



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 17-Jun-2020 | Report No: PIDISDSA28933



**BASIC INFORMATION**

**A. Basic Project Data**

|  |  |  |  |
|--|--|--|--|
| Country<br>Somalia                                       | Project ID<br>P173637                                | Project Name<br>Somali Electricity Access Project Additional Financing | Parent Project ID (if any)<br>P165497  |
| Parent Project Name<br>Somali Electricity Access Project | Region<br>AFRICA                                     | Estimated Appraisal Date<br>18-Jun-2020                                | Estimated Board Date<br>25-Jun-2020  |
| Practice Area (Lead)<br>Energy & Extractives             | Financing Instrument<br>Investment Project Financing | Borrower(s)<br>Ministry of Finance, Federal Republic of Somalia        | Implementing Agency<br>Ministry of Finance, Somaliland, Ministry of Energy and Water Resources, FGS, Ministry of Energy and Minerals, Somaliland |

Proposed Development Objective(s) Parent

The Project Development Objective is to expand access to electricity in targeted urban, peri-urban, and rural communities

Components

Electrification of households and businesses through standalone solar home systems  
Analytical work for enabling electrification through solar-powered/hybrid mini-grids  
Technical Assistance, Capacity Building & Project Management

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

**SUMMARY**

|                           |      |
|---------------------------|------|
| <b>Total Project Cost</b> | 1.45 |
| <b>Total Financing</b>    | 1.45 |
| <b>of which IBRD/IDA</b>  | 0.00 |
| <b>Financing Gap</b>      | 0.00 |

**DETAILS**

**Non-World Bank Group Financing**



|   |      |
|---|------|
| Trust Funds   | 1.45 |
| Somalia Multi-Partner Fund                                  | 1.45 |
| Environmental Assessment Category                           |      |
| B-Partial Assessment  |      |
| Decision  |      |
| The review did authorize the team to appraise and negotiate |      |

Other Decision (as needed)

## B. Introduction and Context

### Country Context

**Somalia has a population of about 14 million, of which roughly 60 percent are nomadic and semi-nomadic pastoralists, and 60 percent live in rural areas.** Most Somalis today live in poverty and vulnerability: 2.3 million live on the margins of food insecurity and 1.1 million are internally displaced. Close to three fourths of the Somali population live in poverty, about 43 percent in extreme poverty, and Gross Domestic Product (GDP) per capita was estimated to be only US\$446 in 2017, having grown at only 2 percent per year over the last four years. Humanitarian support is a life-saving reality for many in areas that are accessible to Non-Governmental Organizations (NGOs). However, humanitarian action alone cannot develop the sustainable livelihoods necessary for poverty reduction – Somalia needs infrastructure investments to enable basic service delivery to its citizens. Income per capita is 20 to 40 percent higher than GDP per capita due to remittances. Remittances alone in 2016 were estimated at US\$1.2–2 billion, equivalent to 23 to 38 percent of GDP. Remittances augment household income and create a buffer against shocks, however, remittances are vulnerable not only to changing habits of diaspora as a new generation comes of age but also to de-risking in the international financial system.

2. **For over two decades, Somalia has experienced protracted conflict and fragility, the collapse of rule of law, institutions, basic public services and the social contract, resulting in the impoverishment of millions.** The 2012 Provisional Constitution established a federal political structure, including a parliament, the Federal Government of Somalia (FGS) and the Federal Member States (FMS). The sustained political, economic and institutional reforms undertaken since 2016 have succeeded in rebuilding core state capabilities. Somaliland on the other hand has already experienced two decades of major changes in the security sector, political system, economy, regional environment and technology. In the process, Somaliland and its people have demonstrated impressive resilience and adaptability. Despite the years of destruction brought on by the civil war, Somaliland has been the site of impressive levels of economic recovery.



3. **Public finances have improved in recent years, based on increasing formalization of customs arrangements and security.** The Federal Government demonstrated stronger fiscal discipline in 2017, avoiding the accrual of new budgetary arrears, and generating domestic revenues of US\$143 million, beyond the target set in the International Monetary Fund (IMF) Staff Monitored Program (SMP). Over 70 percent of revenue collected is from customs duties, although the Government has recently taken steps to implement sales tax collection at the port of Mogadishu and is looking to broaden the tax base in 2018. Despite increasing revenues, the Federal Government remains dependent on development partners to finance capital expenditures (CAPEX). Compensation of employees and spending on goods and services accounted for more than 80 percent of expenditure. Fifty-three percent of the budget was used to compensate employees in 2017 while 34 percent was used to buy goods and services, mainly rations for the security sector.

4. **The World Bank and IMF recently approved Somalia's accession to the Heavily Indebted Poor Countries (HIPC) debt relief and associated arrears clearance.** Somalia was in debt distress with significant arrears to International Financial Institution (IFI) including the World Bank, IMF, and African Development Bank (AfDB) that made it ineligible for financing from International Development Association (IDA) and many other concessional financing sources. This step will open up opportunities for Somalia to access concessional financing from the World Bank's International Development Association (IDA) and to work closely with all arms of the World Bank Group to attract investment that will support the country's stability and development. The decision to reengage is based on the government's strong record of fiscal, political, social and economic reforms in recent years. Somalia's fiscal management agenda now covers revenue mobilization, budgeting, procurement, auditing, and cash management, as well as accountability over Public Financial Management. The country has also focused strong attention to building core monetary and financial sector governance institutions, establishing the basic legal foundations for a market economy, and introducing reforms in strategic sectors including telecommunications, banking, and energy. Economic policy reforms, such as the recently enacted Public Financial Management Law and the Company Law, have improved public financial management and revenue generation.

#### Sectoral and Institutional Context

**The Somalia energy sector is one of the most underdeveloped in the region.** Low electrification rates especially in rural areas, high cost of power, high technical and commercial losses, dependency on imported petroleum products for electricity generation, and reliance on biomass resources for cooking mean that only a very small fraction of the Somali population has access to affordable, safe, reliable, and predictable energy services. Both public and private sector energy actors are highly capacity constrained; and weak legal and regulatory frameworks, limited financing and investment, and lack of data for effective decision making continue to hold back sector development. Urban access is estimated at 33 percent, and rural access at 4 percent. With an average household size of 5.9, this translates to approximately 1.8 million un-electrified households nationwide. Private sector players supply more than 90 percent of power in urban and peri-urban areas using local private mini-grids, having invested in diesel-based systems of between 500 kilovolt ampere (kVA) to 5000 kVA installed capacity per mini-grid. Somalia's price of electricity can reach a maximum of US\$1/kilowatt hour (kWh) - one of the costliest places in the world to buy power.



**6. The ministries of energy are still nascent in directing energy sector policies.** The Federal Government of Somalia (FGS) has created a Ministry of Energy and Water Resources (MoE&WR) to define and implement overall energy sector policies and to regulate the sector. The Ministry has limited staff and budget and its energy sector management department is poorly staffed. In Puntland State, the administration has recently established the Ministry of Energy, Water and Minerals (MoEWM) and has limited staff, with inadequate technical expertise to execute this mandate. In Somaliland, a separate Ministry of Energy and Minerals has responsibility for Somaliland energy sector policy, regulations and oversight.

**7. The FGS has prioritized development of legal framework to enable private sector investment in Renewable Energy and Rural Electrification.** The MoE&WR, with support of the World Bank Group (WBG), convened a meeting in February 2018 to identify the key priorities for the Somali Public Private Dialogue (PPD) for the next six months. These include developing: (a) Somali National Energy Policy; (b) Energy Regulations; and (c) National Electrification Strategy, including inter-state energy trade. Other subsequent initiatives to be pursued will particularly center on operationalization of the policy and law and establishing a regulator. In Somaliland, recent government efforts have led to the emergence of a nascent policy, legal, and regulatory framework through the completion energy policy and electricity act. Further, a new Electricity Act is close to ratification<sup>1</sup>. The government's long term plans to develop the energy sector include: analytical work building on existing wind resource studies and implementation of a pilot project, undertaking a reconnaissance study of the geothermal perspective, implementation of a least cost integrated energy plan, development of an electrification strategy, implementation of the power master plan, establishment of a national grid, increasing renewable energy generation, increasing electricity access, and reforming private sector participation through instruments such as a Feed in Tariff (FiT) policy and competitive bidding process.

**8. The World Bank has initiated activities to support electricity planning, investment, and regulation in the sector, as well as off-grid access.** The World Bank has implemented Somalia Power Sector Development Support (P146618) project to contribute towards developing the fundamental building blocks for establishing a modern energy sector in Somalia. Several activities are underway under this project: (i) Somalia power sector master plan development<sup>2</sup>; and (ii) Somali Electricity Access Project (P165497).

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

9. The Project Development Objectives remains the same.

#### Original PDO

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<sup>1</sup> The Electricity Bill was approved by the Somaliland House of Representatives on April 21, 2018; but has been referred to Parliament for revisions before it is signed by the President into law.

<sup>2</sup> This activity set priorities and sequencing investment in generation, transmission and distribution over a period of 20 years; and the development of six city power development plans. The plan analyzes strategies for expanding rural and urban access to electricity to Somali households. This activity has been completed and final dissemination event held in Hargeisa Somaliland on May 15, 2019; and major dissemination event to be held in Mogadishu on May 20, 2019.



10. The Project Development Objective is to expand access to electricity in targeted urban, peri-urban, and rural communities

Current PDO

11. The Project Development Objective is to expand access to electricity in targeted urban, peri-urban and rural communities

Key Results

**12. The project aims to provide unelectrified Somali households and small businesses in urban, peri urban and rural areas with affordable and reliable energy access.** The project is expected to reach 21,500 households, and provide electricity access to around 113,900 people, around 1 percent of the current off-grid population. Of this number, 56,700 are expected to be women. Solar home system technology funded through the project will provide an average of around 9.4W of generation capacity to each household reached, amounting to a total of around 0.20 MW in expected new capacity. Rural areas in Somalia are characterized by low density of population, high levels of poverty, and nomadic lifestyles. These areas have extremely low or no connectivity to electricity as they are not deemed economically feasible targets for grid extension.

**13. The PDO-level indicators are the following:**

- a. People provided with new or improved electricity service (Core Indicator; 113,900 people); and
- b. Generation capacity of energy constructed or rehabilitated (Core indicator, 0.20 MW).

**D. Project Description**

14. The Parent Project consists of the following parts:

**Part 1. Electrification of households and businesses through standalone solar home systems** Improving access among off-grid households and small enterprises, in particular

- (a) carrying out a program of activities to facilitate a range of market-building supply-and demand-side interventions, through the provision of Expansion Grants and Seed Grants to solar distributors for investment to catalyze key solar business functions.
- (b) promoting quality assurance to limit availability of and demand for poor quality and/or counterfeit solar products.
- (c) carrying out consumer awareness and citizen engagement campaigns to improve household understanding and use of quality off-grid solar technology.

**Part 2. Analytical work for enabling electrification through solar-powered/hybrid mini-grids.** Carrying out analytic work for development of mini-grid sector, in particular:

- (a) carrying out detailed geospatial mapping to undertake a more comprehensive inventory of the



current mini-grid situation in Somalia, identify potential future sites, and estimate future location-specific demand;

- (b) Reviewing property rights and land issues pertaining to energy infrastructure investment;
- (c) Carrying out pre-feasibility studies for hybridization, operational enhancements, and densification of brownfield (existing) mini-grid sites;
- (d) Carrying out pre-feasibility studies for greenfield (new) sites identified in geospatial mapping;
- (e) Developing structuring options for the financing, operation, and ownership of new mini-grids and;
- (f) Defining legal, institutional, and financing arrangements for developing mini grids.

**Part 3. Technical Assistance, Capacity Building & Project Management:**

- (a) Strengthening the capacity of the Ministry of Energy and Water Resources (MoEWR) of the federal government and Ministry of Energy and Minerals (MoEM) of Somaliland for overall energy sector management, power and access planning, and implementation of future development projects, including: (i) carrying out required energy sector studies; (ii) developing energy strategies; (iii) reviewing energy policies; (iv) carrying out analytical work; (v) improving internal MoEWR/MoEM infrastructure and systems; (vi) provision of relevant training to staff of the MoEWR/MoEM, and conducting workshops and study tours; and (vii) establishing PIUs at federal MoEWR and MoEM of Somaliland.
- (b) Carrying out a needs assessment to identify priority capacity-building interventions and training needs for the relevant staff of MoEWR and MoEM.

**15. The AF activities will be implemented under Part 3 of the parent project (Technical Assistance, Capacity Building and Project Management).** This component supports implementation of the parent project, as well as activities to strengthen the capacity of MoEWR and MoEM for increased overall energy sector management and integrated sector planning. The energy sector studies to be to be financed include:

- (a) Options Analysis for the Electricity Sub-Transmission and Distribution Integrated Development Least Cost Investments for major load centers in Somalia;
- (b) Identification and prioritization of public facilities for grid and off-grid electrification;
- (c) Carrying out Strategic Environmental and Social Assessment for the energy sector;
- (d) Support implementation of the Multi-tier Framework (MTF) Electricity Access baseline survey to establish households' access to electricity and modern energy cooking services; and
- (e) Strengthening of the capacity of the PIU of the MOEWR and related agencies towards preparation and implementation of electrification projects.

**E. Implementation**



## Institutional and Implementation Arrangements

**16. Implementation arrangements have been satisfactory under the parent project.** The implementation arrangements for the proposed AF will remain as currently approved under the parent Project, except that the procurement of consultants for the identified studies will be conducted by MoEWR of FGS. There is nascent capacity in the parent project PIU under the oversight of MoEWR in terms of fiduciary, procurement, safeguards and monitoring aspects to implement the activities under the AF. The FGS PIU has the overall responsibility for project management, coordinating project implementation, M&E and reporting of results to stakeholders and developing environment and social safeguards frameworks and plans. Short-term local and international consultants will be recruited to support the PIU as needed. FGS will competitively procure consultants to implement the proposed sector studies. It is expected that the consultant would have separate teams to implement scope of work for Somaliland. All other institutional arrangements proposed in the Parent project will not change.

### **F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The project would be implemented in Somalia, covering all regions including Somaliland, Puntland and Southern Somalia. Somalia's northern regions (Somaliland and Puntland) have put in place functioning institutions that have succeeded in sustaining stability although considerable development challenges remain. Following the declaration of independence and semi-autonomy respectively, Somaliland and Puntland have developed hybrid forms of governance combining modern institutions with religious authorities, civil society, private sector and diaspora organizations, which have guaranteed higher levels of peace, security and institutional development. While substantial development challenges remain, the starting point for development work is nevertheless different in the north. However, Puntland and Somaliland seek very different futures: while Somaliland constitution envisages an independent existence, Puntland is committed to participate in Somalia's federal system. Population densities are low and the lifestyle is predominantly pastoral and low level sedentary farming on the arid and semi-arid lands. These regions are deficient in terms of access to good roads, electricity, portable water and social services due to their remoteness from national infrastructural networks. Electricity supply is predominantly from unimproved sources (such as diesel or petrol powered gensets, kerosene, candles, and batteries) which do not meet the ever-increasing demand in these underserved areas.

### **G. Environmental and Social Safeguards Specialists on the Team**

Tracy Hart, Environmental Specialist  
Margaret Auma Ombai, Social Specialist  
Haroub Ahmed Haroub, Social Specialist





**SAFEGUARD POLICIES THAT MIGHT APPLY**

| Safeguard Policies   | Triggered? | Explanation (Optional) |
|--|------------|------------------------|
| Environmental Assessment OP/BP 4.01                            | Yes        |                        |
| Performance Standards for Private Sector Activities OP/BP 4.03 | No         |                        |
| Natural Habitats OP/BP 4.04                                    | No         |                        |
| Forests OP/BP 4.36   | No         |                        |
| Pest Management OP 4.09  | No         |                        |
| Physical Cultural Resources OP/BP 4.11                         | No         |                        |
| Indigenous Peoples OP/BP 4.10                                  | No         |                        |
| Involuntary Resettlement OP/BP 4.12                            | No         |                        |
| Safety of Dams OP/BP 4.37                                      | No         |                        |
| Projects on International Waterways OP/BP 7.50                 | No         |                        |
| Projects in Disputed Areas OP/BP 7.60                          | No         |                        |

**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Parent Project is category B, and World Bank’s Environmental Assessment Operational Policy (OP/BP 4.01) was triggered and appropriate safeguard instruments prepared. The mitigation measures put in place under the parent project will remain. The activities proposed under the AF are rated as low risk given they are energy sector studies that do not include any physical works. The project would also undertake strategic environmental and social assessment in the energy sector, this would inform identification of potential Environmental and Social (E&S) risks for sector. As the project can be seen as the beginning of a burgeoning strategic engagement with the energy sector in Somalia, where information is acute; the strategic E&S assessment will review current E&S practices in the energy sector, relevant policy, legal and regulatory framework, E&S capacity assessment in the energy sector with goal of lessons learning and gaps identification. There are no expected direct GHG benefits from the proposed studies, however climate risk screening will be undertaken for the sector. The Parent Project has a gender action plan that is under implementation, and this will not change. However, background studies on gender and gender-based violence (GBV) will be implemented to address acute information gaps on gender issues and how gender responsive sector investments in Somalia context need to be designed

The AF activities are expected to continue to enhance the borrower capacity including safeguards and the Bank task



team will continue to provide capacity building training to the PIUs and other key stakeholders.

The AF will continue using the Parent Project ESMF as approved by the Bank and disclosed by the client given that there is no material changes in the project description.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Activities within the project life cycle will be limited to the energy sector analytical studies, coupled with capacity building initiatives. Risks will mainly be attributed to the delivery of sector study reports during the project life cycle and the cumulative downstream project risks and impacts resulting from implementation of AF project outputs. Background studies to be undertaken as part of AF activities will also seek to identify preliminary E&S risks for the sector.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. Additional financing is considered the best mechanism to avoid fragmenting the Somalia portfolio and harmonizing the approach for implementation efficiency and quick results. It is also the most cost-effective option, both for the recipient (Federal Government of Somalia) and the World Bank. These studies are needed to inform identification and prioritization of sector investments that will contribute to increased access to electricity, and the proposed AF will enable these to commence in a timely manner.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Implementation arrangements have been satisfactory under the parent project. The implementation arrangements for the proposed AF will remain as currently approved under the parent Project, except that the procurement of consultants for the identified studies will be conducted by MoEWR of FGS. There is nascent capacity in the parent project PIU under the oversight of MoEWR in terms of fiduciary, procurement, safeguards and monitoring aspects to implement the activities under the AF. The AF activities are expected to continue to enhance the borrower capacity to undertake environment and social assessment and will include recruitment of an environmental and social specialist at the PIU. In addition, the Bank task team will continue to provide capacity building training to the PIUs and other key stakeholders.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Project stakeholders are mainly government, development partners, other energy sector stakeholders, community members in both urban and rural community members, vendors/suppliers of products and service providers; and financial service providers.

The grievance redress mechanisms (GRM) established under parent project will be utilized for AF. The GRM will allow general public in the project area, affected communities or individuals to file complaints and to receive responses in a timely manner. The system will also record and consolidate complaints and their follow-up. This system will, be designed for handling complaints perceived to be generated by the project or its personnel. This may also include gender or gender based violence (GBV) related complains that may arise.

Stakeholder's engagement and public consultation would be an on-going activity taking place throughout the entire project process. Public participation and consultation would take place through meetings, radio programs, requests



for written proposals/comments, filling in of questionnaires, explanations of project to the locals, making public documents available at the federal, state and local levels.

**B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

**Environmental Assessment/Audit/Management Plan/Other**

|                             |                                   |  |
|-----------------------------|-----------------------------------|--|
| Date of receipt by the Bank | Date of submission for disclosure | For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors |
|-----------------------------|-----------------------------------|--|

**"In country" Disclosure**

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

**CONTACT POINT**

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**Borrower/Client/Recipient**

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**APPROVAL**

|                      |   |
|----------------------|---|
| Task Team Leader(s): | Patrick Thaddayos Balla<br>Paul Baringanire |
|----------------------|---|

**Approved By**

|                     |                      |             |
|---------------------|----------------------|-------------|
| Safeguards Advisor: | Nathalie S. Munzberg | 17-Jun-2020 |
|---------------------|----------------------|-------------|



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|---------------------------|-------------------------|-------------|
| Practice Manager/Manager: | Sudeshna Ghosh Banerjee | 17-Jun-2020 |
| Country Director:         | Hugh Riddell            | 18-Jun-2020 |

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