

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC5624

<b>Project Name</b>	Somalia Urban Development Project (P149306)
<b>Region</b>	AFRICA
<b>Country</b>	Somalia
<b>Sector(s)</b>	Urban Transport (40%), Water supply (20%), Solid waste management (20%), Sub-national government administration (20%)
<b>Theme(s)</b>	Decentralization (10%), Municipal governance and institution building (20%), Urban services and housing for the poor (20%), Other urban development (50%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P149306
<b>Borrower(s)</b>	Federal Government of Somalia Republic
<b>Implementing Agency</b>	Ministry of Finance and Planning
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	09-Apr-2014
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<b>Estimated Date of Board Approval</b>	30-Apr-2015
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

The territory 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. Shaped by long years of conflict, a dynamic has developed in Somalia's economy in which economic and political actors face incentives to perpetuate conflict in order to sustain and divert associated revenue streams.

In contrast to the war-torn south, Somalia's northern regions are relatively stable and have put in place functioning institutions. Although considerable development challenges remain, the starting point for development work is nevertheless different. Both Somaliland and Puntland are able to

collect some revenues sufficient to maintain basic administrative structure and security, but not enough to invest substantially in social and economic development. Nevertheless, the two regions seek very different futures: while Somaliland's constitution envisages an independent existence, Puntland is committed to participate in Somalia's emerging governance system.

The August 2012 transfer of power from a transitional to a full federal government in Mogadishu generated domestic political momentum and triggered international re-engagement. 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.

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 GDP 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.

### **Sectoral and Institutional Context**

**Economic and demographic.** Normal urbanization patterns have been complicated by significant refugee migrations from neighboring countries and within the territory (IDPs). Most refugees and IDPs have settled on the fringe of urban areas, adding complexity to the urban settlement pattern and social relations.

There has been no systematic analysis of the economies of Somali main cities and towns. Broadly, however, the pattern of economic 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), the servicing of agricultural activities in adjacent hinterlands, the location of government administration, and more recently, the emergence of services sectors, such as IT. In this context, and that of the demographic dynamics mentioned above, a three level urban hierarchy has emerged that guides this projects with a focus on the only primary city, Mogadishu and two secondary cities, Hargeisa and Garowe.

**Urban services and infrastructure.** Urban services and infrastructure in the main towns and cities of the territory are poorly developed and provided on a very limited basis, with some – not insignificant – variations related primary to the continued of conflict and instability of across regions.

A brief summary of the position regarding the urban infrastructure in roads, water supply, trunk drainage and solid waste management and disposal - focused primarily on the centres of Mogadishu, Hargeisa and Garowe - follows.

- **Urban roads.** It is estimated that there are 22,100 km of roads in the country of which 2,600 km are paved (11.7 percent). Satellite imagery of Mogadishu, Hargeisa, and Garowe indicates that the urban roads networks are reasonably well laid out. In all three cities, a limited number of roads

are paved and those which are (mainly trunk roads) are in a poor state of repair (particularly in Mogadishu). Aside from this, most of the secondary and tertiary roads in the urban areas are engineered earth roads with associated side drains. Roads networks in general have inadequate drainage infrastructure which decreases the life cycle of the roads. In general terms, urban mobility is inefficient and constrained by a combination of the poor physical state of roads and the absence of even rudimentary traffic management systems.

- **Water supply.** Nationally, some progress on the access to improved water supply has been made over the past two decades, leading to a reported 66 percent level of coverage of “improved” water supply services for the urban population and a 52 percent level of coverage of improved sanitation services for the urban population. In Hargeisa, the network water supply constructed in currently only covers 36 percent of the urban population; others use wells and private vendors. In Garowe, a network with 4,600 customer connections only serves an estimated 39 percent of the urban population. Water quality is an issue as well. In Mogadishu, reliable coverage data is not as readily available but a 2012 UNICEF water quality survey indicated that out of the 290 wells and boreholes in Mogadishu which serve as the primary sources of water supply; only 104 of these sources were designated as “safe”. All of the centralized water supplies also have major issues with the constancy of delivery; water supply services are only effective for a few hours per week due to established rationing routines.

- **Trunk drainage.** There appears to be little engineered storm water drainage infrastructure in urban areas aside from some limited parts of Mogadishu, where it appears that some drainage systems were constructed prior to 1991, little of which remains. In the absence of engineered storm water drainage infrastructure in urban areas, the natural streams and rivers act as the main drainage “sinks” with neighbourhoods draining into these. Where there are constrictions in neighbourhood drainage patterns, flooding occurs during high rainfall events. The natural storm water drainage patterns in the urban centres of Somalia also serve as a conveyance network for sewerage generated by those households with toilets.

- **Solid waste management.** In Mogadishu, three private local companies operating in four pilot districts in Mogadishu and a private firm from Turkey supported by TICA is providing SWM services covering only part of the city. UN-HABITAT is providing SWM technical assistance for the PPP pilot operations. In Hargeisa the collection and transfer of solid waste has been contracted to four companies under PPP arrangements. The World Bank has been providing technical assistance to Hargeisa over the past two years, assisting Somaliland in establishing a legal and regulatory framework within which the private and public operators are to provide improved SWM services. In Garowe solid waste is collected by private operators and taken to designated transfer points where it is collected by the municipality and then transferred to a dump site. While progress has been made with the collection and transfer of solid waste within Mogadishu and Hargeisa over the past few years, the bulk disposal sites have not received any investment or management attention. Hargeisa has two designated sites for solid waste disposal as does Mogadishu. A rough estimate of 1,500 tons per day of solid waste is generated in the urban areas of Somalia. In aggregate, only a small percentage of this is collected and disposed of in dump sites, and none of it is handled in properly designed, constructed, and operated sanitary landfills. In sum, solid waste is a major issue across urban areas, even where there are PPP arrangements in place. Cities are characterized by high levels of uncollected solid waste, with refuse strewn throughout neighbourhoods and public spaces.

Institutional framework. The institutional environment pertaining to the proposed project needs comprises two key levels. At the national/regional level, there are three national/regional government entities, each of which has its own constitution and institutional and legal structure, although only one of these is formally recognized internationally: the Federal Government of Somalia, the Government of Puntland, and the Government of Somaliland. Within each of these governmental structures, one or more agencies (Ministries) has a potentially key role in respect of the project.

At the local/sectoral level, relevant city governments and, in the case of Hargeisa, where water supply investment is anticipated, are also of direct relevance. In fact, given the functional powers and capacities of these agencies it is likely that they will be directly involved in project implementation. Moreover, various activities will be focused on strengthening these agencies as part of the broader effort of the project to improve institutional systems of urban service delivery. The cities of Mogadishu, Hargeisa and Garowe are all managed by municipal administrations, or structures which approximate such administrations, though the character and capacities of these structures varies widely and in significant ways. For example, Hargeisa and Garowe are governed by elected District councils; Mogadishu is governed by a regional governor (of the Benadir Administration) who is appointed by the President of the FGS. Water supply in Hargeisa is the responsibility of the Hargeisa Water Authority (HAWA), a public sector utility which falls under the Presidency. Outside of these cities, local infrastructure and services are delivered by elected District Councils of different grades, or sizes, in Somaliland and Puntland. In general, these entities are fairly weakly capacitated 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 South-Central Somalia).

### **Relationship to CAS**

One of the two priorities in the Interim Strategy Note (FY2014-16) 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.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The PDO for the project will be: "Improved urban infrastructure and urban financing systems in South-Central Somalia, Puntland and Somaliland".

### **Key Results (From PCN)**

The achievement of the PDO will be measured by the following key outcome indicators:

- Improved primary and secondary roads in Mogadishu (km)
- Improved intra-urban roads in Garowe (km)
- Sanitary landfill sites constructed in Hargeisa (number)

- Increased amount of municipalities receiving LDF funding in three areas (number).

Use of the following core indicators will be explored:

- People with access of all-season road;
- People in urban areas provided with access to improved water sources under the project
- Industrial and municipal waste disposal capacity created under the project.

### III. Preliminary Description

#### Concept Description

The operation 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 which are, respectively, the capital cities of South-Central Somalia, Somaliland and Puntland. Together, the operation's activities will improve the economic productivity of these cities, enhance living conditions and inclusive access to urban economies, and strengthen systems of urban management and governance.

Clearly, urban investment needs in the urban greatly outweigh available resources. Moreover, a cardinal design consideration for the operation 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 Multi Partner Fund (MPF) to support development throughout South-Central 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.

For all the components of the project, the project will support two key phases of activity (i) detailed preparation including engineering design, determination of Bills of Quantity, estimates, bidding documents, test drilling (in the case of water supply), institutional design, social and environmental studies; and (ii) execution of the components i.e. construction, capacity-building etc. The activities for the SUDP will be undertaken on the basis of feasibility and preliminary design studies which will be undertaken under a separate MPF-funded project i.e. the Somalia Urban Investment Planning Project (SUIPP).

The key components of the SUDP operation will be as follows:

Component 1: Mogadishu

This component has four subcomponents: (1) Rehabilitation of key primary/arterial roads running through the city, (2) Improvement and extension of secondary/tertiary roads at the District level, (3) Renovation of the Benadir Regional Administration (BRA) building, (4) Institutional strengthening and capacity-building.

Subcomponent 1: Primary roads

As indicated above, with support from the Turkish Government, rehabilitation of 33 kilometers of

primary roads is currently underway (expected completion is August 2014). A further 17 kilometers of primary roads and associated drainage requiring priority attention for rehabilitation to improve transport and transit efficiencies within and through the city have been identified by the city. 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.

Subcomponent 2: Secondary/tertiary roads

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 could 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.

Subcomponent 3: Renovation of the BRA Administrative building

A third identified priority is the renovation of the heritage City Hall building which is meant to house the offices of the city and regional administration. The building is in very poor condition. Its refurbishment would restore a national architectural heritage asset and alleviate an acute shortage of office space for civil servants, thus providing a basis for the improved management of the city.

Subcomponent 4: Institutional strengthening and capacity-building

Strengthening the institutions and systems of urban management and local government, and strengthening the organizational capacities of these institutions 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 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.

Component 2: Hargeisa

This component has four subcomponents: (1) Drainage, (2) Solid Waste Management (3) Water Supply and (4) Institutional Strengthening and Capacity Building.

Subcomponent 1: Drainage

There is no flood plan for Hargeisa and what little drainage infrastructure exists is not fit for purpose to the needs of an expanding city. Current, poor drainage performance of existing infrastructure is seasonally exacerbated by the build-up of solid waste in culverts and drains before the rains. Drainage, storage, buffer and flood protection measures urgently need to be reviewed and upgraded, with existing infrastructure cleared of debris and detritus in the short term to reduce the public health risks and regulate the effect of flooding on the local economy.

Review of estimates from recent analysis (UN-Habitat) has identified a requirement for 30 km of drainage network interlinking 5 natural gullies in the Northern half of the city. In addition, in order to prepare adequately for the required scale of infrastructure rehabilitation/development a short-term measure is required to build the foundation for further work, and specifically to (i) clean out the existing natural drainage channels and engineer basic repairs, (ii) produce feasibility and planning documents, (iii) initiate capacity building at the municipal level.

#### Subcomponent 2: Solid Waste Management

The World Bank has been supporting preliminary SWM activities in Hargeisa directed at developing an enabling environment for 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 Public Private Partnership (PPP) between Hargeisa Municipality (HM) and private operators on concession basis. To date the number of households served by all the contractors has reached 30,000, approximately 35 percent of the city population.

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 waste cycle because Hargeisa is rapidly expanding and the production of solid waste increasing proportionately. 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.

#### Subcomponent 3: Water Supply

Hargeisa depends for its water supply on groundwater well fields and distribution through a reticulated network in Hargeisa that is inadequate to meet current and future needs. The water supply is provided and managed by the HAWA and currently the North of the city receives the vast majority of the supply. The current distribution is inequitable and much of the Southern part of the city does not receive piped water from HAWA. For citizens directly unserved vended water costs on average five times the amount for a compound/household connection.

Supported by UN-Habitat HAWA is in the process of developing the supply to supplement production. HAWA currently draws from Somaliland Development Fund (SDF) funding to extend the distribution into the South and East of the city. This program has a number of critical priorities which are currently unfunded. The activity proposed here would be targeted at these priorities.

#### Subcomponent 4: Institutional strengthening and capacity-building

Strengthening the governance and organizational systems and capacities for HAWA, 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 WSP activities for HAWA and Joint Program for Local Government (UN-JPLG) and UN-Habitat activities for HM), such activities are likely to focus on, for HAWA, (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; (vii) environmental and social management.

### Component 3: Garowe

This component has two subcomponents: (1) upgrading of key intra-city roads and (2) Institutional Strengthening and Capacity Building.

#### Subcomponent 1: Intra-city roads

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 in order to facilitate increased commercial activity, improve revenue generation and boost incomes within the urban setting. This program has benefited from UN-Habitat technical assistance and some USAID financing. 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 GIS platform for improved roads network planning and assets management capabilities of the GM.

Based on the roads conditions survey and additional planning activities by the GM, additional roads in two categories – gravel and earth-engineered – have been identified for priority bitumen surfacing.

#### Subcomponent 2: Institutional strengthening and capacity-building

Strengthening the governance and organizational systems and capacities for GM, specifically for urban planning and management for HM 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 UN-JPLG and UN-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; (iv) asset management; (vi) project execution and supervision; and (vii) environmental and social management.

### Component 4: Local Development Fund

The Local Development Fund, an activity within the Joint Programme on Local Government (UN-JPLG), provides an average of US\$200,000 per annum to fourteen of the largest category A 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 South-Central Somalia. Given their resource constraints, the LDF provides DGs with one of their only funding streams which allow them to actualize their core service-delivery functions.

The Bank has specific expertise in assisting countries to develop intergovernmental transfer systems of this kind 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



optimization 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.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

#### V. Financing (in USD Million)

Total Project Cost:	71.45	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source		Amount	
Borrower		0.00	
Free-standing TFs AFR Sustainable Development		71.45	
Total		71.45	

#### VI. Contact point

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