

## Somalia Infrastructure Sector Overview

### 1.1 Economic Opportunity and infrastructure

Somalia's biggest economic challenge is to rebuild after more than two decades of conflict. Militant and terrorist groups continue to threaten peace and stability. The legitimacy and effective reach of federal government is poor and most state governments are new and as yet have little capacity. Donor spending dwarfs government spending. There remain significant areas of disagreement within the federal settlement, including the major issue of Somaliland. In this context, economic development depends primarily on private sector and donor activities.

Somalia is water stressed, with both surface water and groundwater resources in scarce supply and infrastructure providing little in the way of resilience to regular droughts. The energy sector is also in a poor condition with possibly the highest electricity prices in the world. The transport sector (roads, aviation and port assets) is mostly in need of rehabilitation, which is beyond current government capacity and being addressed only reluctantly by donors. Only 4% of donor aid was earmarked specifically for infrastructure in the 2016-2018 period.

Somalia is a difficult place to target large scale infrastructure-led growth. Pervasive insecurity discourages external funds and Somalia cannot currently borrow to invest. Some large investments in trade infrastructure (ports and roads) are ongoing, serving the economic interests of the UAE, Turkey and China. Beyond this, however, infrastructure development is confined to urban areas, is privately delivered and has tended to be inefficient, expensive and inequitable. Broad governance and revenue deficiencies make sustainable public infrastructure challenging to deliver.

Nevertheless, within this context there are several immediate opportunities for donors. An ICED report in draft commissioned by DFID Somalia's economic team provides detail on these, but broad areas are referred to below.

The following opportunities are key to promoting inclusive growth:

- **Growth and job creation:** Economic activity is mainly anchored in agriculture (60%) and services (30%). Much of the recent growth in services has been fuelled by domestic consumption enabled by remittances. Growth in industry will require substantial improvements in infrastructure provision, including lower energy prices and improved transportation. Growth in agriculture and agribusiness requires improvements in irrigation, water resource management and transport. In particular the sector needs to become more resilient to drought and flood events. Around 60% either live in rural areas or have been temporarily displaced from them by drought and conflict; 26% are nomadic pastoralists. In spite of rapid urbanisation, agriculture will remain a key sector of Somalia's economy.
- **Inclusion and poverty reduction:** Drought has resulted in 6.7m needing urgent humanitarian assistance. Economic recovery has been slow and there has been little improvement to lives as poverty levels remain high. Approximately half the population (51.6%) live below the poverty line. The incidence of poverty is more pronounced in IDP camps and rural areas. Somalia's per capita income is \$435, making it the fifth poorest country in the world. Youth unemployment is estimated to be 67%, one of the highest in the world. Tribal allegiance excludes populations from accessing services – particularly certain IDPs and refugee/migrant populations.
- **Investment in infrastructure:** There is strong but unregulated and unco-ordinated investment in power and telecoms by the private sector. There are limits to the further expansion of electrical connections, due to affordability and inefficiency. Major transport sector investments are planned, but are targeted at regional trade. Local road network maintenance is limited and supported primarily by donor funding. Other sectors suffer from insufficient investment and donor dependence.
- **Climate and environmental resilience:** Water is increasingly scarce and rainfall unpredictable, resulting in both an increase in droughts and flooding. Existing water services are of poor quality, and unsustainable and water resource management in this drought-prone region is poor. Better management of water resources is required in most rural areas and some significant cities. Infrastructure in other sectors – particularly transport – needs to be built to higher standards to be more resilient to extreme weather events.
- **DFID Comparative Advantage:** DFID may be the best placed bilateral donor in Somalia to develop a broader infrastructure portfolio and contribute to solving national infrastructure challenges. It has a large multi-sector aid programme in Somalia and spends between £15m and £30m annually on infrastructure development within this. The UK has been deeply involved in pushing forward political agreements and providing assistance for their implementation and has also been supporting the security sector. The Somaliland Development Fund (SDF), Somalia Stability Fund (SSF) and ESRES are key programmes within the DFID portfolio delivering effective infrastructure projects and interventions. Experience and reputation derived from these could be applied more broadly across Somalia and could be targeted more specifically at economic development.

### 1.2 Stakeholder Analysis

This section sets out in short bullet points the relative engagement of key players in infrastructure.

Public sector	• Recurrent expenditures account for almost all expenditure, with capital spending
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	<p>arrears hence, affecting overall budget execution.</p> <ul style="list-style-type: none"> <li>• Implementation of fiscal policy has significantly improved, but challenges remain. Domestic revenue grew 26.5% (\$112.7m in 2016 - \$142.6m in 2017) driven by trade taxes.</li> <li>• Major achievements include conducting peaceful elections in February 2017, in which a new president and Federal Parliament (with greater representation of women and youth) were elected, and creating several autonomous Federal Member States.</li> <li>• National development plans and sector plans have been produced with infrastructure a major pillar, albeit the planning process has been heavily supported by TA. Plans are usually wholly dependent on donors to finance.</li> <li>• Some public agencies have capabilities to implement and manage infrastructure, but this is the exception in most regions and sectors.</li> </ul>
Private sector	<ul style="list-style-type: none"> <li>• Domestic revenue increased from 0.6% of GDP in 2012 to 1.8% in 2016 due to better tax administration and greater engagement with the private sector.</li> <li>• The private sector has driven major growth in telecommunications, financial services, construction and electricity.</li> <li>• There is usually some resistance to suggestions for introducing regulation, but this is not always overt. Private sector interests thoroughly permeate government.</li> </ul>
Donors	<ul style="list-style-type: none"> <li>• Donor grants to government were \$103.6 million in 2017 from \$55.3 million in 2016. However the majority of aid (90%) is disbursed off-budget, totalling over \$1 billion annually.</li> <li>• Leading bilateral donors are USAID, DFID, EU. They concentrate primarily on humanitarian and security assistance.</li> <li>• The World Bank, IMF and AfDB provide a mixture of TA, development coordination and small grants and intend more infrastructure development. Lending is currently frozen, limiting the ability of the IFIs to implement.</li> </ul>

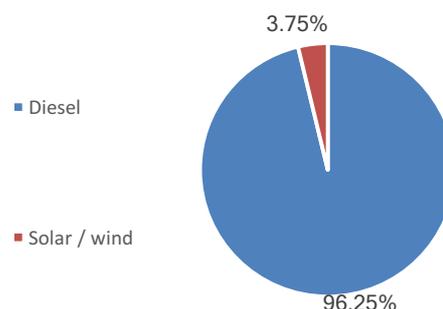
## 2.1 Energy

### Barriers and opportunities

- *Very low modern electricity penetration; excessive exploitation of biomass.*
- *Limited regulation & oversight of the electricity sector; monopoly distribution control in some areas; acute shortage of qualified staff; generation and distribution losses due to poor infrastructure (up to 40%); high tariffs due to energy company inefficiencies; Insecurity and political instability*
- *Public sector is virtually absent from electricity generation and distribution..*
- *Most power companies rely on diesel generators however investment is growing in hybrid systems that draw on solar. Wind is being tested but so far less successful due to additional complexity.*
- *Major hydrocarbon potential, both on and off-shore. However, political situation and regulatory and governance capacity bode extremely poorly for positive impact if developed.*

### Energy Access for households and business<sup>1</sup>

- 15% Energy access (Rural: 1% Urban: 35%)
- Households without power: 2.4m
- Current installed capacity: 103MW



### Planning and regulation

- Government agencies are growing in technical capacity and resources and increasingly involved in policy discussions.
- Energy sector regulation is under development and supported in principle by private providers, who understand the need.
- Energy policy and strategy is also under development, targeting increased RE investment, and cross-border energy trade.

### Energy source sustainability

- *Oil: potential; none proven*
- *Gas: 200 billion cubic feet (proven)*
- *Solar potential: 2,000 kWh/m<sup>2</sup>*
- *Onshore wind potential: 30-45,000 MW*

<sup>1</sup> USAID Power Africa factbook 2018.

## 2.2 Transport

### Barriers and opportunities

- Only 20% of the effective capacity of the ports is currently used. Substantial upcoming and in-progress projects upgrading ports infrastructure and management to improve capacity.
- Focus is on developing road network without taking a broader multi-modal view of surface transport.
- Extreme weather introduces high maintenance requirements, but insecurity and low government revenues are strong barriers to better maintenance. Donor dependence is high in the sector.

### Import / Export of goods

Top 5 Exports	% GDP	Top Destination
Sheep and goats	2.98	Oman - 94%
Gold	2.53	UAE - 99.7%
Bovine	1.83	Oman - 91%
Oily seeds	1.50	India - 61%
Integrated circuits	1.50	Hong Kong - 98%

### Trade corridors

- Major regional corridors, modes and condition
- Regional trade compacts/plans
- National road system comprises 22,100km of roads that include 2,600km of all-weather roads. Most roads have received little maintenance for years and have deteriorated.
- Has 60 airports but only 6 have paved runways.

### Ports / Cross border trade

- Doing business rating: 190/190
- Water transport is along 3,000 km coastline. Mogadishu, Kismaayo and Berbera are natural harbours. Boosaaso and Merca are two ports.

## 2.3 Digital connectivity

- Digital connectivity is very limited for citizens in comparison to its regional peers
- 46 Mobile phone subscriptions per 100 people
- 2% of individuals using the internet
- The new government is beginning to regulate the sector and is planning to issue new spectrum licences that will allow the operation of high-speed mobile broadband technologies.
- Progress may follow the passing of the National Communications Law in October 2017, aimed at setting a legal and regulatory framework for the telecoms sector. Law makes provision for a National Communications Agency charged with encouraging market competition and overseeing the use of ICT in promoting economic development.

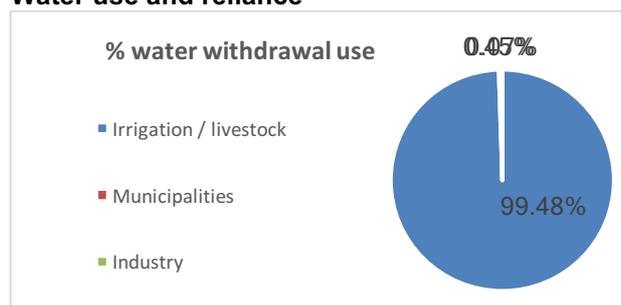
## 2.4 Water and Sanitation

### Barriers and opportunities

- Unpredictable rainfall patterns, ongoing conflict, and lack of maintenance of water sources and supply

- improved water sources and 25% with improved sanitation facilities within 10 metres.
- Whilst 70% of urban dwellers have access to improved water sources, access stands at only 9% in rural areas
- Almost 50% the households take more than 30mins to collect water which determines the quantity collected at a time.
- The Shabelle river is partially regulated upstream in Ethiopia by the Melka Wakana 153 MW hydroelectric project, as well as dams on two branches downstream which altogether control 40% of the catchment area and around 50% of the discharge.

### Water use and reliance



### Climate-induced vulnerability

- Displaced by drought and conflict, rural Somalis have been heading to Mogadishu in their tens of thousands.
- Somalia faced its worst drought in decades in 2017 and its worst flooding in over sixty years in 2018.
- Drought prone regions: Puntland, Somaliland and Jubaland
- Regions experiencing periodic flooding: Baidoa, Galgadud, Danwadaag, Kulmiye and Wadajir
- Cost of most recent flood event \$80m with 200k displaced

### Agricultural water use

- Primary crops; bananas and sugarcane 54% of GDP; mainly rain-fed, with Somalia withdrawing 22% of renewable freshwater resources annually
- 64.4% pop deriving livelihoods from agriculture
- 59% population rural and 52% rural poor
- 1.6% agricultural land / under cultivation

## 2.5 Urban Infrastructure

### Barriers and opportunities

- Somalia is 41% urbanised, with nearly 6m residents
- 70% of Somalia's GDP is urban based (See Somalia Economic Update)
- Some 20% of its population live in Mogadishu, with climate vulnerability and conflict accelerating rural-urban migration
- A further 11% of the population live in its 6 secondary cities
- Data on poverty is poor in Somalia, with urban poverty reportedly only 10.6%. However it is likely that the significantly higher cost of living in its cities means that many households will still suffer

significant economic hardship and struggle to access goods and services

City size	# Cities	% Nat pop.	Tot pop.
2-3m	1	18.53	2,646,503
500k-2m	0	0	0
100-500k	6	10.49	1,500,281
50-100k	8	3.67	524,748
10-50k	17	2.88	411,555

- Though data on urban settlements is poor, an estimated 40% of the urban population live in informal housing
- Gov-S's recent informal housing evictions in December 2017 raised criticism from international organisations, with Norwegian Refugee Council (NRC) documenting the evictions of over 153,000 people in 2017
- Urban employment is reportedly high at 57%, however Somalia's large urban youth population suffer chronic job shortages, with 66% of youth unemployed

- Premature deaths of 19k per annum, largely due to poor sanitation and hygiene. Lose 1.5% GDP as a result.
- Residents dump waste into open spaces, drains and rivers, contributing to flooding in Ghana's rainy season. Some burn it on the side of the road.

#### Urban infrastructure overview

Energy	% household access	57.2%
Water	% access to improved water	32%
Solid waste	% households receiving SWM	15%
Urban transit	Air pollution deaths in cities	300

#### Donor engagement in cities:

World Bank:

- 1) Somalia Urban Resilience Project - \$9m
- 2) Somali Urban Investment Planning - \$6m

## Ongoing x-HMG Engagement

Dpt / Org	Initiative	£ value
DFID	Support to the Water and Sanitation Programme (WSP) 2011 - 2015	36,000,000.0
	Africa Clean Energy Programme (ACE)	28,319,998.0
	Somalia Infrastructure Fund (SIF)	25,000,000.0
	Energy Security and Resource Efficiency in Somaliland	18,682,008.0
World Bank	Somali Urban Investment Planning	6,000,000
AFDB	Water Infrastructure Development for Resilience in Somaliland Project	5,500,000

<https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/multi-partner-somalia-infrastructure-fund-sif/publications/>

<https://openknowledge.worldbank.org/handle/10986/30417?locale-attribute=en>

[https://www.cabri-sbo.org/uploads/bia/somalia\\_2017\\_planning\\_external\\_national\\_plan\\_author\\_region\\_english\\_1.pdf](https://www.cabri-sbo.org/uploads/bia/somalia_2017_planning_external_national_plan_author_region_english_1.pdf)