transportation | Urban Transport | 40 | | |
| Public Administration, Law, and Justice | Sub-national government administration | 20 | | |
| Water, sanitation and flood protection | Solid waste management | 20 | | |
| Water, sanitation and flood protection | Water supply | 20 | | |
| Total | | 100 | | |

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

| Major theme | Theme | % |
|-----------------------------|--|-----|
| Urban development | Other urban development | 50 |
| Urban development | Municipal governance and institution building | 20 |
| Urban development | Urban services and housing for the poor | 20 |
| Public sector governance | Decentralization | 8 |
| Social dev/gender/inclusion | Conflict prevention and post-conflict reconstruction | 2 |
| Total | | 100 |

Proposed Development Objective(s)

To provide (i) an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities in southern Somalia, Puntland and Somaliland, and (ii) enhanced project preparation and implementation capacity of participating agencies.

Components

| Component Name | Cost (USD Millions) |
|--------------------------|---------------------|
| Mogadishu | 1.73 |
| Garowe | 0.98 |
| Hargeisa | 1.03 |
| Cross-cutting Activities | 1.83 |

Systematic Operations Risk- Rating Tool (SORT)

| Risk Category | Rating |
|-----------------------------|-------------|
| 1. Political and Governance | High |
| 2. Macroeconomic | Substantial |

| | |
|---|---|
| 3. Sector Strategies and Policies | Low |
| 4. Technical Design of Project or Program | Moderate |
| 5. Institutional Capacity for Implementation and Sustainability | High |
| 6. Fiduciary | Moderate |
| 7. Environment and Social | Low |
| 8. Stakeholders | High |
| 9. Other | High |
| OVERALL | High |
| Compliance | |
| Policy | |
| Does the project depart from the CAS in content or in other significant respects? | Yes [] No [X] |
| Does the project require any waivers of Bank policies? | Yes [] No [X] |
| Have these been approved by Bank management? | Yes [X] No [] |
| Is approval for any policy waiver sought from the Board? | Yes [] No [X] |
| Explanation: | |
| Does the project meet the Regional criteria for readiness for implementation? | Yes [X] No [] |
| Safeguard Policies Triggered by the Project | Yes No |
| Environmental Assessment OP/BP 4.01 | X |
| Natural Habitats OP/BP 4.04 | X |
| Forests OP/BP 4.36 | X |
| Pest Management OP 4.09 | X |
| Physical Cultural Resources OP/BP 4.11 | X |
| Indigenous Peoples OP/BP 4.10 | X |
| Involuntary Resettlement OP/BP 4.12 | X |
| Safety of Dams OP/BP 4.37 | X |
| Projects on International Waterways OP/BP 7.50 | X |
| Projects in Disputed Areas OP/BP 7.60 | X |
| Legal Covenants | |
| Name | Recurrent Due Date Frequency |

| | | | |
|--|---------------------------------|-------------------------------|-----------------------|
| | | | |
| Description of Covenant | | | |
| Conditions | | | |
| Source of Fund | Name | Type | |
| SOMP | Subsidiary Agreements | Effectiveness | |
| Description of the Condition | | | |
| Each of the Subsidiary Agreements between the Recipient and the Benadir Regional Administration and between the Recipient and the Puntland State of Somalia has been executed in accordance with the provisions of Section I.C of Schedule 2 of the Grant Agreement, and the Implementation Agreement between the Puntland State of Somalia and the Garowe Municipality has been executed in accordance with the provisions of Section I.D of Schedule 2 of the Grant Agreement. | | | |
| Source Of Fund | Name | Type | |
| SOMP | Project Implementation Manual | Effectiveness | |
| Description of Condition | | | |
| The Recipient shall have adopted the Project Implementation Manual in accordance with the provisions of Section I.F in Schedule 2 of the Grant Agreement. | | | |
| Source of Fund | Name | Type | |
| SOMP | Subsidiary Agreements | Effectiveness | |
| Description of the Condition | | | |
| The Subsidiary Agreement between the Recipient and the Hargeisa Municipality has been executed in accordance with the provisions of Section I.B of Schedule 2 of the Grant Agreement. | | | |
| Source of Fund | Name | Type | |
| SOMP | Project Implementation Manual | Effectiveness | |
| Description of the Condition | | | |
| The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.D of Schedule 2 of the Grant Agreement. | | | |
| Team Composition | | | |
| Bank Staff | | | |
| Name | Role | Title | Specialization |
| Dean A. Cira | Team Leader (ADM Responsible) | Lead Urban Specialist | |
| Anjani Kumar | Procurement Specialist | Senior Procurement Specialist | Procurement |
| Leonard Mutuku Matheka | Financial Management Specialist | Consultant | Financial Management |
| Abdoul Wahabi Seini | Safeguards | Senior Social | Social Safeguards |
| | | | GSURR |

| | | | | | |
|---|--------------------------------------|------------------------------------|-----------------------|---------------|-----------------|
| | Specialist | Development Specialist | | | |
| Adenike Sherifat Oyeyiola | Team Member | Sr Financial Management Specialist | Financial Management | GGODR | |
| Christiaan Johannes Nieuwoudt | Team Member | Finance Officer | Disbursement/finance | WFALA | |
| John F. A Etidau | Team Member | Consultant | Procurement | GGODR | |
| Joseph A. Gadek | Team Member | Consultant | Engineer | GSU13 | |
| Matthias Mayr | Team Member | E T Consultant | Conflict/Risk | AFCTZ | |
| Rildo Santos | Team Member | Language Program Assistant | | GSURR | |
| Roland White | Team Member | Lead Urban Specialist | Urban Development | GSURR | |
| Edith Mwenda | Counsel | Counsel | Legal | LEGAM | |
| Wolfhart Pohl | Safeguards Specialist | Adviser | Safeguards | GCFDR | |
| Zishan Faiza Karim | Team Member | Social Development Specialist | Community Development | GSURR | |
| Extended Team | | | | | |
| Name | Title | Office Phone | Location | | |
| | | | | | |
| Locations | | | | | |
| Country | First Administrative Division | Location | Planned | Actual | Comments |
| Federal Government of Somalia and Government of Somaliland | | Mogadishu, Hargeisa, Garowe | | | |
| Consultants (Will be disclosed in the Monthly Operational Summary) | | | | | |
| Consultants Required? | Consultants will be required | | | | |

I. STRATEGIC CONTEXT

A. Country Context

1. The Somali Urban Investment Planning Project (SUIPP) will support feasibility, assessment and preliminary design studies for urban investment activities, which could be funded from a Multi Partner Fund (MPF), across the geographic territory of southern Somalia, Puntland and Somaliland. The total population of this area is estimated to be over 12 million, growing at a rate of roughly 3 percent annually.¹ The current urbanization level is estimated at around 42 percent, with an urban population growth rate of around 4 percent per annum.² Somali human development indicators are among the lowest in the world. Poverty incidence is 73 percent – 61 percent in urban areas and 80 percent in rural areas, with extreme poverty estimated at 43 percent.

2. This area has witnessed severe conflict and violence over the past two decades. Since the collapse of the Siad Barre government in 1991, southern Somalia has experienced cycles of conflict that fragmented the country, destroyed legitimate institutions and created widespread vulnerability. In contrast to the war-torn south, northern areas are relatively stable and have put in place functioning institutions, although considerable development challenges remain.

3. The August 2012 peaceful transfer of power from a transitional to a full federal government in Mogadishu generated domestic political momentum and triggered international recognition. For the first time since 1991, there is a federal (rather than transitional) government and a widely supported provisional constitution. The September 2013 Brussels Conference galvanized further domestic and international support for the government, and endorsed a Compact whose Peace-building and State-building Goals provide an important roadmap for the coming three year period. While positive momentum has been generated, sustaining domestic confidence through the translation of international support into improved security, governance, and economic benefits on the ground is an increasingly pressing challenge.

4. Somalia's macro-economic framework reflects the country's underlying fragility. Reliable macro-economic data for Somalia is not available – however regional fiscal and economic data does exist and broader estimates can be aggregated. Public expenditure is estimated to account for 7.7 percent of GDP³ compared with private sector consumption of 73 percent of GDP. Agriculture and services are the key contributors to GDP. Based on regional fiscal data, Somaliland controls the largest budgetary resource envelope, generating US\$127 million in revenue during 2012, compared to US\$35 million at the federal level and US\$38 million in Puntland.

5. In contrast to the war-torn south, authorities in the northern regions have put in place functioning institutions that have succeeded in sustaining stability although considerable development challenges remain. Following their declaration of independence and semi-autonomy respectively, Somaliland and Puntland have developed hybrid forms of governance combining modern institutions with religious authorities, civil society, the private sector and

¹ Interim Strategy Note FY14-16, World Bank, December 2013, UNFPA Population Estimates 2014

² A Rapid Assessment of Three Somali Urban Areas, World Bank, November 2013, UNFPA Population Estimates 2014

³ In the UNDP Human Development Report, Somalia's GDP is estimated to be US\$2.6 billion and per capita GDP is estimated to be US\$288 based on the World Development Indicators and Economist Intelligence Unit.

diaspora organizations, which have guaranteed higher levels of peace, security and institutional development. Nevertheless, Puntland and Somaliland seek very different futures: while Somaliland's constitution envisages an independent existence, Puntland is committed to participate in Somalia's federal system⁴ and held presidential elections in 2014. Somaliland in June 2010 held presidential elections for the second time and power was peacefully transferred to the opposition. Presidential elections are expected in 2017. Local elections were also held in November 2012. Elections are expected for the federal level in 2016.

B. Situations of Urgent Need of Assistance or Capacity Constraints

6. This project is being prepared under OP/BP 10.0 and triggers paragraph 12 which provides additional flexibility for countries with capacity constraints because of fragility. Somalia meets the key criteria of fragility with a CPIA rating of below 3.2, the presence of a regional peace-keeping mission and a prolonged period of acute conflict and insecurity. Institutional capacity constraints in Somalia are severe, requiring Bank Execution of feasibility studies for infrastructure investments outlined in this project and capacity support to Somali institutions that will be implementing these investments in the follow on Urban Development Project.

C. Sectoral and Institutional Context

7. There has been no systematic analysis of the economic and demographic structure of the Somali urban system. Broadly, however, the pattern of urban development within the country appears to have been determined largely by locational dynamics related to regional and international trade and transit (with associated development of infrastructure, particularly ports and airports),⁵ the servicing of agricultural activities in adjacent hinterlands, the location of government administration, and more recently, the emergence of services sectors, such as Information and Communications Technology (ICT). Normal urbanization patterns have been complicated by significant refugee migrations from neighboring countries and within the territory (Internally Displaced Persons).

8. In this context, a three level urban hierarchy has emerged comprising one primary city, Mogadishu, six secondary cities, including Hargeisa and Garowe⁶, and a range of tertiary cities. Unsurprisingly, urban services and infrastructure in sectors such as roads and transport, drainage, water supply, sanitation, and solid waste removal are extremely poorly provided throughout the territory. Investment in urban infrastructure and service delivery to improve the economic productivity of Somali cities and living conditions for urban dwellers is an urgent priority.

9. The institutional environment pertaining to urban development and management comprises two key levels. At the local/sectoral level, city governments have key (in fact, the key) functional powers and responsibilities in respect of urban infrastructure and services provision and management together with public utilities, such as the Hargeisa Water Agency

⁴ Although Puntland is committed to participate in the federal system, Puntland is currently concerned that the FGS is itself not fully committed to implement the federal system. Tensions have arisen during 2013 that will need to be addressed at the political level, but also through the balanced and transparent allocation of development effort across Somalia

⁵ There is no reliable data relating to city GDP in Somalia. As a very rough illustration of level of economic activity, it may be noted that import duties and taxes, most of which are collected in a few of the larger cities account for large shares of total government revenue (Somaliland 79 percent, Puntland 74 percent – WB CEM, 2006.)

⁶ Other secondary cities include Berbera, Bosaso, Galkayo, Kismayo, Marka which may be covered in subsequent phases of the project.

(HWA). Again with some variation, these institutions are weak and require strengthening. Outside of these cities, local infrastructure and services are delivered by District Councils of different grades, or sizes, and widely varying capacities. In general, these entities are weak and have very limited financial resources with which to carry out their mandates, one of the most significant one being the Local Development Fund grant flow which provides an average of US\$200,000/annum to 14 of the largest (Grade A) District governments in these two areas (and, from 2014, one area within southern Somalia).

10. Both the Somali Compact Building Goal 4 on Economic Foundations and the Somaliland Special Arrangement prioritize the enhancement of productivity through rehabilitation of critical infrastructure including roads and water. The Puntland Five Year Development Plan (2014-19) Pillar 1 on Governance prioritizes the strengthening of local authorities and delivering decentralized services while Pillar 4 on Economic Foundations prioritizes investment in roads infrastructure. The Somaliland National Development Plan (NDP) (2012-16) pillar on Infrastructure prioritizes support to the Hargeisa Water Agency to increase water production, pumping and transmission lines, and expansion of the distribution network. The NDP's pillar on Good Governance recognizes the challenges to decentralization caused by structural constraints and identifies projects that promote decentralization, transparency and accountability as a priority.

D. Higher Level Objectives to which the Project Contributes

11. The project will undertake technical and economic feasibility studies and preliminary design work for portfolios of potential investments in urban infrastructure, and the strengthening of urban management institutions in Mogadishu, Hargeisa and Garowe, and an assessment of the potential for expanding the Local Development Fund and institutionalizing it as a core element of the intergovernmental fiscal framework. It will also directly strengthen the project preparation and execution capacity of the Somali institutions that will implement the investment activities. The higher level objectives to which the project will contribute are improved urban productivity and service delivery, enhanced urban management and state-building in the Somali territories. Through improved urban productivity and service delivery, the project will also contribute to reducing poverty and enhancing shared prosperity.

12. This project will also be supporting one of the two priorities in the Interim Strategy Note (ISN) (FY2014-16) which is the expansion of economic opportunity through the financing of basic rehabilitation of infrastructure for employment generation and productivity. The ISN highlights the importance of urban sector development to address this priority given its potential to enhance economic productivity, reduce human vulnerability and build capacity of local authorities. The strategy goes further and indicates the Bank's intention to develop a national urban program that benefits main urban centers, with a focus on water and sanitation, solid waste, and roads upgrading using labor intensive methods to maximize employment generation. The ISN also suggests the use of a differentiated regional approach, within an emerging national framework, which the SUIPP follows in supporting the development of activities and working with different government agencies in Mogadishu, Hargeisa and Garowe.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

13. The PDO is: To provide (i) an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities in southern Somalia, Puntland and Somaliland, and (ii) enhanced project preparation and implementation capacity of participating agencies.

B. Project Beneficiaries

14. The immediate project beneficiaries will be the city governments of Mogadishu, Hargeisa and Garowe. The ultimate project beneficiaries will be the residents of these cities.

C. PDO Level Results Indicators

15. The PDO level results indicators are:

- Institutional assessments of government agencies responsible for urban development and service delivery in Mogadishu, Hargeisa, Garowe;
- Feasibility and preliminary design studies for specific urban investments (primary roads in Mogadishu and Garowe; secondary roads in Mogadishu; solid and liquid waste in Hargeisa);
- Assessment of the Local Development Fund and the potential for institutionalizing an intergovernmental fiscal transfer system;
- Technical assistance units established in Mogadishu, Garowe, Hargeisa.

III. PROJECT DESCRIPTION

A. Project Components

16. The SUIPP comprises a “project to prepare a project”. The main project, called the Somali Urban Development Project (SUDP), has an estimated budget envelope of US\$86.11 million (excluding currently unspecified contingency amounts), intended for support by the MPF. Pursuant to relevant Bank Operating Procedures, which specifically allow for such situations, and given that the project has an environmental safeguard categorization of B, the activities to be supported under the SUDP will include both detailed project design and implementation. An overview of the activities to be undertaken under the SUDP is given in Annex 2.⁷ In brief, however, they constitute the rehabilitation and upgrading of primary and secondary/community roads, a potential combination of the upgrading of intra-city roads and/or bridge-building in Garowe, the enhancement of solid and liquid waste management and water supply in Hargeisa, the extension and institutionalization of the Local Development Fund, and institutional strengthening activities focused on the three municipalities and the Hargeisa Water Agency. These activities have been identified through a process of technical work and dialogue the Bank Task Team has undertaken during a number of visits to the three cities and are

⁷ A Project Concept Review of the SUDP was held simultaneously with the Project Concept Review of the SUIPP on April 16, 2014.

described in the Project Information Document for the SUDP and in the Aides Memoire produced after each visit.

17. Preliminary preparation, which includes feasibility studies and preliminary design for the main infrastructure activities under the SUDP, as well as a number of potential urban infrastructure investments on the Somali territories, and a range of institutional assessments, will be undertaken under the SUIPP – i.e. the project which forms the subject of this Project Appraisal Document - also to be supported by the MPF. Some of the output of the technical work undertaken under the SUIPP will provide the basis for the preparation of the SUDP, while the scope of TA should also be applicable to urban development projects in a variety of different funding contexts. It should be noted that final design work itself – e.g. detailed engineering design, social and environmental impact assessments, exploratory drilling and preparation of bidding documents – will not be undertaken as part of the SUIPP. They will be undertaken as part of the SUDP or other projects under different financing arrangements, and funding to cover these costs will be included in the project documentation and proposals relating to that operation.

18. Overall, the SUIPP will support two basic types of activity:

- a. feasibility and preliminary design studies for the physical investments that will be supported by the SUDP and other urban development projects, and institutional assessments of the agencies that will execute these investments to provide an informational and analytic base for the preparation of institutional strengthening activities that will be supported by the SUDP. In order to facilitate the quick execution of these activities in the fragile and conflict affected environment of the Somali territories, they will be executed by the Bank pursuant to OP 10 (para 12);
- b. provision of technical assistance to enhance the capacity of the Somali executing agencies to prepare and implement urban development projects, such as the SUDP, effectively and efficiently and to mitigate fiduciary and safeguards risk. These activities will be client executed.

19. These activities are described on a component-by-component basis below. An itemized budget for the full project is given in section B below.

Component 1: Mogadishu (US\$1.73 million)

20. Feasibility and preliminary design studies for the primary roads will be undertaken to assess whether the selection of the three roads by the Benadir Regional Administration (BRA) is the most efficient use of roads funds in relation to the roads already being upgraded with Turkish assistance, survey these roads, take soil core samples along the roadway to determine the existing sub-base and base materials of the roads, determine the standards for roads construction, locate the options for road material quarries, locate options for the asphalt and concrete batching plants, assess the labor pool available in Mogadishu vis-à-vis roads construction, and provide cost estimates. For the secondary/community roads, the activities will focus on a dialogue with communities to determine the priority works to be undertaken in each of the 17 Districts in Mogadishu, to determine optimum implementation modalities, and provide cost estimates.

21. Environmental and social (E&S) due diligence work will contribute to the sub-component via two main types of activities: (i) a baseline survey of environmental and social information, data and issues that would help to identify E&S constraints, but also areas of potential enhancement of project outcomes, and provide E&S information, criteria and constraining factors for the subsequent design process; (ii) the development of an environmental and social management framework, which would constitute a generic tool for managing social and environmental risks related to urban investments, regardless of funding source, in the Somali territories for use by entities such as local governments and water utilities.

22. At the institutional level, an assessment will be undertaken of the BRA and the Ministry of Public Works (MoPW) of the FGS in order to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities that will be undertaken under the SUDP. The assessment will focus on basic conditions of performance, strategic planning capacity, technical and operational capacity, fiduciary systems, transparency and accountability mechanisms and environmental and social management.

23. In order to establish sufficient capacity to prepare and then implement the SUDP, technical assistance for the BRA will need to be recruited under SUIPP comprising a full-time project coordinator, full-time procurement specialist, full-time financial management specialist, a part-time social and environmental specialist, and a part-time monitoring and evaluation specialist. Operating and minor equipment costs related to the recruitment and employment of these positions will also be incurred. In addition, some training and capacity building for these individuals and other staff associated with preparation and execution of the SUIPP and SUDP will be required.

Component 2: Garowe (US\$0.98 million)

24. Feasibility and preliminary design studies for the identified roads and potential bridges will be undertaken to estimate costs and identify the trade-offs to inform the selection of potential roads and bridge construction activities to be undertaken under SUDP within the available budget envelope, survey the roads, determine the standards of roads/bridge construction, identify options for sourcing of materials and equipment, and assess the labor pool.

25. Environmental and social due diligence work will contribute to the sub-component via two main types of activities: (i) a baseline survey of environmental and social information, data and issues that would help to identify E&S constraints, but also areas of potential enhancement of project outcomes, and provide E&S information, criteria and constraining factors for the subsequent design process; (ii) the development of an environmental and social management framework, which would constitute a generic tool for managing social and environmental risks related to urban investments, regardless of funding source, in Puntland for use by entities such as local governments and water utilities.

26. At the institutional level, an assessment will be undertaken of the Garowe Municipality (GM) in order to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities that will be undertaken under the SUDP. The assessment will focus on basic conditions of performance, strategic planning capacity,

technical and operational capacity, fiduciary systems, transparency and accountability mechanisms and environmental and social management.

27. In order to establish sufficient capacity to prepare and then implement the SUDP, technical assistance for the GM will need to be recruited under SUIPP comprising a full-time project coordinator, full-time procurement specialist, full-time financial management specialist, a part-time social and environmental specialist, and a part-time monitoring and evaluation specialist. It is possible that some of these roles could be combined, thus generating efficiencies. The potential for this will be explored as the SUIPP is executed. Operating and minor equipment costs related to the recruitment and employment of these positions will also be incurred. In addition, some training and capacity building for these individuals and other staff associated with preparation and execution of the SUIPP and SUDP will be required.

Component 3: Hargeisa (US\$1.03 million)

28. Feasibility and preliminary design studies for the solid and liquid waste investments will be undertaken to determine the costs and siting of bulk solid and liquid waste disposal/treatment sites and improvements in transfer points/stations, determine necessary construction standards and the basic technologies that are most appropriate and cost-effective, identify options for sourcing of materials and equipment, and assess the labor pool, and determine requirements (financial, technical and institutional) for sustaining and expanding the system of solid waste collection that has been introduced under donor-funded technical assistance efforts in recent years. This work has already been completed for the water supply sub-component (under the UN-Habitat supported project) and so is not required under SUIPP.

29. Environmental and social due diligence work will contribute to the sub-component via two main types of activities: (i) a baseline survey of environmental and social information, data and issues that would help to identify E&S constraints, but also areas of potential enhancement of project outcomes, and provide E&S information, criteria and constraining factors for the processes for design and environmental/social assessments planned for SUDP or other downstream planning activities; (ii) the development of an environmental and social management framework, which would constitute a generic tool for managing social and environmental risks related to urban investments, and planning follow-up investigations, assessments and analyses (for e.g. water supply and waste management activities) regardless of funding source, in Somaliland for use by entities such as local governments and water utilities.

30. At the institutional level, assessments will be undertaken of the Hargeisa Municipality (HM) and the Hargeisa Water Agency (HWA) in order to provide an informational and analytic foundation for the detailed preparation and execution of institutional strengthening activities that will be undertaken under the SUDP. The assessments will focus on basic conditions of performance, strategic planning capacity, technical and operational capacity, fiduciary systems, transparency and accountability mechanisms and environmental and social management. In the case of the HWA, the assessment will build on the review being carried out by the Water and Sanitation Program (WSP) as part of their Corporate Governance Advisory support to the agency. The SUIPP institutional assessment will identify potential residual activities from WSP's work; and recommend areas for future support in SUDP to enable HWA to take on these residual activities.

31. In order to establish sufficient capacity to prepare and then implement the SUDP, technical assistance which can be shared by the HM and HWA will need to be recruited under SUIPP by HM comprising a full-time project coordinator, full-time financial management specialist, full-time procurement specialist, a full-time social and environmental specialist, and a full-time monitoring and evaluation specialist. Operating and minor equipment costs related to the recruitment and employment of these positions will also be incurred. In addition, some training and capacity building for these individuals and other staff associated with preparation and execution of the SUIPP and SUDP will be required.

Component 4: Cross-cutting Activities (US\$1.83 million)

32. *Local Development Fund (US\$0.17 million)*. The preliminary preparation activities for the Local Development Fund (LDF) component to be conducted under the SUIPP will constitute an assessment of the LDF focusing on quantum and allocation of the funding it provides, the usage of the funds, the efficiency of the funding and allocation process, the performance criteria, fiduciary issues, environmental and social management approaches used by beneficiary local governments, reporting and monitoring, budgeting and planning, and related issues. Detailed design of the support to be provided will be undertaken under the SUDP.

33. *Cross-cutting studies (US\$0.40 million)*. There will be two of these. One will focus on the issue of conflict. The SUDP will be implemented in three urban areas, namely, Mogadishu, Hargeisa and Garowe. These contexts – and particularly those most affected by conflict - require that enhanced attention be paid to understanding (i) potentially harmful conflict and fragility factors which could affect the project, (ii) the potential conflict-increasing impacts of each of the main project activities be assessed, and (iii) the mitigating strategies be identified. To this end, conflict assessment/mitigation work is necessary at two levels. First, an assessment will be undertaken to identify differentiated sources of conflict and fragility and their potential impacts on the specific activities which are likely to constitute the SUDP, to sensitize the design of the operation to such factors, and to develop a screening tool which can be utilized in the detailed preparation of the project components to identify potentially conflict-aggravating impacts of project activities and develop strategies to mitigate these impacts. This will include an initial, “do no harm” screening of the proposed SUDP investment activities which will feed into the feasibility studies under the SUIPP. Second, the conflict screening tool will need to be applied in greater detail during the detailed preparation of SUDP to gain a better understanding of the conflict factors surrounding the project activities and to identify opportunities for the activities to help, where possible, mitigate conflict.

34. Second, evidence indicates that infrastructure development projects can have social, human and economic impacts and outcomes for targeted communities. Infrastructure development furthermore can have different impacts and outcomes on men and women, influencing access to services and economic opportunities, resource allocations, and participation in community decision-making. Given that the SUDP will be one of the first major infrastructure investment projects that will take place across the Somali territories in many years, it is important to begin to develop an understanding of these impacts, particularly to inform the character and design of infrastructure investment interventions that will take place in the future.

35. To this end, an evaluation of the socio-economic impact of select urban infrastructure components will be conducted, including a disaggregation of some of the results by gender, to improve the understanding and knowledge of the impact of project activities of the kind anticipated under SUDP. This evaluation will be conducted in two phases. Overarching survey design, including evaluation tools and protocols, will be developed during the SUIPP to assess and evaluate the social and economic impacts of the SUDP, including the differentiated impact of select components on men and women, both during and at the end of the project (i.e. the impact of project implementation and project outputs). Thereafter, impact evaluation activities, including survey administration, data collection and analysis of results, will be undertaken during the implementation of SUDP. The evaluation activities will focus tentatively on road construction activities in Garowe, assuming the feasibility of security and other conditions.

36. *Financial Audit (US\$0.4 million)*. An external financial audit of the project will be undertaken across all the four implementing agencies by an external audit firm which will be procured and funded by the project. Further detail on the project financial audit is provided in Section VI C.

37. *Implementation enhancements to mitigate security and operational risks (US\$0.86 million)*. As elaborated in the Implementation Arrangements section, enhanced implementation modalities will be provided by a UN Agency for a number of the project components in order to mitigate the security and operational risks associated with working in the current Somalia environment. These have associated costs.

B. Project Financing

38. The project will be financed by a RETF sourced from the MPF. This funding, which will be primarily executed by the World Bank on behalf of the client, is needed as the client has no other source of funding for this work – which is necessary in order to present the larger operation to the MPF for funding consideration.

Project Cost and Financing

| Project Components | Project Costs | Grant Financing | % Financing | Execution |
|-------------------------------|---------------|-----------------|-------------|-----------|
| Component 1: Mogadishu | 1.73 | 1.73 | 100 | |
| Primary Roads FS and PD | 0.43 | 0.43 | | Bank |
| Secondary roads FSBRA and | 0.29 | 0.29 | | Bank |
| MoPW Institutional Assessment | 0.21 | 0.21 | | Bank |
| Project Prep/exec TA | 0.80 | 0.80 | | BRA |
| Component 2: Garowe | 0.98 | 0.98 | 100 | |
| Intra-city roads FS and PD | 0.23 | 0.23 | | Bank |
| GM institutional assessment | 0.10 | 0.10 | | Bank |
| Project Prep/exec TA | 0.65 | 0.65 | | GM |
| Component 3: Hargeisa | 1.03 | 1.03 | 100 | |
| Waste management FS and PD | 0.21 | 0.21 | | Bank |

| | | | | |
|---|-------------|-------------|------------|------|
| HM, HWA institutional assessment | 0.12 | 0.12 | | Bank |
| Project Prep/exec TA | 0.70 | 0.70 | | HM |
| Component 4: Crosscutting Activities | 1.83 | 1.83 | 100 | |
| LDF Assessment | 0.17 | 0.17 | | Bank |
| Conflict assessment | 0.20 | 0.20 | | Bank |
| Impact assessment | 0.20 | 0.20 | | Bank |
| Audit | 0.40 | 0.40 | | Bank |
| Operational enhancements | 0.86 | 0.86 | | Bank |
| Total Baseline Costs | 5.57 | 5.57 | 100 | |
| Contingencies | 0.43 | 0.43 | | |
| Total Project Costs and Financing Required | 6.00 | 6.00 | 100 | |

C. Series of Project Objective and Phases

39. Not applicable

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

40. Project activities related to the feasibility, preliminary design and assessment studies will be executed by the Bank on behalf of the client; and project activities which relate to the recruitment of technical assistance to enhance project preparation and execution activities will be undertaken by client executing agencies as detailed in the Project Cost table above. In undertaking the activities it will execute, the Bank team will work and consult closely with its counterparts, particularly the city governments of Mogadishu, Hargeisa and Garowe, the MoPW of the FGS, the Hargeisa Water Authority, and the Planning Ministries of Puntland and Somaliland. The detailed modalities and procedures for these working relationships will be established during the early stages of the implementation of the SUIPP.

41. The security environment in Somalia continues to be poor and appears to have deteriorated over the past year. Moreover, the activities that will be undertaken under the Bank Executed components of the project will entail the substantial exposure of technical specialists and consultants to this environment as they will have to travel widely throughout the three cities and undertake regular site visits. In this context, it has been necessary to develop an implementation approach for these components which is specifically adapted for this environment. The Bank will contract with a UN agency with the necessary experience and expertise to operate effectively in these conditions. Working with contracted-in capacity, this agency will provide security and operational implementation enhancements to mitigate the risks of executing project activities under prevailing conditions. This agency will be supported and supervised by a World Bank implementation support team.

B. Results Monitoring and Evaluation

42. The Bank team will be responsible for monitoring the progress of the activities it will execute; client agencies will be responsible for monitoring the progress of the activities they will execute. Reporting procedures between client agencies and the Bank on client-executed activities will be agreed during the early stages of implementation of the SUIPP. Given that the security environment may make monitoring difficult, the Bank will explore the possibility of using third parties to monitor aspects of progress, to the extent that this may be necessary and possible. Given that the project supports only feasibility and preliminary design studies, no evaluation will be undertaken.

C. Sustainability

43. Not applicable

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

44. The overall risk rating for this project is **High**.

45. **Insecurity is the greatest risk to the project.** The security situation in the area – or part of the area – may prevent or delay work, and may make monitoring difficult. The chief mitigation measure that will be undertaken, will be the use of consulting firms, NGOs, UNOPs and other UN Agencies etc. for much of the technical work which have appropriate expertise and which are not precluded, by regulation, from working in environments in which the Bank itself may find it difficult to operate. However, it must be recognized that at a certain point it may be necessary for the Bank team to visit sites in certain locations to ensure that work is being undertaken satisfactorily and that security conditions may delay the work process until this becomes possible. In other words, there is a degree to which this risk cannot be mitigated.

46. **The macroeconomic risk is Substantial.** Somalia is one of the poorest countries, with a gross national income of US\$284. Some 80 percent of its exports are from one product—livestock—leaving it exceptionally prone to external economic shocks. The substantial dependency of the FGS upon donor funding underlines the fiscal fragility and weak revenue base. The Bank, working with others such as the International Monetary Fund (IMF), is engaged in strengthening the overall macroeconomic and fiscal framework. This includes potential next steps toward debt relief. There will most likely be minimal impact from macroeconomic risk on this project as it is primarily Bank-executed.

47. **The institutional capacity for implementation and sustainability risks are high.** In order to execute the work successfully, the Bank will need to rely on its key counterpart institutions for close co-operation throughout and on efficient decision-making at critical points. As indicated above, many of these institutions have significant capacity constraints; moreover, they and the Bank have not previously worked together and are unfamiliar with one another's organizational cultures and practices. This may complicate decision-making, make reaching consensus difficult, and be the source of some delay. The key mitigation measure here will be an

investment in sustained client dialogue, managed so far as possible from as close as possible (mainly Nairobi) but it needs to be recognized that this risk, too, cannot be fully mitigated.

48. **Technical design of project is complex** involving many different activities spread over a number of different areas working with a range of different organizations and institutions. This creates complexity risk and creates significant project management burdens. The chief mitigation measure here will be seeking to establish contracting arrangements with consulting entities that will be undertaking the technical work of the project which are as simple and as wide in scope as possible (e.g. seeking to contract with a single firm to undertake a number of different activities rather than one firm for each activity).

49. **Stakeholder risks are high** based on the lack of clarity on the division of labor amongst various government Ministries, agencies and departments and as a result, poor coordination. Given the number of levels of government and agencies this project will be working with, this lack of internal coordination could potentially slow down some of the project activities. The project has prepared subsidiary agreements between various levels of government involved in implementation which clearly outline the respective roles and responsibilities of each entity. The task team will ensure these agreements are adhered to during project supervision.

50.

B. Risk Ratings Summary Table

| Risk Categories | Rating (H, S, M or L) |
|---|------------------------------|
| 1. Political and governance | High |
| 2. Macroeconomic | Substantial |
| 3. Sector strategies and policies | Low |
| 4. Technical design of project or program | Moderate |
| 5. Institutional capacity for implementation and sustainability | High |
| 6. Fiduciary | Moderate |
| 7. Environment and social | Low |
| 8. Stakeholders | High |
| 9. Other (Security) | High |
| Overall | High |

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

51. Given that the project will support feasibility and preliminary design studies and the recruitment of technical assistance only, the cost of the project is limited to the US\$ 6.00m investment that the MPF will make in it. The rationale for Bank financing is predicated on the public goods nature of the future investments and the limited budgetary resources of both the Federal Republic of Somalia and the Government of Somaliland which are emerging from decades of conflict. The economic benefit of the project will derive from the enhanced urban infrastructure and strengthened urban management institutions supported by the investment activities which will follow from the preliminary design and TA work undertaken under the

SUIPP. Overall rates of return to these investments (e.g. roads, water) are expected to be high but cannot be calculated at this point. The economic benefits of improved public health from the water supply improvements and solid and liquid waste removal from the urban environment will be examined during the detailed design activities.

B. Technical

52. Preliminary assessments and consultations undertaken by the Bank Task Team during two missions to Mogadishu, Garowe, Hargeisa and Nairobi indicate that the identified investment priorities for which the feasibility studies and preliminary design work under SUIPP will be undertaken are sensible and technically feasible. This view must, however, be qualified by the fact that in some cases – particularly Mogadishu – it has not been possible to visit the sites of the initial investments, and secondary information is scarce. In addition, conditions – particularly, but not only, those related to security – may make the implementation of project activities difficult or even impossible. It will certainly add to their costs. It thus needs to be recognized that the feasibility of at least some of the proposed project activities is difficult to determine at the outset, and that the work conducted under the SUIPP will further inform this assessment. The cost estimates for the activities to be undertaken in Mogadishu in particular are subject to considerable variations once the feasibility and preliminary design engineering has commenced. This might necessitate the reduction in the scope of works should the true costs escalate.

C. Financial Management

53. *Overview.* The SUIPP will involve both activities executed by the Bank on behalf of the Recipient (BE) activities, and Recipient Executed (RE) activities. The RE activities comprise limited and simple activities related to the employment of specialist technical staff by the key implementing agencies i.e. the Mogadishu BRA, HM, and GM. An initial FM assessment conducted during missions to these areas indicate that they are capable of handling the FM responsibilities related to these activities, but at high levels of risk and that financial management capacity challenges that are likely to affect the project exist. These include (i) weak legal Public Financial Management (PFM) Frameworks; (ii) lack of prior experience in the implementation of Bank supported projects; (iii) inadequate financial management competencies and internal controls mechanisms; (iv) lack of or weak intergovernmental fiscal relations arrangement frameworks between the FGS and the regional governments, as well as internally between the State governments, local authorities (BRA, GM, HM) and the quasi-government entities (HWA); and (v) very rudimentary banking arrangements.

54. Various mitigating measures will be designed both specific to the project and as part of other Bank/Donor engagements in the country. Given the consideration for Use of Country Systems (UCS), the project, so far as is practical, will adopt UCS in various aspects of the project's financial management arrangements. These include financial planning, budgeting, funds flow arrangements, banking, internal control framework, accounting, reporting, internal and external audit arrangements. The project will institute appropriate oversight arrangements, staffing and capacity building initiatives. The project will also focus on developing financial management capacity as part of project activities through targeted financial management technical assistance with a clear requirement for knowledge transfer incorporated.

55. *Staffing.* The HWA has been receiving targeted financial management capacity building interventions through other Bank initiatives. HM municipality has been receiving financial management assistance from Joint Program for Local Government (JPLG)/UNDP project. BRA, HM and GM will each need to recruit a dedicated Financial Management Specialist (FMS) to carry out the project financial management functions. The implementing agencies' financial management staff will work closely with the respective Ministries of Finance to ensure that project activities are well recorded and incorporated in governments budget and financial statements.

56. *Planning and budgeting.* The projected annual disbursements shall be integrated into the respective budgets of the national agencies onto which the transfers to the municipalities executing the RE activities fall and the respective municipal budgets. Each implementing agency (municipality) will prepare the budget, work plan and cash flow forecast and submit for the necessary approvals from the governments and the World Bank.

57. *Funds flow, banking and disbursements.* The project will open three dollar denominated Designated Accounts in a financial institution acceptable to the World Bank.

58. Designated Account 1: The FGS External Aid Fiduciary Support (EAFS) department will open a US Dollar Designated Bank Account (DA) in Central Bank of Somalia. The BRA will open and operate a separate project bank account for transfers from the DA for project expenditures based on a quarterly cash projection of expenditure. Payments from the DA will only be for eligible expenditure which will have to be justified and properly documented. The EAFS will prepare and submit withdrawal applications for the DA.

59. Designated Account 2: The Somaliland Ministry of Finance will open and operate a DA for the HM in a financial institution acceptable to the World Bank. HM will open a segregated project bank account for transfers from the DA for project related expenditure based on a quarterly cash projection of expenditure.

60. The HM will prepare and submit detailed reports and analysis of expenditure to the Ministry of Finance and the World Bank prior to reimbursement of its project account. The Ministry of Finance will prepare Withdrawal Applications. Payments from the project account will only be for eligible expenditure which has to be justified and properly documented.

61. Designated Account 3: The Puntland Ministry of Finance will open and operate a DA for the GM in a financial institution acceptable to the World Bank. The GM will open and operate a separate project bank account for transfers from the DA for project expenditures based on a quarterly cash projection of expenditure. Payments from the DA will only be for eligible expenditure which will have to be justified and properly documented. The Ministry of Finance will prepare and submit withdrawal applications for the DA.

62. IDA funds will be transferred into the DAs against an approved Withdrawal Application. The first IDA fund release will be an advance payment based on an agreed ceiling and on the submission of a Withdrawal Application. Replenishment and Reimbursement of Withdrawal Applications will be accompanied by Statement of Expenditures (SOEs) and direct payment will

be accompanied by copies of records in accordance with the procedures established in the disbursement Letter and the Bank's Disbursement Guidelines.

63. Detailed disbursement arrangements will be documented in the Disbursement Letter.

64. *Accounting and reporting.* Each of the implementing entities will prepare and submit financial reports from the existing systems supplemented by predesigned excel worksheets. Each of the implementing agencies will be required to prepare and submit unaudited interim financial report (IFR) not later than 45 days after the end of the calendar quarter. The content and details of the reporting formats will be discussed and agreed during the project negotiations. The IFRs and financial statements will be submitted to the EAFS for consolidation.

65. The accounting system will ensure that financial reports are designed to provide relevant and timely information to the project management units and various stakeholders monitoring the project's performance. It is expected that all levels of implementation will maintain adequate filing and archival systems of all accounting and relevant supporting documents for review by the World Bank's FM team during supervision mission and also for audit purposes.

66. The implementing entities would also prepare financial statements (FS) covering the entire project period. The FS will be prepared in accordance with International Public Sector Accounting Standards (IPSAS) - Cash Basis. The FS shall include adequate notes and disclosures consistent with the cash basis of financial reporting under the IPSAS.

67. Each implementing entity will ensure that all important business and financial processes are adhered to; adequate internal controls and procedures are in place; Interim Un-audited Financial Reports (IFRs) are prepared and submitted to the World Bank on a timely basis; the annual financial statements are prepared on a timely basis and in accordance with Cash Based (IPSAS and the external audit is carried out with audit findings and recommendations monitored to ensure they are implemented expeditiously.

68. *Internal control systems:* The project internal controls procedures and processes will be based on the Financial Management manuals for the EAFS⁸, HWA⁹ and HM¹⁰ for the respective regions and implementing entities. The Financial Management manuals are found to be sufficient for the SUIPP and will be updated for the main project activities by the engaged FM Specialists.

69. *Auditing:* Given the regional spread and the capacity challenges in the Offices of the Auditors General in the regions, an external audit firm will be engaged and funded by the project to carry out the audit of the project activities. Each of the project implementing agencies (BRA, GM, HWA and HM) will prepare and submit project financial statements. The project will carry out one external audit covering the entire project period for the RE activities. The audited project financial statements together with any additional information required will be submitted to the World Bank not later than six months after the end of the project. The audit would be in conformity with the World Bank's audit requirements and in accordance with internationally recognized auditing standards. The auditor will express an opinion on the Financial Statements in compliance with International Standards on Auditing (ISA); and also prepare a Management

⁸ Developed by E&Y with support from the Bank PFM Capacity Strengthening project

⁹ Developed by E & Y with support from Bank WASP

¹⁰ Developed by UNDP administered JPLG Project

Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Grant Agreements.

D. Procurement

70. Under SUIPP, the major procurements will be undertaken in respect of Bank Executed activities. In addition, some project funding is to be used for Recipient Executed activities. These procurements will be simple i.e. to procure qualified individuals (viz. Project Coordinator, Procurement Specialist, Financial Management Specialist, Safeguard Specialist and M&E Specialist) at all the three locations Mogadishu, Garowe and Hargeisa to assist with preparation (and, later, implementation) of SUDP. This activity will be conducted by the BRA at Mogadishu, HM at Hargeisa and GM at Garowe. An initial procurement assessment of these agencies suggests that though these agencies have some procurement experience they will require some support to undertake the necessary procurements according to Bank procedures satisfactorily. In Mogadishu the necessary procurement support would be provided to BRA by EAFS of the Ministry of Finance. However, at Hargeisa and Garowe necessary support/guidance would be provided by the World Bank procurement staff. The project will hire the procurement specialists first who will then handle the procurement processes for the remaining four positions.

71. Procurement of the specialists will be conducted by following “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 as well as the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and Grants”, dated October 15, 2006 and revised in January 2011. Additionally, since Somalia is one of the FCS countries, paragraph 12 of Bank Operational Policy (OP) 10.00 will be triggered to allow the application of the flexibility detailed in the Guidance to World Bank staff: Simplified Procurement Procedures in Situations of Urgent Need of Assistance or Capacity Constraints, April 2013.

E. Social (including Safeguards)

72. The project is financing the preparation of feasibility and preliminary design studies for civil works in Mogadishu, Garowe and Hargeisa (see Section F below) for which the ToRs will be disclosed in-country and at the InfoShop. Subsequent operations (likely to be financed by the MPF) will undertake the preparation of detailed engineering designs and environmental and social studies.

73. Environmental and social safeguard management frameworks (ESMFs) will be produced (see next section for details), complying with international good practice norms and approaches, that also would cover the collection of socio-economic baseline data and the determination of likely typologies of social and livelihood impacts, or the need for land acquisition or resettlement. These activities will be accomplished during SUIPP’s implementation period, informing the planned technical and engineering studies.

74. Moreover, should it be determined that the subsequent operation (SUDP) will involve works or activities with land acquisition leading to involuntary resettlement and/or restrictions of access to resources or livelihoods, ToRs for a Resettlement Policy Framework (RPF) and/or Resettlement Action Plan (RAP) would be prepared, consulted upon and disclosed.

F. Environment (including Safeguards)

75. While the project will not finance any physical activities, civil works or final design studies for the potential investments in urban infrastructure in Mogadishu, Hargeisa and Garowe, it has been assigned the safeguards category B. The rationale for this safeguards rating is that the project will finance the preparation of feasibility and preliminary design studies for primary roads in Mogadishu, roads and, potentially, bridges in Garowe, and water supply infrastructure as well as solid waste investments in Hargeisa, as well as strengthening institutional structures and capacity. All of these activities could have downstream environmental and social impacts and implications that would need to be assessed and managed with appropriate instruments.

76. The final identification of specific projects and detailed design work – e.g. detailed engineering design, social and environmental impact assessments, exploratory drilling and preparation of bid estimates – will not be carried out as part of the project (SUIPP). This will be undertaken in a later phase, most likely as part of a MPF funded operation which will be prepared on the basis of the studies prepared under the SUIPP. Detailed preparation of this follow-up operation, which has been classified as environmental category B, will commence once the work supported by the SUIPP is completed. This will include the preparation, consultation on, and disclosure of the required E&S due diligence instruments, for which two main types of activities will be carried out:

- (a) a baseline survey of environmental and social information, data and issues that will help to identify E&S constraints, but also areas of potential enhancement of project outcomes, and provide E&S information, criteria and constraining factors for the processes for design and environmental/social assessments planned for SUDP or other downstream planning activities;
- (b) the development of an Environmental and Social Management Framework (ESMF), which would constitute a generic tool for managing social and environmental risks related to urban investments, and planning follow-up investigations, assessments and analyses (for e.g. roads, bridges, water supply and waste management activities) regardless of funding source, in the Somali territories for use by entities such as local governments as well as water utilities or waste management authorities. To broaden the scope of its potential applicability, the ESMF will be based on international good practice, rather than tied specifically to the World Bank's safeguard requirements. The intention is to produce an instrument for use by Somali institutions, which is in line with international good practice norms, which can be applied to urban development projects in a variety of different funding contexts. This would be useful in itself for Somali urban institutions, which will be the primary purpose, but can also be swiftly adapted for use for Bank funded investments under projects such as the SUDP.

77. The Scope of Work outlining the above environmental and social studies has been produced during SUIPP preparation and disclosed in InfoShop.

G. World Bank Grievance Redress

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

Annex 1: Results Framework and Monitoring

Country: Somalia

Project Name: Somali Urban Investment Planning (P150374)

| Project Development Objectives | | | | | | | | | | | |
|---|----------|--------------------------|------|--|--|--|--|--|--|--|------------|
| PDO Statement To provide (i) an assessment of the feasibility of, and preliminary plans for, selected urban investment and institutional strengthening activities in southern Somalia, Puntland and Somaliland, and (ii) enhanced project preparation and implementation capacity of participating agencies. | | | | | | | | | | | |
| These results are at Project Level | | | | | | | | | | | |
| Project Development Objective Indicators | | | | | | | | | | | |
| Indicator Name | Baseline | Cumulative Target Values | | | | | | | | | End Target |
| | | YR1 | YR2 | | | | | | | | |
| Institutional assessments of government agencies responsible for urban development and service delivery in Mogadishu, Hargeisa and Garowe (Number) | 0.00 | | 3.00 | | | | | | | | 3.00 |
| Feasibility and preliminary | 0.00 | | 3.00 | | | | | | | | 3.00 |

| | | | | | | | | | | | |
|---|----------|--------------------------|------|--|--|--|--|--|--|--|------|
| design studies for specific urban investments: (primary roads in Mogadishu and Garowe; secondary roads in Mogadishu; solid and liquid waste in Hargeisa) (Number) | | | | | | | | | | | |
| Assessment of Local Development Fund and the potential for institutionalizing an intergovernmental fiscal transfer system (Number) | 0.00 | | 1.00 | | | | | | | | 1.00 |
| Technical assistance units established in Mogadishu, Garowe, Hargeisa (Number) | 0.00 | | 3.00 | | | | | | | | 3.00 |
| Intermediate Results Indicators | | | | | | | | | | | |
| | | Cumulative Target Values | | | | | | | | | |
| Indicator Name | Baseline | YR1 | YR2 | | | | | | | | End |

| | | | | | | | | | | | |
|--|---|------------------------------------|--|--|--|--|--|--|--|--|--------------|
| | | | | | | | | | | | Target |
| Contracting for Feasibility Studies and Institutional Assessments (Date) | 0 | One FS Contract One IA Contract | | | | | | | | | 15-Feb. 2016 |

Indicator Description

| Project Development Objective Indicators | | | | |
|--|--|--------------------------------|---------------------------|------------------------------------|
| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
| Institutional assessments of government agencies responsible for urban development and service delivery in Mogadishu, Hargeisa and Garowe | Institutional assessments of the participating agencies in the project that will provide an informational and analytic foundation for detailed preparation and execution of institutional strengthening activities in the future SUDP. | Over the course of the project | Output of project | Bank team |
| Feasibility and preliminary design studies for specific urban investments: primary roads in Mogadishu and Garowe; secondary roads in Mogadishu; solid and liquid waste in Hargeisa | Feasibility and preliminary design studies for specific urban investments to determine estimated costs, determine standards for construction, locate options for construction material and assess the labor pool. | Over the course of the project | Output of project | Bank team |
| Assessment of Local Development Fund and the potential for institutionalizing an intergovernmental fiscal transfer system | Assessment of the ongoing Local Development Fund to determine the potential for scaling up and institutionalizing an intergovernmental fiscal transfer system. | Over the course of the project | Output of project | Bank team |
| Technical assistance units established in Mogadishu, Garowe, Hargeisa | Technical assistance units established in Mogadishu, Garowe and Hargeisa staffed with relevant staff for the project. | Over the course of the project | Project activity | Client agencies |
| Intermediate Results Indicators | | | | |
| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
| Contracting for Feasibility Studies and Institutional | The successful contracting of firms for the feasibility studies and institutional | Once | Project activity | Bank team |

| | | | | |
|-------------|--------------|--|--|--|
| Assessments | assessments. | | | |
|-------------|--------------|--|--|--|

Annex 2: Detailed Project Description

Somali Urban Development Project

1. The project described in the main body of the text, the Somali Urban Investment Planning Project (SUIPP), will support the preparation of a future MPF-funded operation targeted at urban infrastructure investment and institutional strengthening in southern Somalia, Puntland and Somaliland, as well as technical assistance to government agencies to assist them prepare and implement these activities. This Annex describes the likely components of the future Somali Urban Development Project (SUDP).

2. The SUDP will support investment in urban infrastructure and the development of formal, public-sector institutional systems and capacities in the cities of Mogadishu, Hargeisa, and Garowe, and an expansion and institutionalization of the Local Development Fund. Together, the operation's activities will improve the economic productivity of the three cities, enhance living conditions and inclusive access to urban economies, strengthen systems of urban management and governance, and support ongoing state-building and consolidation.

3. Clearly, urban investment needs in the region – and in the three cities on which the operation will focus – greatly outweigh available resources. Moreover, a cardinal design consideration for the SUDP is that it is being developed in the context of the state and peace-building goals of the Compact, including the Special Arrangement for Somaliland, and the associated mandate of the MPF to support development throughout southern Somalia, Puntland and Somaliland. Accordingly, the operation will comprise four key components: three of these will support focused urban infrastructure and institutional strengthening in each of the three cities, while a fourth will support the expansion, deepening and consolidation of a fiscal transfer to fund basic infrastructure delivery and capacity-building of local governments in the larger urban concentrations across the three territories.

4. The indicative components of the SUDP operation are indicated below.

Component 1: Mogadishu

This will comprise three chief sub-components:

- Rehabilitation of key primary/arterial roads running through the city;
- Improvement and extension of secondary/tertiary roads at the District level;
- Strengthening the key institutions of urban management and governance of the city.

Subcomponent 1.1: Primary roads

5. With support from the Turkish Government, rehabilitation of approximately 33 kilometers of primary roads has been undertaken. These roads are in a general area north of the airport and north of the port. A further 17 km of primary roads requiring priority attention for rehabilitation to improve transport and transit efficiencies within and through the city have been identified by the municipality. The economic and social returns to this investment are expected

to be high. The roads, once reconstructed, would complete one road network loop which has already been partially undertaken by the Turkish aid program, as well as the rehabilitation of other key roads. The roads requested by BRA and currently earmarked for financing consideration are: the Heart (Wadnaha), the Thirty (Soddonka), and Industrial Road (Warshadaha).

6. The technical specifications for the road rehabilitation would include replacing the sub-base and base materials of the roads – if determined by road materials tests – with an appropriately designed asphalt cement road surface. All road infrastructures would be designed to have robust associated road-side drainage networks.

7. An initial cost estimate of the 17 km of primary road network including detailed preparation and traffic management and optimization (junctions, signaling etc.) is approximately US\$ 21.5 million. However, it is possible that costs may be significantly higher than this and until the Feasibility Studies are commissioned, the costs of the roads will be difficult to estimate accurately to within 25%-30%. Depending on the outcome of the Feasibility Studies, a reduction in the total length of roads to be rehabilitated relative to the 17 km initially estimated may be needed.

Subcomponent 2: Secondary/tertiary roads

8. A second priority is the upgrading of secondary and tertiary roads and footpaths (including associated side-drainage) at the District and community levels in Mogadishu (i.e. in all 17 Districts) to enhance intra-neighborhood mobility and access to the city, particularly among more marginalized communities. These roads would be constructed using interlocking paving block or cobble stone surfacing technologies which are labor-intensive – thus assisting with job creation – and deliver surfaces which are easy to maintain and repair. In addition to mobility (hence productivity) benefits, this activity is likely to improve the hygiene and sanitation of affected neighborhoods through as a result of enhanced drainage.

9. Preliminary estimates during the mission indicate that the potentially available resource (US\$ 6.5m) for this activity would be sufficient to finance about 2km of road and drainage upgrading per District.

Subcomponent 3: Institutional strengthening and capacity-building

10. Strengthening the institutions and systems of urban management and local government, and strengthening the organizational capacities of the BRA is a critical priority. In this context, the project should make resources available, and be designed to incentivize activities which support these objectives. Broadly, and building on the platform already established by other donor programs (e.g. the Sustainable Employment Creation and Improved Livelihoods – SESIL-activities which support the BRA Planning Unit; the USAID financial management support), such activities are likely to focus on (i) spatial and project planning; (ii) procurement and contracting, (iii) financial management, (iv) asset management, (v) project execution and supervision; (vi) environmental and social management.

11. A likely budget of US\$2 million would probably be necessary for these activities at a scale sufficient for them to have the desired impact.

Component 2: Hargeisa

- This component has three main subcomponents: Solid and Liquid Waste Management (SLWM)
- Water Supply
- Drainage
- Institutional Strengthening and Capacity Building

12. Adequate waste management and water supply directly translates into cross cutting benefits in public health, job creation, poverty reduction and environmental management.

Subcomponent 1: Waste Management

13. The World Bank has been supporting preliminary solid waste management (SWM) activities in Hargeisa directed at developing an enabling environment for Public Private Partnerships (PPPs) for investment, services expansion and quality improvements in private provision of solid waste management. There is a rudimentary system in place based on a PPP between Hargeisa Municipality (HM) and private operators on concession basis. The performance of two contractors during the recent eight months has increased municipal revenues by approximately 120% in one case and 30% in another, with a proportionate rise in the customer base. To date the number of households served by all the contractors has reached 30,000, approximately 35% of the city population.

14. There is a need to underpin and expand these gains with further support and investment in both the collection and bulk disposal dimensions of the solid and liquid waste cycle because Hargeisa is rapidly expanding and the production of waste is increasing proportionately. Waste ranges from general household waste containing a large amount of organics and plastics, to industrial waste and construction detritus, to specific medical waste from 3 hospitals where incinerators are in need of overhaul. There are currently two major dumpsites, one to the South of town and one to the East, and these are not adequately engineered or managed. Septage and other liquid waste is disposed of in open sites which are not managed at all. The sites are open and present a public health hazard since constant burning results in excessive dioxins released, etc. Informal dumping sites compound the problem, suggesting that regulation of dumpers requires enforcement for SWM across the city to be effective. Inadequate infrastructure at the secondary level of the supply chain (transfer stations) compounds the problem. The objective of investment support would be to develop the bulk disposal system (i.e. engineered landfill), improve secondary level infrastructure in the refuse collection and disposal chain (i.e. transfer stations), and to scale up the collection system for city wide SWM through building on and expanding the private collection/PPP arrangements that have already been established, and construct an appropriate liquid waste treatment pond at, or around, the existing informal disposal site for septage and other liquid waste.

15. An initial cost estimate of the engineering of two landfills, the transfer stations and equipment, and the liquid waste site is in the region of US\$10 million. More accurate estimates would build off a comprehensive feasibility study initially leading to implementation of physical works, closely linked to capacity building activities to reach the minimum standard of impact required¹¹.

Subcomponent 2: Water Supply

16. Hargeisa depends for its water supply on groundwater well fields some 35km to the North of the city built originally in the 1970s, and distributing through a reticulated network in Hargeisa that is inadequate to meet current and future needs. The water supply is provided and managed by the Hargeisa Water Agency (HWA) and currently the North of the city receives the vast majority of the supply. The current distribution remains grossly inequitable and much of the Southern part of the city does not receive piped water from HWA. For unserved citizens directly vended water costs are on average five times the amount for a compound/household connection.

17. On a daily basis it is estimated that up to 11,000 m³ of potable water are provided to the city, with 8,000 m³ supplied by HWA through the city supply pumped from Ged Deeble well field to the North, and with an additional 2-3,000 m³ brought in by private operator tankers.

18. Supported by UN-Habitat HWA is in the process of developing the supply to supplement production from the existing 8,000 m³ day to 20,000 m³ day by 2016 with 24,000 m³day max for the system according to the hydraulic limits of the design. Of this 15,000 m³/day is foreseen from Ged Deeble and Hora Hadlay while a prospective 6,000 m³/day from Las Dhuure requires verification through hydrogeological studies, test drilling and connection to the supply pipeline. In addition HWA currently draws from Somaliland Development Fund (SDF) funding to extend the distribution into the South and East of the city. While distribution can draw on up to 24,000 m³/day the requirement to deliver 50 l/c/d from 2016 onwards suggests a shortfall of 16,000 m³/day at that time, and underpins the need for long term water resources investigations to secure adequate supply. This program has a number of critical priorities which are currently unfunded, particularly related to the development of the Las Dhuure aquifer. The activity proposed here would be targeted at these priorities, specifically (i) construction of pump and generator buildings at Ged-Deeble, (ii) Las Dhuure groundwater investigations and test drilling, (iii) civil works for connection of the Las Dhuure aquifer, and (iv) pumps and generators at Ged-Deeble.

19. An initial cost estimate of the engineering and infrastructure is in the region of US\$ 6 million.

Subcomponent 3: Drainage

20. A feasibility study and preliminary design for drainage works will be commissioned during the implementation of the SUDP to provide a more rational approach to addressing the deficiencies in the drainage network and provide a cost framework for corrective measures.

¹¹ Liquid waste is a significant issue in Hargeisa but given funding constraints is not addressed here.

Subcomponent 4: Institutional strengthening and capacity-building

21. Strengthening the governance and organizational systems and capacities for HWA, and the capacities and systems of urban management for HM are important priorities. In this context, the operation should make resources available, and be designed to incentivize activities which support these objectives. Broadly, and building on the platform already established by other donor programs (e.g. the Habitat and Water and Sanitation Program (WSP) activities for HWA and Joint Program for Local Government (JPLG) and UN-Habitat activities for HM), such activities are likely to focus on, for HWA, (i) governance (ii) technical strengthening; for HM, (i) spatial and project planning; and for both (i) procurement and contracting, (ii) financial management, (iii) asset management, (iv) project execution and supervision; and (v) environmental and social management.

22. A likely budget of US\$1.6m would probably be necessary for these activities at a scale sufficient for them to have the desired impact.

Component 3: Garowe

23. This component would include two subcomponents: upgrading of key intra-city roads and institutional strengthening.

Subcomponent 1: Intra-city roads

24. Since 2010, using UN JPLG financing Garowe Municipality (GM) has undertaken a program of upgrading targeted intra-city roads to provide a freer flow of urban traffic, facilitating easier and quicker transport between various parts of the municipality. This improvement in urban mobility is aimed at facilitating increased commercial activity, improving revenue generation and boosting incomes within the urban setting. The upgrading program from 2010 to 2013 mainly consisted of providing an engineered earth base with some of the roads having a gravel surface applied. USAID is also financing some roads upgrading in Garowe.

25. This program has benefited from UN-Habitat technical assistance. A survey of road conditions has been conducted by the Municipality with UN-Habitat assistance, the results of which have been documented and recorded on a Geographic Information System (GIS) platform for improved roads network planning and assets management capabilities of the GM. Currently - with JPLG assistance - three roads with a combined length of 7.6 km are in the process of being upgraded with the application of a bitumen surface. The bitumen surfaces are of a double-seal dressing technical specification. Based on the roads conditions survey and additional planning activities by the GM, an additional 27.03 km of roads in two categories – gravel and earth-engineered – have been identified for priority bitumen surfacing. The cost estimate of this roads contracting program is in the range of US\$11 million for the completion of 27 km of roads upgrading, including the cost of traffic management and optimization. The GM has also identified two bridges that need to be built to enhance mobility within the city. Given the likely costs of the bridges, it would not be possible to construct these and develop the 27 km of roads within likely available resources. The combination of road and/or bridge construction

investments that will be supported under the SUDP will be decided on the basis of the information generated by the feasibility studies to be undertaken under the SUIPP.

Subcomponent 2: Institutional strengthening and capacity-building

26. Strengthening the governance and organizational systems and capacities for GM, particularly for urban planning and management, is an important priority. In this context, the project should make resources available, and be designed to incentivize, activities which support these objectives. Broadly, and building on the platform already established by other donor programs (e.g. the JPLG and Habitat), such activities are likely to focus on (i) governance, (ii) technical strengthening, (iii) spatial and project planning, (iv) procurement and contracting, (v) financial management, (vi) asset management, (vii) project execution and supervision, and (viii) environmental and social management.

27. A likely budget of US\$1 million would probably be necessary for these activities at a scale sufficient for them to have the desired impact.

Component 4: Local Development Fund

28. The Local Development Fund (LDF), an activity within the Joint Program on Local Government (JPLG), provides an average of US\$200,000/annum to 14 of the largest category A District Governments (DGs) in Somaliland and Puntland for investment in basic services and infrastructure in line with local priorities determined through a bottom-up planning process and will expand for the first time to one District Government in southern Somalia.¹² The LDF was initiated with a budget of US\$950,000 for 2011. This was doubled to US\$2.1 million for 2012, grew to US\$3 million for 2013 and is budgeted at US\$4.5 million for 2014. The grant incentivizes performance and is accompanied by a range of technical assistance and capacity building activities to support sub-project planning and execution and the management of the funds. DGs have used the fund to invest in small-scale projects such as roads construction and maintenance, repair and re-building of schools, water systems, garbage collection, community centres and markets. Given their resource constraints, the LDF provides DGs with one of their only funding streams which allows them to actualize their core service-delivery functions.

29. One important recent development has been the progression of decentralization policy in Somaliland and Puntland and, to a much more limited extent, in southern Somalia. Both Somaliland and Puntland have developed Decentralization Policy Documents which articulate a clear, and similar, vision of a substantially decentralized intergovernmental system in which adequately resourced and empowered local governments are responsible for local governance and service delivery in significant sectors, including municipal infrastructure and services.¹³ In the case of Somaliland, the policy document has been endorsed by the Inter-ministerial Committee which has overseen its formulation, and is awaiting Cabinet approval. In Puntland, endorsement has been interrupted as a result of the change in government following the recent

¹² It is not active in southern Somalia primarily because of insecurity. Initial engagement in Adado District was mentioned by UNDP colleagues in 2014.

¹³ Somaliland Decentralization Policy 2013-2020, Final Draft November 2013; and Puntland Decentralization Policy 2013-2020, Final Draft November 2013.

Presidential election. Progress in southern Somalia has been much slower, but work has begun on the development of a decentralization policy framework. Of particular note in the Somaliland and Puntland policy documents is a clear commitment to fiscal decentralization including, among other things, the development of a system of unconditional and conditional intergovernmental fiscal transfers to finance recurrent and development expenditures.

30. In this context, provision of support to the LDF presents an important potential opportunity. The architecture of the LDF has many of the core features of the sort of systematic, equitable, conditional grant to be used to support development expenditures envisaged in the Somaliland and Puntland policy documents. Over time, and with the right type of support, it could be expanded (from the bottom up, as the system grows) and institutionalized (from the top down, as policy consolidates and is implemented) as a central element of the evolving sub-national fiscal framework throughout Somaliland, Puntland and, eventually (should the policy environment permit it), southern Somalia.

31. The Bank has specific expertise in assisting countries in developing, intergovernmental transfer systems of this kind – in the immediate region - and could add specific value to the LDF through providing support with this as a core objective. In order to achieve this, two basic types of activity would be necessary: (i) direct support to expanding and deepening the fiscal transfer mechanism itself, accompanied by design optimisation to the extent necessary (e.g. to enhance its performance orientation, strengthen the way in which capacity-building is delivered etc.); and (ii) support to the institutionalization process, focused on the formulation of a detailed implementation plan to phase in universal coverage, followed by the development and implementation of the grant instruments, mechanisms and procedures (on the foundation, naturally, of what the LDF has already established).

32. Given the limited total budget envelope available for the project, it appears that no more than US\$11m would be available for these activities over four years. Of this, approximately US\$10m would be targeted at support of the grant instrument with approximately US\$1m available for support to the institutionalization process. With MPF funding, the projected LDF budget for the next 3 years (2015-2017)¹⁴ will increase from US\$14.5 million to US\$25.4 million. There will be substantial deepening in investment funding with a geographic expansion from 20 LGs to 30 LGs (from 16 in Puntland and Somaliland to 24 and in southern Somalia from 4 to 6 LGs), with investments in Mogadishu alone increasing about 600% to enable noticeable contribution to service delivery.

¹⁴ Funding is projected through 2017 as this is when JPLG ends; however the amount can naturally be configured over a 4 year duration.

Annex 3: Implementation Arrangements

Somali Urban Investment Planning Project

Project Institutional and Implementation Arrangements

Project administration mechanisms

1. Project activities related to the feasibility, preliminary design and assessment studies will be executed by the Bank on behalf of the client; and project activities which relate to the recruitment of technical assistance to enhance project preparation and execution activities will be undertaken by client executing agencies. In undertaking the activities it will execute, the Bank team will work and consult closely with its counterparts, particularly the city governments of Mogadishu, Hargeisa and Garowe, the MoPW of the FGS, the Hargeisa Water Authority, and the Planning Ministries of Puntland and Somaliland. The detailed modalities and procedures for these working relationships will be established during the early stages of the implementation of the SUIPP.

2. The security environment in Somalia continues to be poor and appears to have deteriorated over the past year. Moreover, the activities that will be undertaken under the Bank Executed components of the project will entail the substantial exposure of technical specialists and consultants to this environment as they will have to travel widely throughout the three cities and undertake regular site visits. In this context, it has been necessary to develop an implementation approach for these components which is specifically adapted for this environment. The Bank will contract with a UN agency with the necessary experience and expertise to operate effectively in these conditions. Working with contracted-in capacity, this agency will provide security and operational implementation enhancements to mitigate the risks of executing project activities under prevailing conditions. This agency will be supported and supervised by a World Bank implementation support team.

Financial Management, Disbursements and Procurement

Financial Management

3. The SUIPP will involve both activities executed by the Bank on behalf of the Recipient (BE) activities, and Recipient Executed (RE) activities. The RE activities comprise limited and simple activities related to the employment of specialist technical staff by the key implementing agencies i.e. the Mogadishu BRA, HM, and GM. An initial FM assessment conducted during missions to these areas indicate that they are capable of handling the FM responsibilities related to these activities, but at high levels of risk and that financial management capacity challenges that are likely to affect the project exist. These include (i) weak legal Public Financial Management (PFM) Frameworks; (ii) lack of prior experience in the implementation of Bank supported projects; (iii) inadequate financial management competencies and internal controls mechanisms; (iv) lack of or weak intergovernmental fiscal relations arrangement frameworks between the FGS and the regional governments, as well as internally between the State

governments, local authorities (BRA, GM, HM) and the quasi-government entities (HWA); and (v) very rudimentary banking arrangements.

4. Various mitigating measures will be designed both specific to the project and as part of other Bank/Donor engagements in the country. Given the consideration for Use of Country Systems (UCS), the project, so far as is practical, will adopt UCS in various aspects of the project's financial management arrangements. These include financial planning, budgeting, funds flow arrangements, banking, internal control framework, accounting, reporting, internal and external audit arrangements. The project will institute appropriate oversight arrangements, staffing and capacity building initiatives. The project will also focus on developing financial management capacity as part of project activities through targeted financial management technical assistance with a clear requirement for knowledge transfer incorporated.

Staffing

5. The HWA has been receiving targeted financial management capacity building interventions through other Bank initiatives. HM municipality has been receiving financial management assistance from JPLG/UNDP project. BRA, HM and GM will each need to recruit a dedicated Financial Management Specialist (FMS) to carry out the project financial management functions. The implementing agencies' financial management staff will work closely with the respective Ministries of Finance to ensure that project activities are well recorded and incorporated in governments budget and financial statements.

Budgeting Arrangements

The projected annual disbursements shall be integrated into the respective budgets of the national agencies onto which the transfers to the municipalities executing the RE activities fall and the respective municipal budgets. Each implementing agency (municipality) will prepare the budget, work plan and cash flow forecast and submit for the necessary approvals from the governments and the World Bank.

Accounting and Reporting

6. Each of the implementing entities will prepare and submit financial reports from the existing systems supplemented by predesigned excel worksheets. Each of the implementing agencies will be required to prepare and submit unaudited interim financial report (IFR) not later than 45 days after the end of the calendar quarter. The content and details of the reporting formats will be discussed and agreed during the project negotiations. The IFRs and financial statements will be submitted to the EAFS for consolidation.

7. The accounting system will ensure that financial reports are designed to provide relevant and timely information to the project management units and various stakeholders monitoring the project's performance. It is expected that all levels of implementation will maintain adequate filing and archival systems of all accounting and relevant supporting documents for review by the World Bank's FM team during supervision mission and also for audit purposes.

8. The implementing entities would also prepare financial statements covering the entire project period. The FS will be prepared in accordance with IPSAS - Cash Basis. The FS shall include adequate notes and disclosures consistent with the cash basis of financial reporting under the IPSAS.

9. Each implementing entity will ensure that all important business and financial processes are adhered to; adequate internal controls and procedures are in place; Interim Un-audited Financial Reports (IFRs) are prepared and submitted to the World Bank on a timely basis; the annual financial statements will be prepared on a timely basis and in accordance with Cash Based IPSAS and the external audit will be carried out and audit findings and recommendations monitored to ensure they are implemented expeditiously.

Internal Control and Auditing

10. The project internal controls procedures and processes will be based on the FM manuals for the EAFS¹⁵, HWA¹⁶ and HM¹⁷ for the respective regions and implementing entities. The FM manuals are found to be sufficient for the SUIPP and will be updated for the main project activities by the engaged FM specialists.

11. Given the regional spread and the capacity challenges in the Offices of the Auditors General in the regions, an external audit firm will be engaged and funded by the project to carry out the audit of the project activities. Each of the project implementing agencies (BRA, GM, HWA and HM) will prepare and submit project financial statements. The project will carry out one external audit covering the entire project period for the Recipient Executed activities. The audited project financial statements together with any additional information required will be submitted to the World Bank not later than six months after the end of the project. The audit would be in conformity with the World Bank's audit requirements and in accordance with internationally recognized auditing standards. The auditor will express an opinion on the Financial Statements in compliance with International Standards on Auditing (ISA); and also prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Grant Agreements.

Disbursements

12. The project will open three dollar denominated Designated Accounts in a financial institution acceptable to the World Bank.

13. Designated Account 1: The FGS EAFS will open a US Dollar Designated Bank Account (DA) in Central Bank of Somalia. The BRA will open and operate a separate project bank account for transfers from the DA for project expenditures based on a quarterly cash projection of expenditure. Payments from the DA will only be for eligible expenditure which will have to be

¹⁵ Developed by E&Y with support from the Bank PFM Capacity Strengthening project

¹⁶ Developed by E & Y with support from Bank WASP

¹⁷ Developed by UNDP administered JPLG Project

justified and properly documented. The EAFS will prepare and submit withdrawal applications for the DA.

14. Designated Account 2: The Somaliland Ministry of Finance will open and operate a DA for the HM in a financial institution acceptable to the World Bank. HM will open a segregated project bank account for transfers from the DA for project related expenditure based on a quarterly cash projection of expenditure.

15. The HM will prepare and submit detailed reports and analysis of expenditure to the Ministry of Finance and the World Bank prior to reimbursement of its project account. The Ministry of Finance will prepare Withdrawal Applications. Payments from the project account will only be for eligible expenditure which has to be justified and properly documented.

16. Designated Account 3: The Puntland Ministry of Finance will open and operate a DA for the GM in a financial institution acceptable to the World Bank. The GM will open and operate a separate project bank account for transfers from the DA for project expenditures based on a quarterly cash projection of expenditure. Payments from the DA will only be for eligible expenditure which will have to be justified and properly documented. The Ministry of Finance will prepare and submit withdrawal applications for the DA.

17. IDA funds will be transferred into the DAs against an approved Withdrawal Application. The first IDA fund release will be an advance payment based on an agreed ceiling and on the submission of a Withdrawal Application. Replenishment and Reimbursement of Withdrawal Applications will be accompanied by Statement of Expenditures (SOEs) and direct payment will be accompanied by copied of records in accordance with the procedures established in the disbursement Letter and the Bank's Disbursement Guidelines.

18. Detailed disbursement arrangements will be documented in the Disbursement Letter.

Procurement

19. Under SUIPP the major procurements will be undertaken in respect of Bank Executed activities. In addition, some project funding is to be used for Recipient Executed activities. These procurements will be simple i.e. to procure qualified individuals (viz. Project Coordinator, Procurement Specialist, Financial Management Specialist, Safeguard Specialist and M&E Specialist) at all the three locations Mogadishu, Garowe and Hargeisa to assist with the preparation (and, later, implementation) of SUDP. This activity will be conducted by the BRA at Mogadishu, HM at Hargeisa and GM at Garowe. An initial procurement assessment of these agencies suggests that though these agencies have some procurement experience they will require some support to undertake the necessary procurements according to Bank procedures satisfactorily. In Mogadishu the necessary procurement support would be provided to BRA by EAFS of Ministry of Finance. However, at Hargeisa and Garowe necessary support/guidance would be provided by the World Bank procurement staff. The project will hire the procurement specialists first who will handle the procurement processes for the remaining four positions.

20. Procurement of the specialists will be conducted by following “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 as well as the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and Grants”, dated October 15, 2006 and revised in January 2011. Additionally, since Somalia is one of the FCS countries, paragraph 12 of Bank Operational Policy (OP) 10.00 will be triggered to allow the application of the flexibility detailed in the Guidance to World Bank staff: Simplified Procurement Procedures in Situations of Urgent Need of Assistance or Capacity Constraints, April 2013.

21. Procurement Plan. A procurement plan indicating procurements to be carried out over the project period has been developed and included below. This procurement plan includes contracts that will be Bank executed as well as those that are Recipient executed and consists of the procurement methods or consultant selection methods, estimated costs, and prior review requirements. The procurement plan will be updated as required.

Project Procurement Plan

| | Contract Description | Estimated Cost (US\$) | Bank Executed or Recipient Executed | Procurement / Selection Method | Review by World Bank (Prior/ Post) | Expected Bid/Proposal/ EOI(for ICS) Submission date | Expected Contract Signature | Expected completion date |
|--------------------------------------|--|------------------------------|--|---------------------------------------|---|--|------------------------------------|---------------------------------|
| Bank Executed Activities | | | | | | | | |
| Consultancy Services | | | | | | | | |
| 1 | Engineering feasibility studies, preliminary designs for urban roads, and solid and liquid waste management Mogadishu secondary/community roads feasibility studies and preliminary design | 2,200,000 | BE | SSS | NA | Feb 2016 | Mar 2016 | Feb 2017 |
| 2 | Institutional assessments of government agencies in Mogadishu, Hargeisa and Garowe and of the Local Development Fund | 600,000 | BE | QCBS | NA | Feb, 2016 | Mar., 2016 | Oct., 2016 |
| 3 | Conflict studies - Individual consultant(s) | 150,000 | BE | ICS | NA | Feb, 2016 | Apr, 2016 | Dec, 2016 |
| 4 | Impact assessment preparation study - Individual consultant(s) | 150,000 | BE | ICS | NA | Feb, 2016 | Apr, 2016 | Dec, 2016 |
| | Total BE | 3,100,000 | | | | | | |
| Recipient Executed Activities | | | | | | | | |
| Component 2 Mogadishu | | | | | | | | |
| CONSULTANCY SERVICES | | | | | | | | |
| 1 | Project Coordinator (for 9 months) | 148,500 | CE | ICS | Prior | Mar. 2016 | Apr 2016 | Jan 2017 |
| 2 | Procurement Specialist (for 9 months) | 148,500 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 3 | Financial Management Specialist (for 9 months) | 148,500 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 4 | Safeguard Specialist (STC for 4.5 months over 9 months) | 74,250 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |
| 5 | M&E Specialist (STC for 4.5 months over 9 months) | 74,250 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |

| | | | | | | | | |
|--------------------------------------|--|----------------|----|----------|-------|-----------|-----------|-----------|
| | GOODS | | | | | | | |
| 6 | Procurement of Equipment(furniture, filing cabinets, computers and accessories) for HM and HWA | 65,000 | CE | Shopping | Prior | Feb, 2016 | Apr, 2016 | Apr, 2016 |
| | OPERATING COSTS | | | | | | | |
| 7 | Costs of specialized and short training for HWA and HM staff | 40,000 | CE | SOE | Post | NA | NA | Dec2016 |
| 8 | Costs related to the PCU operations (advertisements; conference room hire, office stationery, Internet connectivity, refreshments e.t.c) | 15,000 | CE | SOE | Post | NA | NA | Dec2016 |
| | TOTAL | 714,000 | | | | | | |
| Recipient Executed Activities | | | | | | | | |
| Component 2 Garowe | | | | | | | | |
| | CONSULTANCY SERVICES | | | | | | | |
| 1 | Project Coordinator (for 9 months) | 126,000 | CE | ICS | Prior | Mar. 2016 | Apr 2016 | Jan 2017 |
| 2 | Procurement Specialist (for 9 months) | 126,000 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 3 | Financial Management Specialist (for 9 months) | 126,000 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 4 | Safeguard Specialist (for 4.5 over a period of months) | 63,000 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |
| 5 | M&E Specialist (for 4.5 over a period of 9 months) | 63,000 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |
| | GOODS | | | | | | | |
| 6 | Procurement of Equipment(furniture, filing cabinets, computers and accessories) for HM and HWA | 54,000 | CE | Shopping | Prior | Feb, 2016 | Apr, 2016 | Apr, 2016 |
| | OPERATING COSTS | | | | | | | |
| 7 | Costs of specialized and short training for HWA and HM staff | 30,000 | CE | SOE | Post | NA | NA | Dec2016 |
| 8 | Costs related to the PCU operations (advertisements; conference room hire, office stationery, Internet connectivity, refreshments e.t.c) | 15,000 | CE | SOE | Post | NA | NA | Dec2016 |
| | TOTAL | 603,000 | | | | | | |

Recipient Executed Activities

Component 3 Hargeisa

| CONSULTANCY SERVICES | | | | | | | | |
|-----------------------------|--|----------------|----|----------|-------|-----------|-----------|-----------|
| 1 | Project Coordinator (for 9 months) | 103,500 | CE | ICS | Prior | Mar. 2016 | Apr 2016 | Jan 2017 |
| 2 | Procurement Specialist (for 9 months) | 103,500 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 3 | Financial Management Specialist (for 9 months) | 103,500 | CE | ICS | Prior | Mar 2016 | Apr 2016 | Jan 2017 |
| 4 | Safeguard Specialist (for 9 months) | 103,500 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |
| 5 | M&E Specialist (for 9 months) | 103,500 | CE | ICS | Prior | Apr 2016 | May 2016 | Jan 2017 |
| GOODS | | | | | | | | |
| 6 | Procurement of Equipment(furniture, filing cabinets, computers and accessories) for HM and HWA | 80,000 | CE | Shopping | Prior | Feb, 2016 | Apr, 2016 | Apr, 2016 |
| OPERATING COSTS | | | | | | | | |
| 7 | Costs of specialized and short training for HWA and HM staff | 30,000 | CE | SOE | Post | NA | NA | Dec2016 |
| 8 | Costs related to the PCU operations (advertisements; conference room hire, office stationery, Internet connectivity, refreshments e.t.c) | 20,000 | CE | SOE | Post | NA | NA | Dec 2016 |
| TOTAL | | 647,500 | | | | | | |

Environmental and Social (including safeguards)

22. The project is a TA that is financing the preparation of feasibility and preliminary design studies for civil works in Mogadishu, Garowe and Hargeisa for which the ToRs will be disclosed in-country and at the InfoShop. Subsequent operations (likely to be financed by the MPF) will undertake the preparation of detailed engineering designs and environmental and social studies.

23. Environmental and Social Management Frameworks (ESMFs) will be produced (see next section for details), complying with international good practice norms and approaches, that also would cover the collection of socio-economic baseline data and the determination of likely typologies of social and livelihood impacts, or the need for land acquisition or resettlement. These activities will be accomplished during SUIPP's implementation period, informing the planned technical and engineering studies.

24. Moreover, should it be determined that the subsequent operation (SUDP) will involve works or activities with land acquisition leading to involuntary resettlement and/or restrictions of access to resources or livelihoods, ToRs for a Resettlement Policy Framework (RPF) and/or Resettlement Action Plan (RAP) would be prepared, consulted upon and disclosed.

25. While the project will not finance any physical activities, civil works or final design studies for the potential investments in urban infrastructure in Mogadishu, Hargeisa and Garowe, it has been assigned the safeguards category B. The rationale for this safeguards rating is that the project will finance the preparation of feasibility and preliminary design studies for primary roads in Mogadishu, roads and, potentially, bridges in Garowe, and water supply infrastructure as well as solid waste investments in Hargeisa, as well as strengthening institutional structures and capacity. All of these activities could have downstream environmental and social impacts and implications that would need to be assessed and managed with appropriate instruments.

26. The final identification of specific projects and detailed design work – e.g. detailed engineering design, social and environmental impact assessments, exploratory drilling and preparation of bid estimates – will not be carried out as part of the project (SUIPP). This will be undertaken in a later phase, most likely as part of a MPF funded operation which will be prepared on the basis of the studies prepared under the SUIPP. Detailed preparation of this follow-up operation, which has been classified as environmental category B, will commence once the work supported by the SUIPP is completed. This will include the preparation, consultation on, and disclosure of the required E&S due diligence instruments, for which two main types of activities will be carried out:

- (c) a baseline survey of environmental and social information, data and issues that will help to identify E&S constraints, but also areas of potential enhancement of project outcomes, and provide E&S information, criteria and constraining factors for the processes for design and environmental / social assessments planned for SUDP or other downstream planning activities;
- (d) the development of an ESMF, which would constitute a generic tool for managing social and environmental risks related to urban investments, and planning follow-up

investigations, assessments and analyses (for e.g. roads, bridges, water supply and waste management activities) regardless of funding source, in the Somali territories for use by entities such as local governments as well as water utilities or waste management authorities. To broaden the scope of its potential applicability the ESMF will be based on international good practice, rather than tied specifically to the World Bank's safeguard requirements. The intention is to produce an instrument for use by Somali institutions, which is in line with international good practice norms, which can be applied to urban development projects in a variety of different funding contexts. This would be useful in itself for Somali urban institutions, which will be the primary purpose, but can also be swiftly adapted for use for Bank funded investments under projects such as the SUDP.

27. The Scope of Work outlining the above environmental and social studies has been produced during SUIPP preparation and disclosed in InfoShop.

Monitoring & Evaluation

28. The Bank team will be responsible for monitoring the progress of the activities it will execute; client agencies will be responsible for monitoring the progress of the activities they will execute. Reporting procedures between client agencies and the Bank on client-executed activities will be agreed during the early stages of implementation of the SUIPP. Given that the security environment may make monitoring difficult, the Bank will explore the possibility of using third parties to monitor aspects of progress, to the extent that this may be necessary and possible. Given that the project supports only feasibility and preliminary design studies, no evaluation will be undertaken.

Annex 4: Systematic Operations Risk-Rating Tool (SORT)
Somali Urban Investment Planning Project

1. The assessment of risks takes into account both the likelihood of the risk materializing, as well as the severity of its impact on the achievement of the project development objectives (PDO). The SORT focuses on identifying, assessing, and managing risks throughout an operation.

| Risk Categories¹⁸ | Rating (H, S, M or L) |
|---|--|
| <p>1. Political and governance</p> | <p>Risks to the development objective stemming from the country’s political situation and governance context.</p> <p>Rating: High</p> <p>Changes in leadership (substantial) Changes in political leadership/appointees could undermine government ownership of both this preparatory project and the follow on SUDP. Any changes in leadership could result in the Federal Government of Somalia raising concerns regarding planned activities in any of the three cities.</p> <p><i>Risk mitigation.</i> There will be a continuous process of engagement and consultation with government at the federal and decentralized level during project implementation and investment in client dialogue through regular missions to all territories. The project TTL will be based in Nairobi and would follow up on discussions with Government, documentation and dissemination of agreement in all meetings.</p> <p>Political competition for project resources (substantial) The Government at the Federal and decentralized level may raise issues over the allocation of project funds across the territories in the main SUDP which would impact planned activities in this preparatory project. Issues may also be raised regarding the selection of consulting entities contracted for technical activities.</p> <p><i>Risk mitigation.</i> Project team will engage in transparent dialogue with stakeholders regarding the allocation of resources and the selection and contracting processes used for consultants carrying out the technical activities.</p> |
| <p>2. Macroeconomic</p> | <p>External and domestic economic risks that may derail proper preparation, implementation and achievement of results.</p> <p>Rating: Substantial.</p> <p>Somalia is one of the poorest countries, with a gross national income of US\$284. Some 80 percent of its exports are from one product—livestock—leaving it exceptionally prone to external economic shocks. The substantial dependency of the FGS upon donor funding underlines the fiscal fragility and weak revenue base. The Bank, working with others such as the International Monetary Fund (IMF), is engaged in strengthening the overall macroeconomic and fiscal framework. This includes potential next steps toward debt relief.</p> <p><i>Risk mitigation.</i> There will most likely be minimal impact from macroeconomic risk on this</p> |

¹⁸ In all risk categories the assessment is of the risk to PDO or the risk of unintended consequences associated with the operational engagement, and does not refer to “country level” risk in and of itself.

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| | project as it is primarily Bank-executed. There are therefore no risk mitigation measures. |
| 3. Sector strategies and policies | <p>Risks associated with the strategies and policies of the sector(s) relevant to the project.</p> <p><i>Rating: Low. No significant sector risks identified.</i></p> |
| 4. Technical design of project or program | <p>Risks related to the technical design of the project.</p> <p><i>Rating: Moderate</i></p> <p>Complexity in project design (moderate) Project involves many different activities spread over a number of different areas working with a range of different organizations and institutions which will make project management a challenge.</p> <p><i>Risk mitigation.</i> Seeking contracting arrangements with consulting entities that are simple and as wide in scope as possible (e.g. seeking to contract UNOPS to undertake a number of different activities) rather than entering into contracts with several different entities. Begin contract negotiations (especially with UN agencies) as early as possible in order to allow sufficient time for communication with relevant headquarters.</p> <p>Lack of coordination between WB projects (low) WB projects targeting institutional capacity building and/or support to decentralized government (capacity injection, PFM, WSP, SFF- local government facility) may be insufficiently coordinated to effectively and efficiently deliver desired results.</p> <p><i>Risk mitigation.</i> The project team will maintain regular communication with related project teams to ensure coordination. The MPF Secretariat will provide additional support for fund-level coordination of WB activities.</p> |
| 5. Institutional capacity for implementation and sustainability | <p>Risks related to the capacity of the government to implement the recipient executed activities and oversee the Bank executed activities, taking into account the institutional capacity of the implementing agencies.</p> <p><i>Rating: High</i></p> <p>Capacity constraints within implementation agencies (high) There are severe capacity constraints among potential implementation agencies identified across the three main cities, mainly lack of availability of competent staff with procurement, financial management, technical and management experience to supervise feasibility studies or preparation of preliminary designs. Although this project will be Bank-executed on behalf of the client, close co-operation, support and effective decision making may be required from key counterpart institutions at critical points.</p> <p><i>Risk mitigation.</i> The project activities will be executed by the Bank on behalf of the client thereby greatly mitigating any capacity risks. Supervision support will be provided to implementing agencies at critical points as required. This project plans to undertake an institutional assessment of government agencies responsible for urban development and service delivery which will inform any future urban operations in Somalia.</p> <p>Lack of familiarity with WB procedures (high) The client's lack of familiarity with WB procedures may lead to delays in implementation of the Recipient Executed activities.</p> |

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| | <p><i>Risk mitigation.</i> The team will hold regular dialogue with the client to explain procedures and provide support, a project focal point will be based in Nairobi to provide regular support.</p> |
| 6. Fiduciary | <p>Risks that funds will not be used to achieve value for money with integrity in delivering sustainable development</p> <p>Rating: Moderate</p> <p>Limited FM and Procurement capacity (moderate) There are capacity constraints among potential implementation agencies identified across the three main cities in both procurement and financial management.</p> <p><i>Risk mitigation.</i> Most project activities will be executed by the Bank on behalf of the client thereby greatly mitigating any capacity risks. Given this is a preparatory project, one of the activities is to set up PIUs across the three cities and hire qualified procurement and FM staff and address this capacity gap ahead of the main project -SUDP.</p> <p>Fraud / corruption (moderate) The main project activities are being implemented by the Bank through contracted consulting entities that will be undertaking the technical studies and institutional assessments. Only a fraction will be managed by the client. There is therefore a moderate chance of misuse of project funds.</p> <p><i>Risk mitigation:</i> Directly contracting consulting entities with prior experience with similar activities in Somalia; closely monitoring work of consulting entities; providing strategic technical support when required.</p> |
| 7. Environment and social | <p>Risks posed <u>to</u> the project by environmental and social risks and potential unintended consequences posed <u>by</u> the activity on physical, biological and cultural resources and on human health and safety.</p> <p>Risk: Low</p> <p>Environmental and social impact of project activities (low) The proposed feasibility studies and institutional assessments are not expected to entail major safeguard issues. The proposed road works to be studied are within the existing right-of-way thus reducing considerably the safeguard risk.</p> <p><i>Risk mitigation.</i> Close monitoring of safeguards during implementation, appropriate staffing within the task team –social and environment safeguard support throughout implementation.</p> |
| 8. Stakeholders | <p>Risks related to stakeholders who may affect successful project completion by delaying or halting its implementation.</p> <p>Risk: High</p> <p>Lack of intra-governmental coordination (moderate) Within government, there is a lack of clarity on the division of labor amongst Ministries, agencies and departments and as a result, poor coordination. Given the number of levels of government and agencies this project will be working with, this lack of internal coordination could potentially slow down some of the project activities.</p> |

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| | <p><i>Risk mitigation.</i> The project will prepare subsidiary agreements between various levels of government involved in implementation which clearly outline the respective roles and responsibilities of each entity. The task team will ensure these agreements are adhered to during project supervision.</p> |
| <p>9. Other (Security)</p> | <p>Additional context-specific risks not captured in the other categories.</p> <p>Risk: High</p> <p>Insecurity (high) Insecurity poses a risk to human security (WB staff, consultants and client) and project implementation. It creates severe limitations on access to the operating environment, which in turn elicits a number of additional project risks, creating challenges for project design, implementation and monitoring.</p> <p><i>Risk mitigation.</i> Recognizing that the risk of insecurity cannot be completely mitigated, the project will be contracting a UN agency with appropriate expertise and experience to provide implementation enhancements to mitigate security and operational risks associated with implementation in the Somali environment. The Bank supervision team will follow Bank/UN security rules when traveling.</p> <p>Political crisis / breakdown (high) Challenges to state authority by anti-government elements (AGEs) could delay or block project implementation, essentially stall progress on feasibility studies and institutional assessments.</p> <p><i>Risk mitigation.</i> The Country Management Unit will monitor the political and security environment, in collaboration with United Nations Department for Safety and Security. In the case of acute political crisis or breakdown, the project will be put on hold based on the severity of the situation.</p> |
| <p>Overall</p> | <p>High- The overall risk rating for the project is high. While the project and capacity risks have been largely mitigated, the volatile security situation in Somalia makes this project high risk.</p> |

Annex 5: Implementation Support Plan

Somali Urban Investment Planning Project

Strategy and Approach for Implementation Support

1. In the design of the Implementation Support Plan (ISP), consideration has been given to the risks identified in the SORT, the context of Somalia as a fragile and post conflict country and the implementation arrangements of the SUIPP involving a combination of Bank and Recipient execution as well as a number of implementing agencies.

2. The main challenge to providing the necessary implementation support to the project will be insecurity which poses a risk to human security of WB staff, consultants as well as the client. The second key issue is the complexity of the project involving a range of different activities spread over three different cities – Mogadishu, Garowe and Hargeisa involving several implementing agencies at the central and subnational level. Factoring in these challenges, the implementation support for the project will include:

- (a) A multidisciplinary Bank team as has been the case during preparation, with an engineer, environment and social safeguards specialists, procurement and financial management specialists, conflict specialist, institutional strengthening specialist and a Task Team Leader.
- (b) Formal implementation support missions three times a year to assess and respond to implementation challenges and the evolving risks which could impact project activities. Insofar as the missions make field trips, necessary protection will need to be provided.
- (c) Regular support to the client and consultants in between formal missions. Specific attention would be paid to RE activities. The Task Team Leader and the fiduciary team will be located in Nairobi allowing for regular travel to each of the three cities as necessary.
- (d) Continuous monitoring of the political and security environment by the Country Management Unit based on which the Bank team would continue to refine and adapt the ISP.
- (e) Continuous dialogue with implementing agencies of the project and other development partners both in-country and out of country to keep track of the evolving political and security situation as well as other ongoing stakeholder initiatives to identify areas where there could be greater coordination.
- (f) Enhanced implementation modalities will be provided by a UN Agency for a number of the project components in order to mitigate the security and operational risks associated with working in the current Somalia environment.

Implementation Support Plan

3. A core technical team will be established in the region to provide hands-on support to the client, UN agency and consultants including a TTL and a multidisciplinary task team. The team will include an Engineer, an Environmental Safeguard Advisor, a Social Safeguard Specialist, a Senior Procurement Specialist, a Financial Management Specialist, a Conflict Advisor, and an Institutional Strengthening Specialist.

| <i>Time</i> | <i>Focus</i> | <i>Skills Needed</i> | <i>Resource Estimate</i> | <i>Partner Role</i> |
|----------------------------|--|--|--------------------------|---------------------|
| <i>First twelve months</i> | <p><i>Component 1: Mogadishu</i></p> <ul style="list-style-type: none"> • Contracting of and technical support to UN agency and Consultants carrying out feasibility and preliminary design studies for primary and secondary roads. • Contracting of and technical support to consultant carrying out an institutional assessment of BRA and MoPW. • Contracting of technical assistance for BRA and establishing a project support office • Training and capacity building support to TA <p><i>Component 2: Garowe</i></p> <ul style="list-style-type: none"> • Contracting of and technical support to UN agency and consultant carrying out feasibility and preliminary design studies for roads and bridges. • Contracting of and technical support to consultant carry out an institutional assessment of GM. • Contracting of technical assistance for GM and establishing a project support office. | <p>Technical expertise in engineering, institutional strengthening, safeguards, procurement, financial management, and conflict.</p> | \$250,000 | |

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|---------------------|---|---|-----------|--|
| | <ul style="list-style-type: none"> • Training and capacity building support to TA. <p><i>Component 3: Hargeisa</i></p> <ul style="list-style-type: none"> • Contracting of and technical support to UN agency and Consultant carrying out feasibility and preliminary design studies for solid and liquid waste investments. • Contracting and technical support to consultant carrying out institutional assessments of HM and HWA. • Contracting of technical assistance for HM and HWA and establishing a project support office. • Training and capacity building support to TA. <p><i>Component 4: Other Cross Cutting Activities</i></p> <ul style="list-style-type: none"> • Contracting of consultant to carry out an assessment of the LDF. • Contracting and support to consultant carrying out a study on conflict and fragility and on socio-economic impacts of infrastructure investments. | | | |
| <i>12-48 months</i> | <p><i>Component 1: Mogadishu</i></p> <ul style="list-style-type: none"> • Finalize feasibility and preliminary design studies for primary and secondary roads. <p><i>Component 2: Garowe</i></p> <ul style="list-style-type: none"> • Finalize feasibility and preliminary design studies for roads and | Technical expertise in engineering, institutional strengthening, safeguards, procurement, financial management, and conflict. | \$150,000 | |

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| | <p>bridges.</p> <p><i>Component 3: Hargeisa</i></p> <ul style="list-style-type: none"> • Finalize feasibility and preliminary design studies for solid and liquid waste investments. <p><i>Component 4: Other Cross Cutting Activities</i></p> <ul style="list-style-type: none"> • Finalize studies on conflict and fragility and on socio-economic impacts of infrastructure investments. | | | |
|--|---|--|--|--|

Skills Mix Required

| <i>Skills Needed</i> | <i>Number of Staff Weeks</i> | <i>Number of Trips</i> | <i>Comments</i> |
|---|-------------------------------------|-------------------------------|-----------------------------|
| <i>Task Team Leader</i> | 15 | 5 | <i>TTL based in Nairobi</i> |
| <i>Engineer</i> | 10 | 5 | <i>Based in the region</i> |
| <i>Safeguard Advisor</i> | 6 | 3 | <i>Based in Nairobi</i> |
| <i>Social Safeguard Specialist</i> | 4 | 2 | |
| <i>Procurement Specialist</i> | 6 | 4 | <i>Based in Nairobi</i> |
| <i>Financial Management Specialist</i> | 6 | 4 | <i>Based in Nairobi</i> |
| <i>Conflict Specialist</i> | 8 | 3 | <i>Based in Nairobi</i> |
| <i>Institutional Strengthening Specialist</i> | 8 | 3 | |