



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 26-Feb-2018 | Report No: PIDC119154



BASIC INFORMATION

A. Basic Project Data

| | | | |
|------------------------------|-----------------------------|---|--|
| Project ID | Parent Project ID (if any) | Environmental Assessment Category | Project Name |
| P164175 | | C - Not Required | Somali Petroleum Technical Assistance Project (SOPTAP) |
| Region | Country | Date PID Prepared | Estimated Date of Approval |
| AFRICA | Somalia | 26-Feb-2018 | |
| Financing Instrument | Borrower(s) | Implementing Agency | Initiation Note Review Decision |
| Investment Project Financing | Federal Republic of Somalia | FGS Ministry of Petroleum and Mineral Resources | The review did authorize the preparation to continue |

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PROJECT FINANCING DATA

FINANCING

FINANCING SOURCES

Select all that apply

Counterpart Funding Trust Funds Parallel Financing

SUMMARY (USD)

| | |
|---------------------------|----------------|
| Total Project cost | 550,000 |
| Total Financing | 550,000 |
| Trust Funds | 550,000 |
| Financing Gap | 0 |

DETAILS

Trust Funds

| Source | Currency | Amount | USD Equivalent |
|---------------------------------|----------------|---------|----------------|
| Extractives Global Programmatic | USD-US Dollars | 550,000 | 550,000 |



Support(EGPS)

B. Introduction and Context

Country Context

Somalia is emerging from a legacy of two and half decades of cycles of violent conflict and fragility. Basic social and economic indicators illustrate that Somalia has low standards of living, a low level of human capital and severe lack of basic infrastructure and enabling services. In 2016, half of the Somali population was poor with poverty concentrated in IDP settlements. Poverty in Somalia is largely a pressing humanitarian issue with food insecurity prevalent for a sizable proportion of the population. This reflects the legacy of violent conflict but is increasingly overlaid with vulnerability to climate shocks whose impact is in turn exacerbated by lack of investments in resilience. 6.2 million people across Somalia are estimated to be food insecure through June 2017, of which nearly 3 million need emergency assistance.

Despite the country's fragility, it has remained on a positive trajectory following the August 2012 and February 2017 peaceful transfers of power. Somalia has made significant strides in the last few years. Security has improved, state formation has progressed and Somalia is normalizing its relations with IFIs. Somalia has drafted its first National Development Plan in 30 years, articulating its priorities for the coming period.

Sectoral and Institutional Context

Somalia's perceived petroleum potential holds hopes for revenue streams that could contribute to the inclusive economic development of the country, but Somalia faces many challenges in its efforts to develop its petroleum sector. Key amongst them are that 1) Somalia is in a federal state building process along the emergence of newly created member states, a low level of trust, and disputed internal and external boundaries; 2) the country has an ambiguous petroleum legal framework and an incomplete provisional constitution that leave undefined the ownership, management and revenue sharing of petroleum resources and 3) institutional capacity is nascent. Addressing the political challenges of petroleum development is a prerequisite to peace and security in Somalia.

The upstream petroleum industry shows considerable promise despite what is a challenging economic climate for investment. Positive hydrocarbon indications are present in Somalia, but no commercial discoveries have been made yet. The resource potential in Somalia is modest in absolute terms, but could still be very significant for the Somali economy. There are no producing fields at present, nor were there



before the 1991 civil war. Offshore exploration data acquired between 2012 and 2016 has attracted interest from several industry players. With one or two notable exceptions, the industry however appears to require increased oil prices and more security, stability and predictability within Somalia's borders before considering to invest in the upstream. The most prospective areas seem to be offshore in deep to ultra-deep water areas. It must be noted that technology advances since 1991 have made the deep and ultra-deep water areas technologically feasible for exploration and production and the government in 2014 has divided up the entire country (onshore and offshore up to the 200Nm EEZ boundary) into 25,000km² license blocks. The time to develop offshore resources can be very long.

The Federal Government, Puntland and Somaliland have issued exploration licenses that overlap and compete with pre-1991 licenses in force majeure. The concessions onshore and in the shallower offshore are still under discussion with the pre-1991 concession holders. The security situation has, by-and large, precluded active onshore exploration.

At this point in time, a shared vision between the FGS and federal member states (FMS) on ownership, management and revenue sharing of petroleum resources can make the difference between revenue streams contributing to the inclusive economic development of the country and violent conflict and economic regression. The FGS has requested programmatic support from the World Bank in 2014 to:

- 1) Bring neutral convening power and technical expertise to facilitate high-level meetings between FGS and FMS to achieve a shared vision on petroleum ownership, control and revenues sharing of petroleum resources; and
- 2) Provide high priority technical assistance to FGS in line with the Annual Strategic Plan.

The midstream and downstream sector is functional in a limited respect: Somalia imports refined petrol and diesel and distributes it via two medium sized storage facilities in Mogadishu. There is a partially regulated and taxed commercial sector within the city limits. Somali currently has no oil refinery or heavy industry. Outside Mogadishu the fuel distribution system seems to be far more unregulated. There does not seem to be a fuel shortage in the economy and, except during the drought season, prices do not fluctuate unduly. Most recorded deliveries of refined product come from the Gulf States via coastal fuel tankers and are distributed from the tank farms by road tanker. There are no overland fuel pipelines in existence.

Relationship to CPF

The proposed project is in line with the World Bank Group's Interim Strategy Note (ISN) for the Federal Republic of Somalia (2014-2016) (Report No. 75212 - SO). The proposed project supports both Pillars of the ISN: Strengthening Core Economic Institutions and Expanding Economic Opportunity. Under the first Pillar (Strengthening Core Economic Institutions), the ISN is focused on improving economic governance, including macro-fiscal and public finance management and supporting the establishment and implementation of a sound regulatory framework in strategic economic sectors. The proposed project supports this focus directly by providing resources for TA in key reform areas in the in the petroleum sector with a view of bringing it in



line with best international practices for future developments. Under the second Pillar (Expanding Economic Opportunity), the first focus of the ISN is on supporting job creation through private sector investment through PPPs, public private dialogue and targeted financial support. This project supports that focus by providing facilitation support to the inclusive process to develop the agreement on ownership, management and revenue sharing of petroleum resources among key stakeholders in the sector.

C. Project Development Objective(s)

Proposed Development Objective(s)

To strengthen the institutional framework and the capacity of the Somali petroleum sector to manage the sector and wealth for sustainable development impacts.

Key Results

- agreement between the Federal Government of Somalia (FGS) and the Regions regarding petroleum ownership, control and revenues sharing
- increased FGS capacity to manage petroleum agreements

D. Preliminary Description

Activities/Components

Component 1: Facilitate inclusive agreement

Building on political accommodation and knowledge building work over the past two years, FGS now considers to establish a Forum to develop the agreement on ownership, management and revenue sharing of petroleum resources, which needs support to facilitate this sensitive process (outputs: logistics support, secretariat, experts on call).

Component 2: Strengthen capacity in the sector

Institutional development of the Somalia Petroleum Authority (SPA). Based on previous work to develop the legal and regulatory framework for the SPA, support is now required to train the staff of the SPA and enable them to run the SPA, govern and regulate agreements, and develop the petroleum policy and strategy (output: reports).

Component 3: Project Management



This component will finance costs associated with overall project implementation. An annual work plan will be agreed between the Implementing Agency and the Bank to establish the parameters of the costs and activities to be financed under this component.

SAFEGUARDS

E. Safeguard Policies that Might Apply

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| 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 | |

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Borrower : Federal Republic of Somalia



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Implementing Agency : FGS Ministry of Petroleum and Mineral Resources

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