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AFRICAN DEVELOPMENT BANK GROUP

SOMALIA

WATER INFRASTRUCTURE DEVELOPMENT PROGRAM FOR RESILIENCE IN SOMALILAND

APPRAISAL REPORT

OWAS DEPARTMENT

June 2016

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Currency Equivalents

As of October 2015

1 UA	=	USD 1.40374
1 UA	=	EURO 1.253

Fiscal Year

Somalia: 1 July – 30 June

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogram (kg)	=	2.200 lbs
1 meter (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch (“)
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

AfDB	African Development Bank Group	MoE	Ministry of Education
ADF	African Development Fund	MoF	Ministry of Finance
ARAP	Abbreviated Resettlement Action Plan	MoH	Ministry of Health
AWF	African Water Facility	MoL	Ministry of Livestock
CB	Country Brief for 2013-2015	MoPND	Ministry of Planning and National Development
CSP	Country Strategy Paper	MoWR	Ministry of Water Resources
CSS	Climate Safeguards System	NDP	National Development Plan 2012-2016
DANIDA	Danish International Development Agency	NGO	Non-Governmental Organization
DfID	Department for International Development	O&M	Operation and Maintenance
DP	Development Partner	PAP	Program Affected Person
DRSLP	Drought Resilience and Sustainable Livelihoods Program	PIT	Project Implementation Team
EARC	East Africa Resource Center	PCN	Project Concept Note
EC	European Commission	PCR	Project Completion Report
ESAP	Environmental and Social Assessment Procedures	PP	Problematic Project
ESMF	Environmental and Social Management Framework	PPP	Public Private Partnership
ESMP	Environmental and Social Management Plan	PSC	Program Steering Committee
FAO	Food And Agricultural Organization of the United Nations	RAP	Resettlement Action Plan
FGS	Federal Government of Somalia	RWSSI-TF	Rural Water Supply and Sanitation Initiative Trust Fund
FSF	Fragile States Facility	SDF	Somaliland Development Fund
IGAD	Intergovernmental Authority on Development	SWALIM	Somalia Water and Land Information Management
GoS	Government of Somaliland	SDG's	Sustainable Development Goals
I-PRSP	Interim Poverty Reduction Strategy Paper	ToR	Terms of Reference
IsDB	Islamic Development Bank	TSF	Transition Support Facility
ISS	Integrated Safeguards System	TYS	Ten Year Strategic
JICA	Japan International Cooperation Agency	UA	Unit of Account
L/C/D	Litre per Capita per Day	UNICEF	United Nations Children's Fund
M&E	Monitoring and Evaluation	UNDP	United Nations Development Programme
MoA	Ministry of Agriculture	UNEP	United Nations Environment Programme

Grant Information

RECEIPIENT: **FEDERAL REPUBLIC OF SOMALIA**

EXECUTING AGENCY: **MINISTRY OF WATER RESOURCES SOMALILAND**

Financing plan

Source	Amount (UA) million	Instrument
ADF-13 (Transition Support Facility Pillar 1)	3.00	Grant
RWSSI -TF	2.40	Grant
Government of Somaliland	0.60	Counterpart
TOTAL COST	**6.00**	

Timeframe - Main Milestones (expected)

Concept Note approval	1 October, 2015
Program approval	May 2016
Effectiveness	July 2016
Completion	31 December 2019
Closing Date	30 March 2020

ADF's Key Financing Information

Grant Currency	UA for TSF & Euro for RWSSI
EIRR (base case)	26.39% (ENPV USD 12.18 million)

PROGRAM SUMMARY

1. ***Program Overview***: The overall objective of the program is to contribute to a resilient and sustainable water and sanitation sector as well as to provide water supply and sanitation infrastructure in high priority drought-stricken areas of Somaliland. The program will cost an estimated UA 6 million benefitting an estimated 250,000 people (including internally displaced people in Hargeisa) and their livestock. The program adopts an integrated approach combining small-medium scale water storage facilities and use of ground water to increase water quantity and availability, and to support adapting to the impacts of climate change and to building resilience. Multiple water services such as minor irrigation and livestock watering will be incorporated into the project design. For systems using solar energy for pumping, power generated from the system will also be availed for domestic purposes (such as recharging solar lanterns and mobile phones). Water resource conservation, with community management (including optimization of green water[1]) will be a key aspect of the capacity building component. The program interventions will include capacity development of the Ministry of Water Resources (MoWR) and the beneficiary communities through the procurement of essential Operation and Maintenance (O&M), laboratory equipment and training for MoWR staff. The program will also support the water training center in Hargeisa, including the provision of training facilities and equipment. The Transition Support Facility (TSF) Pillar I and Rural Water Supply and Sanitation Initiative Trust Fund (RWSS-TF) will cover 90% of the program costs.

2. ***Program Outcomes*****:** The proposed interventions will enhance public health, strengthen resilience and raise the quality of life of the rural Somaliland population in general, benefitting an estimated 250,000 people. The dilapidated state of the water and sanitation infrastructure is a major contributing factor to the severe outbreaks of water borne diseases in the country. Improved access to water supply will also sustain other basic socio-economic activities, including livestock rearing, which contributes significantly to the economy of Somaliland. Primary health and education facilities will benefit from improved water and sanitation facilities, while the communities will benefit immensely from hygiene and sanitation training and promotion. Incorporation of micro-irrigation and soil conservation will stimulate small scale agriculture and use of solar energy for water pumping and domestic use will further improve the quality of life.

3. ***Needs Assessment*****:** The program will support the recently revamped water sector reforms in Somaliland, to make up for many years of inadequate investments in the water sector, and to assist the water sector to reach the Sustainable Development Goals (SDGs') No 6 on universal access to water and sanitation. The Bank's fragility assessment for Somalia noted that, lack of basic infrastructure and limited access to basic services are some of the drivers of fragility, and the improvement of water and sanitation services through construction of new facilities will contribute to addressing gender inequality, social cohesion and improving social services such as education and health care by increasing productivity and reducing expenditure on water and health.

4. ***Bank Added Value*****:** The program will strengthen the staff capacity of the MoWR in Somaliland as a way of enhancing capacity and mitigating implementation delays and challenges encountered in previous projects due to weak government capacity. The program design adopts a pro-poor water use program which will integrate domestic and livestock water

[1] Green water is that fraction of rainfall that infiltrates into the soil and is available to plants

supply, minor irrigation and income generating activities, linking well with the Banks "High Five" priorities. The program has been designed to directly link with other Bank and Intergovernmental Authority on Development (IGAD) led initiatives through its focus on securing drought resilience in Somaliland and complements the Drought Resilience and Sustainable Livelihoods Program (DRSLP-II), especially on water resources development and management.

5. ***Knowledge Building*****:** The core competences the Bank will use in this program are the institutional memory of the Bank, the experienced water sector staff and the extensive experience of CARE Somalia, the implementing agency. Consultancy and capacity building reports will contribute to knowledge products sharing lessons and serve as a road map to replicating conflict-sensitive government approaches to management of natural resources in fragile states, including extending Public Private Partnerships (PPP) concepts in the management of rural water supply systems and the setting up of a Water Trust Fund to mobilize resources from the private sector and diaspora.

COUNTRY AND PROGRAM NAME: SOMALIA - WATER INFRASTRUCTURE DEVELOPMENT PROGRAM FOR RESILIENCE IN SOMALILAND

PURPOSE OF THE PROGRAM: CONTRIBUTE TO A RESILIENT AND SUSTAINABLE WATER AND SANITATION SECTOR TO IMPROVE LIVELIHOODS AND BUILD RESILIENCE AGAINST CLIMATE VARIABILITY AND CHANGE

RESULTS CHAIN		PERFORMANCE INDICATORS				RISKS and MITIGATION
		Indicators	Baselines	Targets	VERIFICATION	
Impacts	**Contribute to strengthening community resilience by improving quality of life through availability and access to water and sanitation services in a sustainable way in Somaliland**	Under five mortality rate	91/1,000 in 2010	50/1,000 by 2030	Somaliland National statistics, UN publications, MoWR Annual reports Household budget survey, Demographic Health Surveys	***Reduced water resources due to climate change: The program activities will include water resources conservation activities***
Outcomes	**Improved access to water and sanitation services for the rural and peri urban communities in Somaliland**	% of l people with adequate access to water	42% (2014)	52% by 2020	Household budget survey, Demographic Health Surveys	
		% of people with access to improved sanitation	36%	46% by 2020		
		Reduced distance to nearest water point in target areas	10 km	Average of 2 km		
	Improved management and Development capacity of water and sanitation sector with MOWR supporting communities in O&M	No. of functional water committees with adequate management , operation and maintenance capabilities	-	60		
		Percentage of rural and peri-urban population practicing good hygiene and sanitation practices	About 27 %	40% by 2020		
Outputs	**Component 1: Water and Sanitation for Resilience and Stability**					***Delays in project start-up and implementation due to weak Government capacity***
	1.1 Construction and rehabilitation of water storage infrastructure	No of new water storage facilities (earth dams) constructed	--	7 (420,000m^3)	Quarterly program report Field mission report Audit report Annual report	**The CARE Somalia has been engaged as a third party implementing agent. Its track record in this area, the strong field presence would ensure effective implementation**
		No of existing water storage facilities rehabilitated and installed with draw off facilities	-	6 (300,000m^3)		
	1.2 Construction and rehabilitation of water points and distribution networks	No. of water points(boreholes and shallow wells constructed and rehabilitated with draw off facilities for human and livestock)	-	4,20		**The Bank will also support and strengthen the counterpart project team in the MoWR to ensure effective implementation.**
	1.3 Construction of sanitation facilities	No of gender sensitive latrines constructed in schools, health centers and markets		20		**The Bank will also maintain close interaction with Executing Agency through EARC and regular supervision**
	Component 2: Capacity Development					
	2.1 Institutional capacity development	No. of MOWR staff trained (.Corporate governance training and PPP arrangements)	0	60	Quarterly program report Field mission report Audit report Annual report	
		No. of water training centers strengthened	0	1		
		Ground water governance review	0	100% by 2018		
		.Study on setting up a Somali Water Trust Fund	0	100% by 2019		
		Counterpart project support at MoWR.	0	4 No		
	2.2 Community capacity development	No. people trained on sanitation and hygiene	0	20,000 (50% women)		
		No. of water committees established and trained	0	57 (30% women)		
	Component 3 – Project Management Support					
	3.1 Management Support and enhancement of environmental and social management and technical capacity of MoWR.	Environmental and social management plan implemented.	0	100%	Quarterly program report Field mission report Audit report Annual report	
		Project Steering Committee meetings	0	4 per annum		
		No of CARE Somalia Staff dedicated to the Program	0	6 No		
	Activities					**Resources – UA million**
	1. Water Supply and Sanitation Infrastructure - Detail design, rehabilitation and construction of water and sanitation infrastructure					**3.279**
	2. Capacity Development – MoWR and Community capacity building activities including hygiene training					**1.510**
	3. Program Management - Program management support and annual technical & financial audit					**1.211**

PROGRAM TIMEFRAME

	TASKS	2016			2017				2018				2019				2020			
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Program Approval																			
2	Publication of GPN																			
3	Appointment of PMT and PSC																			
4	Program effectiveness																			
5	Program Launch																			
6	Program activity implementation																			
7	Submission of Audit Reports																			
8	Program Supervisions																			
9	Program Mid-term review																			
10	Program Completion Report																			

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON PROPOSED GRANTS TO THE FEDERAL REPUBLIC OF SOMALIA FOR WATER INFRASTRUCTURE DEVELOPMENT PROGRAM FOR RESILIENCE IN SOMALILAND.

Management submits the following Report and Recommendation on proposed two grants amounting to UA 5.4 million [Transition Support Facility Pillar 1 – UA 3.0 million and RWSSI TF – EUR 3.0 million (Equivalent to UA 2.4 million)] to finance the 'Water Infrastructure Development Program for Resilience in Somaliland'.

I. STRATEGIC THRUST & RATIONALE

1.1 Project linkages with country strategy and objectives

1.1.1. **The African Development Bank's Somalia Country Brief (CB) 2013-2015 extended to 2016, aims to help revive the country's institutions and enable her re-engagement with the international community after two decades of conflict and isolation**. Somalia is now able to benefit from the Bank's Transitional Support Facility (TSF) and other support windows such as African Water Facility (AWF), the Rural Water Supply and Sanitation Trust Fund (RWSSI-TF) and Special Relief Fund (SRF) that are not subject to the country's arrears situation**.** The priority areas identified in the CB for the Bank to play a more strategic and active role include, strengthening governance, human and institutional capacities and long term resilience. The CB also takes cognizance of the growing scarcity of grazing and agricultural land and acute water shortages which are the main sources of conflict among communities.

1.1.2. **The Federal Government of Somalia (FGS) and the international community in March 2013 prepared the Compact, a strategy to effectively lead Somalia on a path of recovery, development and durable peace**. Somaliland's unique development trajectory, which has evolved out of a process of more than 20 years of grassroots peace and state building is well articulated in the Compact and presented as Somaliland Special Arrangement[2]. Vision 2030, which is Somaliland's long term development blue print, has prioritized the five pillars of Economic Development; Infrastructure Development; Good Governance; Social Development and Environmental Protection. The Ministry of Planning and National Development (MoPND) in Somaliland has prepared the National Development Plan 2012-2016 (NDP) which provides a medium term framework for achieving the country's long term development aspirations as embodied in Vision 2030. The program falls under the infrastructure pillar in Vision 2030.

1.1.3. **The program is consistent with the key objectives of Somaliland's Vision 2030 and the National Development Program (NDP).** The NDP has prioritized the construction of strategic water points in all regions as part of drought mitigation measures and Water resources development, management and conservation. The program is also in line with the National Water Strategy of Somaliland including the Somaliland Food and Water Security Strategy which aims at accelerating water coverage through the rapid rehabilitation and development of new water infrastructure while focusing on the fundamental long-term need for sustainable services. The competition between communities for water due to scarcity and competing demands is a common cause of conflict in the country. Water security is pivotal in building resilience to drought and climate change in Somaliland as many parts of the country are

[2] In addition, FGS and Somaliland in December 2014 signed a Communiqué that strengthened their commitment to cooperation and avoid the politicization of development support.

currently experiencing unprecedented drought conditions exacerbated by the failure of rains in 2014 and 2015.

1.1.4. **The proposed program focuses on strengthening the resilience of the population in Somaliland through improved basic social infrastructural services in the water and sanitation sector.** This complements the physical activities in the AWF financed "Building Resilience to Water Stress in Somaliland Preparation of a Water Resources Management and Investment Plan" project and is in line with the Somalia CB which states that appropriate practices for sustainable management of natural resources will contribute to building long-term resilience, sustainable peace and stability, and significantly improve the livelihoods of millions of people, notably the pastoralists and agriculturalists. In this respect, the program will further complement the Banks regional flagship project DRSLPII which features prominently in the Bank's CB. The development of water resources that allow for multiple uses through the program is consistent with the inclusive and green growth agenda outlined in the Bank's Ten Year Strategy (TYS). The program further aims to strengthen the enabling environment for the sustainable water supply and sanitation services and to support capacity building activities in order to ensure sustainability. This is also in line with The Bank's CB which highlights the huge capacity development requirements for Somaliland.

1.2 Rationale for Bank's involvement

1.2.1 Access to water and sanitation services in Somaliland remain among the lowest in the region. Recent estimates by the World Health Organization/United Nations Children Fund (WHO/UNICEF) have given access figures ranging from less than 20% to 45% in various districts of Somaliland (in comparison, Kenya has access rates between 65% and 75%, while in Uganda access rates range from 65% to 73%). Furthermore, the average consumption in towns is estimated at only 10 litres per capita per day (which is lower than the WHO recommendation of 20 l/c/d) and the figure is even much lower in rural areas. Severe water shortage has not only affected humans but has also contributed to poor livestock production which is the economic mainstay of the country. People (mostly women and the girl child) in rural areas travel more than 10km to fetch water for human and animal consumption and spend up to 50% of income to purchase water of poor quality from vendors. Therefore, there is a need to address water challenges both for humans and animals in an integrated manner. The integrated development of water resources has been identified both at national and regional levels in the Horn of Africa as one of the sustainable ways of addressing the frequent droughts. Hence Bank support through the program will contribute to achievement of Sustainable Development Goal (SDG) No 6 on water and sanitation coverage, SDG 5 on gender equality and empowering women and the girl child.

1.2.2 Bank's Fragility Assessment of Somalia noted that lack of basic/adequate infrastructure and access to basic services is one of the drivers of fragility within Somaliland. The Bank is committed through its strategy "Addressing Fragility and Building Resilience in Africa, 2014 – 2019" to effectively assist countries in fragile situations to transit out of fragility and build resilience as a move forward towards more stable political and economic development The improvement of Water and Sanitation services through rehabilitation and construction of new facilities will contribute to addressing gender inequality, social cohesion and improving social services such as education and health care by increasing productivity and reducing expenditure on water and health. The Strategy further observes that weak institutional capacity to deliver basic services is one of the key drivers of fragility. The project will be supporting capacity development programs for MoWR and other related government institutions. Given that water sector has an impact for different institutions of the

government (health, energy, education), it can be seen as an important entry point for the state- and peace-building and contribute to strengthening the institutional development process.

1.2.3 The Somaliland Government is committed to reducing the country's vulnerability to disasters, especially drought as articulated in the National Development Strategies. The backbone of the economy of Somaliland is livestock, with about 65% of the population depending (in) directly on livestock and its products for their livelihoods. The constant exposure and sensitivity of the livestock industry to droughts imply the vulnerability of the economy and ultimately the people. This makes investments in water infrastructures for domestic and animal uses a critical component of Somaliland's development strategy. However, inadequate financial resources have contributed to the low investments in water storage and distribution facilities in the country. This is also coupled with limited technical, managerial and institutional capacities to design and implement sustainable WASH programs and policies.

1.2.4 The program is in line with the Bank's Integrated Water Resources Management Policy, Gender Strategy as well as Bank Group Ten Year Strategy for 2013-2022 and contributes to 3 priorities (energy, agriculture and improved quality of life) of the "High Fives". The many hours spent every day fetching water over long distances has a detrimental impact on women's ability to manage other productive activities within the household and frequently acts as a barrier for the girl child accessing education. The program will promote improve the quality of life and promote inclusive growth by provision of water for human and livestock reducing time and monetary burden of water and increasing livestock productivity. The program is also consistent with the Bank's Climate Change Action Plan (2010-2015) by supporting improved resilience of communities against climate variability and change – contributing to SDG 13. Incorporation of micro-irrigation and soil conservation will revitalize and transform agriculture in parts of Somaliland and use of solar energy for water pumping and domestic use will further improve the quality of life and reduce use of costly and polluting fossil fuels.

1.2.5 The program fits within the RWSSI TF mandate and strongly links to the RWSSI Trust Fund focal areas as follows: *Increased RWSS infrastructure investments* - In collaboration with the Transition Support Department, the Program promotes integrated community water supply and sanitation using pro-poor approaches such as water storage through sand dams, rainwater harvesting combined with water resources and watershed conservation and management as well as beneficiary livelihoods;:

Sustainability of RWSS Systems, the program aims at strengthening the capacity of small community and private water operators, including establishment of a framework for increased public private partnership in the management of rural water supply and sanitation services; and raising of public awareness on WASH related environmental issues;

Promote knowledge management, through contribution and dissemination of information on best practices among fragile states. The intervention will strengthen the ability of local communities to analyze and address issues of water scarcity in relation to food production and income-generating activities, while demonstrating locally adapted solutions that build on a combination of local knowledge, appropriate, low-cost technology, and collective action in optimizing multiple uses of water.

1.2.6 The justification for utilization of TSF Pillar 1 pooled resources is as follows: Following the below-average rainfall in Somaliland in 2 consecutive years i.e 2014 and 2015, there is limited pasture and water availability with over three hundred thousand people in crisis and emergency. The Famine Early Warning Systems Network (FEWS) and FAO have issued a famine alert in Somaliland with most food insecure people being in Hawd Pastoral livelihood zone of Hargeysa District, Northern Inland Pastoral livelihood zone in Bari, Nugaal, Sanaag,

and Sool Regions, and Guban and Northwestern Agro-pastoral livelihood zones in Adwal and Woqooyi Galbeed. The RWSSI –TF allocation of Eur 3 Million is inadequate to meet the water needs in the program area and hence the need from more resources from the TSF pillar 1. The current program can be scaled up in future as the current program budget is inadequate to cater for all drought affected people in Somaliland.

1.3 Donor Coordination

Table 1.1: Water Sector Financing

	Players - Public Annual Expenditure 2013/14*			
Total	Government	Donors	Key DPs WB EC KfW SDF	
UA 49 m	UA 3.6 m	UA 45.4 m		
100%	7%	93%		
	Level of Donor Coordination			
	Existence of Thematic Working Groups		[Yes]	
	Existence of SWAPs or Integrated Sector Approaches		[Yes]	
	ADB's Involvement in donors coordination		[Member]	

*Based on budgetary allocation

1.3.1 The MoPND in Somaliland is tasked with donor coordination. Coordination is at four levels, with the high level and national aid coordination forums held semi- annually, inter-sectoral coordination held quarterly and sector coordination held monthly. In the water sector, UNICEF is the lead donor and other key donors include European Commission (EC), Care Somalia and Un-Habitat. The Bank participates in the high level aid coordination forum. In collaboration with the Department for International Development (DfID) and the Danish International Development Agency (DANIDA), the Somaliland Development Fund (SDF) was created as the main mechanism for coordination of activities amongst donors through support of projects aligned to the National Development Plan 2012-2016 (NDP). The SDF acts as a basket fund allocating resources and has a project management team in each line ministry. However, funds targeted to specific projects are not admissible to the SDF at the moment.

1.3.2 Major ongoing interventions include the EC financed Water Development Programme for Hargeisa implemented by UN-HABITAT; and the development of 4 master plans for the towns of Boroma, Tog Wajaale, Burao and Erigavo – implemented by UNICEF. Other support by the EC include TA to MoWR and water authorities in Hargeisa and other urban cities for procurement, contract management and construction supervision; implementation of some pilot RWH activities; and provision of hydro-geological equipment for groundwater monitoring in urban areas. UNICEF continues to provide significant support to the WASH sector and there is a sector coordination group consisting of sector partners led by the MoWR. Appendix 3 gives a summary of financing of key donor activities in the areas of water and sanitation.

II. PROJECT DESCRIPTION

2.1 Development Objectives and Program components

2.1.1 ***Development Objectives****:* The overall objective of the program is to contribute to a resilient and sustainable water and sanitation sector that meets the needs of all users in Somaliland as well as to provide water supply and sanitation infrastructures in targeted areas with a view to improving livelihoods and building resilience against climate variability and change.

2.2 Program Components

2.2.1 The proposed program will have the following three components:

Component 1: Support for Water and Sanitation Infrastructure for Resilience. The component is focused on the construction and rehabilitation of water and sanitation infrastructure in order to meet high priority needs in drought stricken areas. The program will work closely with the MOWR and other stakeholders to prioritize the works which will be implemented under the program. Activities include; construction and rehabilitation of strategic water facilities i.e earth dams/pans, boreholes, shallow wells and spring protection, rain water harvesting facilities in public institutions, gender sensitive latrines in schools, health centers and markets (with some latrines to be designated for disabled people). This component will focus on enhanced water availability and accessibility through water harvesting and supply for human consumption, agriculture and livestock in a sustainable manner. Multiple water services such as minor irrigation (for small scale food production) and livestock watering will be incorporated; and for systems using solar energy for pumping, power generated from the system will also be availed for domestic purposes (such as recharging solar lanterns and mobile phones).

Component 2: Capacity Building: This component will support capacity development of the MoWR in Somaliland including the beneficiary communities. Proposed activities include; procurement of essential Operation and Maintenance (O&M) and laboratory equipment and training. The component will also offer support to the Water training center in Hargeisa including procurement of training facilities and equipment. The component will further support the MOWR[3] to extend PPP concepts in the management of rural water supply systems including the setting up of a Water Trust Fund to mobilize resources from the private sector and diaspora for financing water projects in Somaliland. Support will also be offered to MoWR to improve ground water governance so as to enhance sustainable development of the resource.

To enhance sustainability of the water and sanitation facilities, each beneficiary community project will be trained (minimum 50% women) on basic O&M. In addition, each water committee will select an operator who will be trained at the Hargeisa water institute on basic plumbing including operation and maintenance of pumping systems. The committees will also be encouraged to select women to attend this training, with support given to overcome their time-poverty challenges. Training for communities will include hygiene promotion and sensitization with emphasis on scaling up Community Led Total Sanitation (CLTS) and community based climate change adaption activities (water resources protection through soil management, conservation, optimization of green water and re-forestation (including

[3] The Ministry of Interior (through various decentralized local governments) will also participate in the program through planning, and supervision of individual projects and relevant staff will also benefit in the capacity building initiatives to ensure and reinforce good service provision.

strengthening traditional regulations that govern use of water resources). Piloting of drip irrigation in educational institutions to promote water use efficiency will also be undertaken.

This component will also promote women and youth empowerment through establishment of tree nurseries and appropriate conservation with community management. The program will also emphasis on - the - job training using labour-based construction methods targeted at women and youth. The promotion of integrated rainwater harvesting and management for improving water supply, food security and sustainable livelihood will also be undertaken. To facilitate this, training will be provided in development of gender equitable community water user committees and community-based decision-making around water resource management.

Component 3: Program Management: This relates to the implementation of the program and will entail the management costs as well as logistics and routine program operating expenses. The cost of program supervision and Monitoring and Evaluation (M&E) will be part of this component. The Program Implementation Team (PIT) from CARE Somalia will be staffed with adequately skilled personnel capable of delivering on the program objectives. Implementation of Environmental and Social Management Plan (ESMP) and program audit are also part of this component.

2.2.2 A summary of program components and activities is presented in Table 2.1 below.

Table 2.1: Program Components

Component & Outputs	Est. cost UA' m
1 Water and Sanitation Infrastructure for Resilience • Construction of 7 new earth dams (Haffirs) with draw off and sanitation facilities • Rehabilitation of 6 existing earth/sand dams and incorporate sanitation and draw off facilities • Augmenting Hargeisa water system to support IDPS • Rehabilitation of 4 strategic boreholes by incorporating sanitation facilities, upgrading to energy efficient power (solar power) • Construction of 20 solar powered mini water systems with draw of and sanitation facilities including micro-irrigation • Sanitation facilities for Schools/ markets and institution toilets[4] • Environmental mitigation measures • Design and Supervision • Procurement of critical Regional Water Workshops equipment • Procurement of Bulldozer D9 with all accessories	3.279
2 Capacity Development • Support to the Hargeisa water technology institute • Support to the water quality laboratory at Hargeisa and mobile water kits and equipment at the Districts • Equipment and Logistical support to the MoWR • Mobilisation/Capacity building for communities • Publicity and Sanitation and Hygiene promotion • Capacity building for MoWR staff • Studies • Support to MoWR (Engineer , Financial Management, Sociologist & Procurement)	1.510
3 Program Management • Implementation by CARE Somalia • Program Management • Monitoring of the Implementation of ESMP • Program Audit	1.211

[4] Feasibility of bio-gas production from all the sanitation investments and latrines will be explored as this could provide women business opportunities for clean cooking with Global Alliance for Clean Cooking Stoves as a possible partner.

2.3 Technical solution retained and other alternatives explored

2.3.1 The program took into account experience gained/lessons learnt in the country and the region on appropriate technology in the construction of earth dams, boreholes, and associated water infrastructure including operation and maintenance. Where development of surface run-off water and rainwater harvesting is feasible; improved technology in construction shall be deployed to enhance both water supply and hygiene. For earth dams, detailed assessment of proposed sites shall be undertaken to minimise earth movement costs and direct access to water sources shall be prevented with draw off facilities for both humans and livestock provided. Where ground water is the appropriate option, selection of technology is informed by the need to minimize running costs by considering solar energy including the availability of spare parts. Boreholes shall all be lined and springs shall be protected. The mini water systems shall incorporate a reservoir and reticulation system for both domestic and livestock uses.

2.3.2 Sanitation and hygiene interventions in schools will be implemented based on standard guidelines developed by UNICEF and the Somaliland Government which are in line with WHO standards. Gender sensitive sanitation facilities will be provided in selected public institutions coupled with appropriate hygiene trainings targeting behavior change through CLTS. Table 2.2 illustrates the various technical solutions explored for the program taking into account characteristics of water sources, operation and maintenance costs.

Table 1.2: Analysis of the Various Alternatives Considered

Activity	Alternative considered	Reasons for Rejection	Selected Option(s)
Construction and rehabilitation of Earth Dams	Conventional rehabilitation of homogenous embankments with scooping of reservoir area	The technology does not adequately limit embankment seepage and the large surface area encourages high evaporation.	The following are adopted depending on each site: (i) Haffir dam construction technology from Ethiopia and Sudan will be adopted. A zoned embankment which limits seepage and a deeper dam in a bid to limit the exposed surface area and reduce evaporation. (ii) Construction of sand storage dams, sub-surface storage dams or weirs, should be encouraged since water loss due to evaporation, which accounts for substantial amounts in open water bodies, is minimized All shall incorporates draw off facilities limiting direct access to the water sources and hence improving sanitary conditions.
Rehabilitation of Strategic Boreholes	Drilling of new replacement boreholes and using diesel/petrol driven generators to drive the borehole pumps.	This will be costly as the drilling costs are above $400/m High O&M costs and lack of spare parts for the generators. Lack of skills on O&M	The boreholes can be rehabilitated and the diesel/petrol engines (where feasible) substituted with improved energy efficient sources for the pumps using hybrid generating of electricity (combination of normal diesel powered generators with renewables such as solar).
Development of Mini Water Systems	Provision of rainwater harvesting facilities at homesteads	This is limited as only institutions have appropriate and adequate roof catchment areas to meet the water	Site specific appropriate mini water systems will be developed using the existing standard designs modified to reflect particular needs of each site and community. Use of solar operated pumps whose

Activity	Alternative considered	Reasons for Rejection	Selected Option(s)
		demand.	O&M costs are low is recommended. Community will be trained on O&M with technical oversight by MoWR. Training of communities in using renewable energy for income generation through mobile phone and lanterns charging

2.3.3 The program offers increased opportunities for youth and women to acquire skills in the areas of plumbing and solar energy technology by equipping and facilitating the Hargeisa water institute. The program will offer training on O&M to an estimated 30 people (15% women) who will be identified and tasked with the operation of the mini water facilities. The MoWR will also be supported to enhance staff capacity to address sustainability/adopt PPP arrangements for rural water supply and sanitation projects.

2.4 Project type

2.4.1 The proposed program is a stand-alone Institutional strengthening and Investment Program to be financed by the RWSSI Trust Fund and the Transition Support Facility (TSF). This program directly contributes to Somaliland's on-going efforts to enhance water security and improve the livelihoods of the communities. The approach of combining infrastructure development with capacity building at both the Government and community level promotes sustainability and enables the country to better respond to water scarcity hence building resilience.

2.5 Program cost and financing arrangements

2.5.1 The total program cost is estimated at UA 6.00 million net of taxes and duties of which 5.115 million will be in foreign currency and UA 0.885 million in local currency. The MoWR will budget for the funds each year as per the procurement plan packages. The total program cost includes an ADF-13 and RWSSI TF grant amounting to UA 5.4 million and Government of Somaliland in kind counterpart of UA 0.60 million. This in kind contribution relates to staff time, office rent, security and utilities amongst others.

2.5.2 The tables below present the program costs by components, financing source and category of expenditure and expenditure schedule by component. Costs have been estimated on the basis of information obtained from the Ministry of Water Resources and similar projects.

Table 2.3: Program Costs Estimates by Component [amounts in millions UA]

Components	Foreign currency cost	Local currency cost	Total Costs	% foreign
Component 1: Water and Sanitation Infrastructure for Resilience.	2.665	0.285	2.950	90
Component 2: Capacity building	0.843	0.600	1.443	58
Component 3: Operating Costs(Program Management)	1.211		1.211	100
Total Base Cost	4.719	0.885	5.604	84
Contingencies (physical and price)	0.396		0.396	100
Total Program Cost	**5.115**	**0.885**	**6.000**	**85**

2.5.3 The Bank financing amounts to UA 5.4 million, or 90% of the program. The counterpart funds account for 10% of the program costs.

Table 2.4: Sources of financing(amount in million UA equivalents)

Sources of financing	Foreign currency cost	Local currency cost	Total Costs	% total
Government	-	0.600	0.600	10%
ADF Grant	2.715	0.285	3.000	50%
RWSSI Grant	2.400	-	2.400	40%
Total program costs	**5.115**	**0.885**	**6.000**	100%

Table 2.5: Program cost by category of expenditure [amounts in millions UA]

Category of expenditure	Foreign currency cost	Local currency cost	Total Costs
Works	2.308	0.264	2.572
Goods	0.698		0.698
Services	0.898	0.621	1.519
Program costs	1.211		1.211
Total program costs	**5.115**	**0.885**	**6.000**

Table 2.6: Category of Expenditure by Funding Source in million UA

Category of Expenditure	TSF	RWSSI-TF	GOS	Total
A. Works	2.436	0.136-	-	*2.572*
B. Services	0.208	0.711	0.600	*1.519*
C. Goods	0.356	0.342	-	*0.698*
D. Operating Cost		1.211	-	*1.211*
Total	**3**	**2.4**	**0.6**	**6**

Table 2.7 Expenditure schedule by component [million UA]

Components	Year 1	Year 2	Year 3	Total cost
Component 1: Water and Sanitation Infrastructure for Resilience.	0.70	1.079	1.50	3.279
Component 2: Capacity building	0.500	0.505	0.505	1.510
Component 3: Program Management	0.403	0..404	0.404	1.211
Total program costs	**1.603**	**1.988**	**2.409**	**6.000**

2.6 Program's target area and beneficiaries

2.6.1 *Geographic coverage:* The program will benefit the rural population in Somaliland including IDP's in the peri-urban areas of Hargeisa and other towns. Priority will be accorded to strategic earth dams along the Haud and Sool Haud Plateau (which are important grazing areas) including drought prone areas within the country. To promote equity and minimize conflicts among communities, a conflict sensitive approach will be applied in the prioritization of program sites[5]. The selection of program sites will take into account (i) equity with regions most vulnerable and afflicted by drought being accorded priority and (ii) technical feasibility of identified water sources with clear community ownership of selected sites.

[5] Decision-making around prioritizing works will involve the employment of existing community-based techniques of water resource management.

2.6.2 *Direct Beneficiaries.* It is projected that a total population of 250,000 (50% women) including livestock units (through multiple water use) will benefit from the program. The water vocational training institute at Hargeisa will benefit from the program and also train an estimated 30 youths on operation and maintenance under the program. An estimated 20 public institutions (schools, markets and health facilities) will benefit from the sanitation interventions including rainwater harvesting.

2.6.3 *Indirect Beneficiaries*. The program will also provide employment opportunities to local people, including youth as well as service providers including consultants, NGOs and contractors. All the population in the program area and beyond will benefit from the hygiene promotion through the local media and mobile phone platform. Women and young people will be a focus of efforts to deliver the planned activities through labour-based construction services. Through micro-irrigation, small scale agricultural food production will be stimulated in the program area.

2.7 Participatory Process for program identification, Design and implementation

2.7.1 The program was proposed by the Somaliland Government, following an official request dated 10th February 2015 for development partnerships. The Bank launched a High Level mission to Hargeisa between 29th March and 1st April 2015 during which it was agreed that on the principle of strategic focus to maximize impacts, Bank support shall concentrate on water infrastructure to support building resilience in Somaliland. The design of the program benefitted from the views of a wide range of stakeholder groups during the preparation and appraisal missions with a focus on community level interventions which are pro-poor and enhance wide participation in program planning and implementation. The stakeholders included senior government officials, representatives of public and private sector institutions, community leaders and community members and potential beneficiaries, including NGOs. The consultative process was supplemented with field visits to some of the potential program sites with valuable feedback incorporated in the program design[6]. Women expressed a strong desire for the program, as it will improve general livelihood and reduce health hazards among children. Community ownership including O&M was noted as crucial for sustainability of infrastructures. Community mobilization and participation will form the basis of the program.

2.8 Bank group experience and lessons reflected in program design

2.8.1 Since its re-engagement with Somalia, the Bank's interventions in the water and sanitation sector have focused on building resilience to drought and climate change through the following projects: (i) Building Resilience to Water Stress in Somaliland Preparation of a Water Resources Management and Investment Plan (2014-2017); (ii) the Mapping, Assessment and Management of Trans-boundary Water Resources in the Inter-Governmental Authority for Development (IGAD) Sub-Region (2007-2009); (iii) Water and Sanitation Needs Assessment in Somalia and (iv) The Drought Resilience and Sustainable Livelihoods Project Phase II (DRSLPII 2014-2017). The first two projects are supported by the AWF, while the last one is a Regional intervention. In designing this program, the team took into account key lessons learnt from on-going and completed Bank financed and other Development Partners' (DPs) projects in the country including fragility assessments. These are summarized in Table 2.7 below:

[6] The need for the project was well demonstrated with Togdheer and Sool regions being pointed out as being extreme drought prone areas.

Table 2.8: Lessons learned

Lesson Learnt	Action taken in this Program
Weak capacity can be a major source of delay in project start-up and implementation	The project team within the MoWR is strengthened and a third Party Implementing agency with strong capacity and presence on the ground will be used to support the implementation of the program.
The promotion of an integrated approach/multi-purpose use of productive water is a good way to develop drought resilience of communities.	The program design adopts a pro-poor water use program which will integrate domestic and livestock water supply, minor irrigation and income generating activities. This is an overall IWRM approach to water management as a response to rural development challenges posed by adaptation to climate change in Somaliland.
The country context requires relatively higher resources for project management.	The budget for the program management component has taken this into account with budgetary provision for security and the relatively high cost of program staff.
The project should not only focus on technical feasibly but also consider other aspects including institutional, and managerial aspects.	The capacity of the MoWR to supervise contractors as well as develop and roll out PPP concepts for management of rural water supply and sanitation projects will be enhanced. The program adopts participatory implementation approach, and incorporates capacity building to ensure sustainability
Issues related to project sustainability and ownership of the land where the water source is built not being sufficiently discussed during project preparation	Appropriate cost recovery mechanisms will be set up facilitated by government and managed by community based organizations. Only sites where community ownership is demonstrated will be prioritized for implementation.

2.8.2 As part of ensuring program implementation readiness and in line with PD 02-2015, the following activities have been agreed on: (i) confirmation of CARE Somalia appointing the PIT and strengthening of the counterpart project team within the MoWR before program negotiations; (ii) use of standard designs for the water and sanitation structures – adapted to each site and deploying design and build contracts (iii) ensure the first disbursement by 31st March 2016 to the on-going AWF "Building Resilience to Water Stress in Somaliland" Preparation of a Water Resources Management and Investment Plan project whose program manager has been recruited. On –going Bank operations in Somalia have faced delays in project start-up and implementation delays due to weak capacity.

2.9 Key performance indicators

2.9.1 Key program performance indicators are articulated in the Logical Framework and based on standardized core water sector indicators developed by the Bank. Baselines and targets have been established with the impact indicators being (i) under - 5 mortality rate and (ii) primary school enrollment. The following outcome indicators are adopted: (i) number of people with improved access to water supply and sanitation services (ii) number of public institutions with sufficient number of improved sanitation and rain water harvesting facilities (iii) improved institutional capacity and (iv) increase in income of women in target areas. Output indicators will include: (i) number, types and/or lengths of facilities installed / rehabilitated including earth dams, boreholes and mini water systems, (ii) number of gender sensitive and disable friendly school water and sanitation facilities constructed or rehabilitated (iii) number of technical assistance experts provided (vi) number of water committees established and trained in hygiene and sanitation (vii) number of communities trained in hygiene and sanitation (gender disaggregated). The PIT's performance will be assessed against adherence to approved work-plans and budgets including the compliance with Bank rules and procedures.

III. PROJECT FEASIBILITY

3.1 Economic performance

Table 2: Key Economic Figures

EIRR and ENPV: 26.39% and USD 12.18 million (at base case)

EIRR: Economic Internal Rate of Return, ENPV: Economic Net Present Value

3.1.1 The key assumptions for the calculation of the EIRR of the Program are provided in Annex B7. The economic analysis assesses the wider beneficial impact of the proposed interventions and also highlights the broader strategic socio-economic and environmental impacts associated with the program interventions in terms of public health and the reduction in incidence of waterborne and water-related diseases, reductions in mortality rates and fulfillment of national development plans.

3.1.2 The assumptions utilize the findings of the World Health Organization (WHO) Evaluation of Costs and Benefits of Water and Sanitation improvements assessment at the Global Level. These findings indicate the benefits arising from reduced costs of health interventions due to improved water and sanitation services. For the treatment of diarrhea, health service unit costs are taken from WHO regional unit cost databases. The following broad parameters constitute the variables for the assessment; (i) time savings related to water collection or accessing sanitary facilities; (ii) patient health treatment and travel costs saved; and (iii) value of less adults, infants and students falling sick with diarrhea.

3.1.3 Operating costs are estimated to be 3% of the capital investment costs. Furthermore, the analysis assumes that there will be need for capital reinvestment, amounting to 10% of the capital expenditure) after 10 years of operation to cater for major refurbishments and efficiency enhancements.

3.1.4 The estimated total beneficiary population under the program was estimated at 187,500 in 2020 at the beginning of the operation phase of the interventions, expected to rise to 370,000 by the design period of 20 years of operation, with an estimated average growth rate of 3.5%.

3.1.5 Sensitivity analysis was undertaken to assess the impact on the EIRR of increases in the capital costs and benefits reductions, and the results are also reflected in Technical Annex B7. The assessment considered increases in capital costs of 20%, and a 20% decline in quantified benefits. The EIRR showed minimal sensitivity to the variables tested above, indicating the significant impacts on the wider community of investing in water supply and sanitation.

3.2 Environmental

3.2.1 The program has been classified as category 2 in accordance with the Banks Integrated Safeguards System and the Environmental and Social Assessment Procedures (ESAP). Since the proposed program interventions comprise rehabilitation of existing earth dams and construction of new additional dams, boreholes, wells and sanitation systems for communities; the proposed environmental safeguards tool is preparation of the Environmental and Social Management Framework (ESMF). The ESMF complies with the ISS requirements and shall be used by the MoWR and the designated contractors during program implementation to guide in the development of specific ESMPs for each contract/sub-project of the infrastructure investments. The ESMF was submitted to the Bank and posted on the website on 28th March 2016. A detailed Environmental assessment is contained in Technical Annex B8.1.

3.2.2 The program will have significant positive impacts by improving access to safe drinking water and contributing to a reduction of water borne diseases. Anticipated negative impacts which can be mitigated include (i) over abstraction of boreholes which will be mitigated by appropriate monitoring of all the production boreholes and through use of observation boreholes; (ii) increased waste water production with increased water supply which will be mitigated through Hygiene awareness creation and capacity building of communities in water conservation and reuse; (iii) loss of flora and fauna due to land clearance during construction and establishment of camps which will be mitigated through minimization of cleared area and careful site selection avoiding sensitive and/or breeding areas; (iv) without proper management and protection measures in place, dam water is prone to pollution and contamination and source of water borne diseases (e.g malaria) and this will be mitigated through putting in place a proper and effective community – based management system to ensure sustainable water use and equitable access among users, including pastoralists; conducting awareness campaigns and avoiding human and animal settlements near the earth dams and/or on the catchment areas.

3.2.3 The beneficial aspects of the program include:

a) Access to safe drinking water and improved standard of living, e.g. through:
   - Better domestic hygiene and reduction in water-borne diseases such as dysentery, diarrhea, etc.;
   - Time savings, especially for women and girls;
   - Financial benefits, especially for those (poor) people that presently buy their water in small quantities and at high prices from ambulant water vendors;
   - Capacity building and training in the community, and resulting enhancement of organizational, financial and technical capacities of community;

b) Employment and Improved Service Delivery: Increased employment opportunities, improved service delivery to enterprises and the population across the water sector in general remains one of the positive benefits that will arise from the proposed projects. This program will therefore provide substantive employment opportunities to local populations. It is anticipated that the program will provide direct employment during the construction phase and operational stage.

c) Reduced conflicts: Increased availability of water thus reducing conflicts between pastoralists and farmers. Availability of water from sustainable water sources will reduce mobility of pastoralists thus reducing potential inter-clan conflicts, encourage community stability and voluntary settlement of pastoralists;

d) Improved sanitation at schools and markets

e) Increased sanitation and water hygiene awareness

f) Improvement of water resources database thus enabling better planning and management of water resources and facilities in Somaliland

g) Capacity building of water institutions in Hargeisa in training, monitoring and analysis of hydrological data and water resources data.

3.3 Resettlement

3.3.1 Under the planned program activities no resettlement or displacement is envisaged.

3.4 Climate change

3.4.1 The program interventions are designed as climate change adaptation measures with minimum carbon foot print. Since the climate in Somaliland is arid to semi-arid, the predicted increase of average precipitation by 10% might, on the long term, have positive effects on groundwater levels and availability. The observed declining groundwater levels in some wells in Somaliland are most likely related with groundwater pumping exceeding groundwater recharge rate, and not to a climate-related decrease in groundwater recharge.

3.5 Gender

3.5.1 Cultural and religious practices and beliefs in Somaliland continue to foster unequal social relations between men and women. Since 1991, the re-emergence of customary law, the extended use of sharia law and resort to clan-based forms of political representation has meant women have been virtually excluded from the political and judicial structures that have emerged in different parts of the country. These have adversely impacted on women's access to productive resources and voice in society which are critical for improvements in women's poverty reduction, women's empowerment and their participation in the country's development process. Somaliland women are not only time constrained, but with long daily household routine duties, from childrearing, preparation of the meals, collection of firewood and water for the household to livestock management, but also have limited opportunities for economic empowerment. Women's agency and contribution to household are not maximised due to low capacity, lack of inputs, tools and credit and financial illiteracy. In addition drought or conflict induced internal displacement have affected family structures and transformed traditional gender roles in Somali society with women in some cases now being the bread winners.

3.5.2 Somali women are heavily underrepresented in decision-making. The Somaliland National Gender Policy of April 2009 acknowledges and advances the role of women as a critical component for the attainment of peace, political stability, contribution to shared economic growth and national development. Under the Water resources and Supply priority area, the Gender policy together with the Somaliland National Gender Action Plan 2013- 2017 advocates for:

- Empowering both women and men to invest in the management of their own water resources and services;
- promoting equal participation of women and men, girls and boys in the planning, designing and management of water projects;
- Encouraging mobilization campaigns to involve women, men, girls and boys in the planning, designing and management of water facilities

3.5.3 Under the program, women's empowerment will be mainstreamed so that their access for the proposed infrastructure and the necessary soft interventions are enhanced. The increased water and sanitation infrastructures will ease existing economic activities they are engaged in as well as saving them time. Given their primary responsibility for water management, their participation in at least 50% of these infrastructure management committees will improve their decision making capacity and skills at community level; whilst their training (in for e.g. book-keeping, pump maintenance, etc.) will ensure that their participation is meaningful.

3.6 Social

3.6.1 The total population of Somaliland is estimated at 3.5 million. The majority of the population live in the rural areas as pastoralists/nomads (50%), while about 35% live in urban

cities or centres. The remaining 15% live outside the country, mainly in Europe and North America, where since early 1980's large groups of nationals from Somaliland have sought asylum. There are also a sizeable number of Somalilanders who live in the oil rich Gulf Countries, as migrant workers. The Diaspora from Somaliland send valuable remittances which helps the local population survive and ensure trade and investment in Somaliland. The annual population growth rate is estimated at 3.14% and life expectancy at birth is between 49 and 55 years. The population density in Somaliland is estimated at 22 persons per square kilometer. Somaliland is considered to have a relatively young population, as more than 68% of the population are below 30 years of age. Across Somaliland regions income per capita ranges from $250 to $350 and poverty levels are high. The Human Development Report (HDR) 2010 estimates that out of 8.7 million people in Somalia (including Somaliland) about 7.1 million (i.e., 81.2%) are multi-dimensionally poor and have limited access to basic services including health and education/training. Despite significant growth across the education sector, the overall enrolment rate remains low averaging 46% (about 57% for boys and 40% for girls) with significant disparities at the regional level.

3.6.2 The project will support the involvement of women in decision making in the individual water development programmes and supply of water will also reduce the amount of the household budget spent on purchasing water from vendors. Furthermore, provision of reliable water supply will contribute in reducing water borne diseases leading to overall improved health and well-being. In addition, provision of sanitation facilities and hygiene promotion in communities will increase awareness and promote good hygiene practices. A full gender and social analysis is presented in Technical Annex B8.2.

IV. IMPLEMENTATION

4.1 Implementation arrangements

4.1.1 The Ministry of Water Resources (MoWR) in Somaliland will be the Executing Agency for the program and CARE Somalia being the Implementing Agency (IA). The unique and fragile situation in Somalia coupled with the complicated political relation between Hargeisa and Mogadishu requires the engagement of an Implementing Agent with a strong presence and knowledge of the country. CARE Somalia (which has been nominated to implement the water program) has a long history of implementing water and environment programs in Somalia with strong field presence and capacity to move its staff around including to insecure areas. CARE Somalia has been implementing similar programs with the MoWR (Annex B3 and C1 of the Technical Annexes) and hence uniquely qualified to implement the water program.

4.1.2 CARE Somalia PIT will comprise a program Manager, Engineer, Sociologist (with expertise in gender, community mobilisation and capacity building), Financial Management Specialist and Procurement Specialist. Capacity constraints and weak fiduciary systems will negatively impact the MoWR ability to directly implement projects at this stage. The Somaliland Government has therefore requested the Bank to allow it engage the services of a third party[7] (CARE Somalia) to receive the funds earmarked for this program and implement the program activities as per the approved Project Appraisal Report. The communication nominating CARE Somalia by the Somaliland MoWR is attached in Appendix VI. To ensure transfer of knowledge and capacity building, the MoWR will establish a counterpart project

[7] A third party implementing agency with strong field presence and capacity to move its staff around including to insecure areas has been nominated to implement this water program.

team[8] comprising a Program Engineer, Sociologist, Financial Management Specialist and Procurement specialist who will work closely and receive Technical Assistance and support from CARE Somalia Nairobi and Hargeisa. CARE Somalia will be responsible for the daily management and coordination of the program.

4.1.3 The Federal Republic of Somalia (FGS) shall be the Recipient of the grant and the Ministry of Finance has endorsed the financing of the project proposal as submitted by the Somaliland authorities.

4.1.4 There will be a Program Steering Committee (PSC) comprising MoWR, Ministry of Planning and National Development, Ministry of Livestock, Ministry of Agriculture, Ministry of Health, National Environment Risk and Disaster (NERAD), Ministry of Environment, CARE Somalia and Ministry of Education. The PSC will ensure that the needs of water and sanitation users are sufficiently reflected in the program design as well as in selection of priority interventions.

4.2 Disbursement and Financial Arrangements

4.2.1 Program funds will be channelled through CARE International (USA) pooled fund accounts held in Barclays Bank (UK) and Citi Bank Nairobi on behalf of CARE Somalia. An initial disbursement representing 6 months of projection of the program's activities while subsequent replenishments will be made at least on a quarterly basis or any period as the program activities may require. The replenishment request will be submitted alongside a quarterly interim financial report acceptable to the Bank. Direct Payment method will be used for the CARE Somalia program support fees and as and when required by the program. All disbursements will be carried out in accordance with the provisions of the Bank's disbursement Handbook. The Bank will issue a Disbursement Letter providing further details on disbursement methods and all other relevant guidelines.

4.2.2 Bank assessment of CARE Somalia existing financial management systems found them satisfactory with the overall fiduciary risk being moderate. The program will comply with the existing internal control rules and regulations prescribed in CARE Somalia's finance manual, Bank rules and guidelines disbursement handbook, FM guidelines). Bank supervision missions would provide additional FM implementation support. Monthly bank reconciliations will be undertaken for all the program funding. There will be an annual external audit and quarterly and half-yearly activity reports which include financial information. A detailed financial management assessment is contained in Technical Annex B4.

4.3 Procurement Arrangements

4.3.1 All procurement of goods, works and acquisition of consulting services financed by the Bank will be in accordance with the Procurement Policy, dated October 2015 and the relevant Bank Standard Bidding Documents, and the provisions stipulated in the Financing Agreement. CARE shall be the Implementing Agency in all the procurements for the project. The Bank assessed the procurement capacity of CARE Somalia and deemed it satisfactory. The organisation has the capacity to carry out the procurement activities required under the program. CARE has undertaken projects worth USD 35 Million within Somalia and Somaliland. The organisation has the capacity to carry out the procurement activities required under the program. CARE Somalia's Procurement Procedures are generally consistent with the Bank's

[8] The counterpart Project Management Team will include some of the PMT to be established in Hargeisa under the AWF financed project - Building Resilience to Water Stress in Somaliland "Preparation of a Water Resources Management and Investment Plan".

requirements. The CARE Somalia procurement is centralised in Nairobi, Kenya but the day to day management of activities will be done by staff based in Hargeisa, Somaliland. CARE shall be undertaking all the procurement activities. The Procurement Plan has been discussed and agreed between the Recipient and the Program Team prior to program negotiation. A detailed procurement assessment and procurement modes is contained in Technical Annex B5.

4.4 Monitoring

4.4.1 The program is planned to be implemented over a 36 months period starting July 2016 to July 2019. The Program Implementation Team will report quarterly both narrative and financial reports on activity implementation and fund utilisation for submission to the PSC and the Bank. The PSC will review performance of the program against the annual work plan and related budget on a quarterly basis. The program will also have a robust M&E system to facilitate tracking of performance against output and outcome targets in the Results-Based Logical Framework. In line with Bank procedures, The Bank will conduct at least two supervision missions a year and provide technical implementation support and guidance to the Project Management Team. A MTR will be conducted at the end of the second year to assess if the program is on course to meet its development objectives The key monitoring and evaluation related milestones are summarized in Table 4.1 below:

Table 4.1: Project Implementation Schedule

Timeframe	Milestone	Monitoring process
May 2016	Grant Approval	Processing schedule
July 2016	Grant Effectiveness	Submission/review of evidence
July 2016	Program Launching	Launching mission/BToR
July 2016- July 2019	Procurement of goods and services	Supervision missions/Review of procurement plan
July 2016 - July 2019	Delivery of planned activities	Supervision, PSC meetings, quarterly reporting, IPRs, MTR, PCR.
Due 31 December	Annual Audit Report submission	Audit preparation process/Review of Audit Report

4.5 Governance

4.5.1 **Somaliland has been relatively stable and by and large Government institutions are functional though governance challenges still exist at both the national and sector levels.** The peace, security and institutional development has enabled revenue collection[9] and the maintenance of basic administrative structure and security. However, due to limited institutional capacity and lack of a requisite legislative framework to handle FM and robust public procurement, the program risk is rated high. Staff capacity and system weaknesses especially in financial management and procurement pose fiduciary risks to program implementation using existing government systems. Recognizing this, the program will adopt a two-pronged approach to the governance challenges. Direct implementation of program activities will be done through a third party implementing agency and the relationship will be governed by an agreement acceptable to the Bank, between the third party (CARE Somalia) and the Government of Somaliland as signatories. The Project Steering Committee with the adoption of participatory processes in the implementation of the program shall give local communities a voice and enhance accountability.

[9] The country has entered into contracts with foreign investors for oil exploration and engage in Diplomatic relations with the United Nations, Arab league and the European Union including America

4.5.2 The Bank is currently supporting the Government's governance agenda through the Rebuilding Financial Management Systems (arrears clearance and TA support) and Capacity Development in Statistics projects. The Somaliland Government is also consolidating reforms in the water sector with the Water Regulations and performance monitoring framework necessary to enforce the Water Act under review with support from EC.

4.6 Sustainability

4.6.1 **The program adopts a two pronged approach to sustainability by enhancing the capacity of both the MoWR and communities.** In line with the Water Policy, water will be sold at tariffs that would at a minimum cover routine O&M costs. Modalities will be site specific with technical guidance including monitoring being provided by the MoWR. Each community will select a private operator who will be trained by the MoWR on how to manage and operate the water system with clear responsibilities to ensure sustainability. The MOWR will also be strengthened by developing capacity for operation and maintenance, procurement and contract formulation and supervision including ability to develop PPP concepts appropriate to the management of rural water supply systems[10]. The program will also employ appropriate technology and build capacity of communities to maintain investments in water supply and sanitation with emphasis on the local application of IWRM principles for the appropriate management of water resources. Selection of technology at each site will take into account ease of operation and maintenance. Community members will in addition provide some of the unskilled labour during construction activities to promote ownership.

4.6.2 **The program will employ multiple water uses as a way of generating income to boost sustainability**. For systems using solar energy for pumping, power generated from the system will also be availed for domestic purposes (such as recharging solar lanterns, mobile phones etc) generating funds for O&M. The program also includes a dedicated component for capacity building of MOWR at Hargeisa and district levels which is critical to offering Technical Support to communities. In addition, women and the youth will be targeted in the provision of on the job training by employing labour-based construction, and on off-grid solar energy solutions.

4.7 Risk Management

4.7.1 The risks relating to the effective execution of the program and the Bank's reputation were assessed and their probability of occurrence considered largely moderate. Table 4.7 outlines the possible risks and the associated mitigation measures.

[10] Typical sustainability models for the rural water supply systems are in Table C1.2 Technical Annex C1.

Table 4.2: Risks and Mitigation measures

Risk	Rating	Risk mitigation measures
Lack of a requisite legislative framework to handle FM and robust public procurement, Delays in program start-up and implementation due to weak Government capacity.	H	The CARE Somalia has been engaged as a third party implementing agent. Its fiduciary systems and track record in this area, the strong field presence would ensure effective implementation. The Bank will also support and strengthen the counterpart project team in the MoWR to ensure effective implementation. The Bank will also maintain close interaction with Executing Agency through EARC and regular supervision
Funds may not be used for the intended purpose	M	Financial management will be reviewed twice a year by Banks staff as part of the supervision mission. The program will also be subjected to annual independent audits and verifications.
Potential cost overruns	M	Program costing incorporate contingencies to cover price increases. Supervision consultancy contract includes contracts cost management.
Insecurity could prevent Bank staff access to some sites during supervision	M	Independent local consultants will be engaged to provide supervision support on a case by case basis.
Impact of 2017 presidential elections on activity implementation.	M	The campaigns might affect community sensitisation and other related activities but the implementation schedule is flexible enough to accommodate any slippage.
Disagreements on program sites could delay physical implementation.	M	A Project Steering Committee will be established with high level representation from CARE Somalia and relevant ministries. This would ensure equity in the selection of sites for physical implementation.

4.8 Knowledge Building

4.8.1 The program will also strengthen national knowledge on low cost under-utilized sand dams and rainwater harvesting technologies whilst promoting the potential for scale-up and mainstreaming in MoWR strategies and policies. The program will build on the experience from the on-going intervention through comprehensive reporting, including quarterly progress reports, audit reports, mid-term review reports and the program completion report. Information from various sources will be routinely gathered as part of the monitoring and evaluation framework and shared among stakeholders through joint reviews and other fora. The evaluation will also distil lessons for similar Bank projects in fragile states including the extension of PPP concepts in the management of rural water supply systems and the setting up of a Water Trust Fund to mobilize resources from the private sector and diaspora.

V. LEGAL FRAMEWORK

5.1 Legal Instrument

5.1.1 The Protocol of Agreement between the Federal Republic of Somalia and the African Development Fund for an amount of UA 5.4 million from RWSSI TF and the Transition Support Facility Pillar 1.

5.2 Conditions Associated with Bank's Intervention

5.2.1 Entry into Force: Conditions Associated with Bank's Intervention

A. Condition Precedent to Entry into Force of the Grant Agreements:

(i) TSF-Pillar I: The entry into force of the Grant Agreement shall be subject to the fulfilment of the provisions of Section 10.01 of the General Conditions Applicable to Protocols of Agreements for Grants of the African Development Fund.

(ii) RWSSI-TF: The grant Protocol of Agreement for the RWSSI Trust Fund Grant shall enter into force upon signature by the parties thereto.

B. Conditions Precedent to First Disbursement of the Grant:

The obligations of the Fund to make the first Disbursement of the Grants shall be conditional upon the fulfillment of the following conditions:

(i) The Executing Agency shall have signed an Implementation Agreement with the Implementation Agency whose terms and conditions are acceptable to the Fund; and

(ii) The Implementing Agency shall provide details of a EURO denominated account to receive the proceeds of the RWSSI-TF Grant.

(iii) The Implementing Agency shall provide details of a foreign currency denominated account to receive the proceeds of the TSF Pillar 1 Grant.

C. Other Conditions:

(i) Provide evidence of having established a Project Steering Committee whose members and Terms of Reference are acceptable to the Fund; and

(ii) Submit to the Fund an updated Procurement Plan approved by the Project Steering Committee and the Fund.

5.3 Compliance with Bank Policies

The program is in compliance with all applicable Bank policies.

VI. RECOMMENDATION

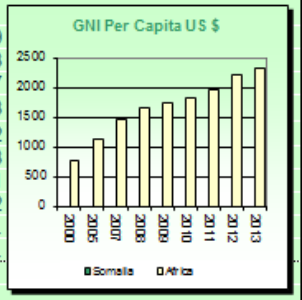
Management recommends that the Board of Directors approve a Transition Support Facility Pillar 1 grant of UA 3 million and a RWSSI-TF grant of EUR 3 million (UA 2.4m) totalling **UA 5.4 million,** to the Federal Republic of Somalia for the Water Infrastructure Development Program for Resilience in Somaliland and subject to the conditions stipulated in this report.

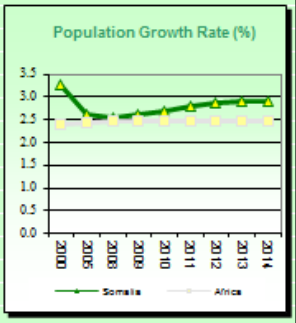
Appendix I:

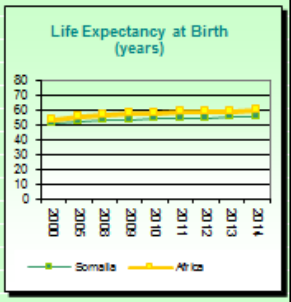
Somalia

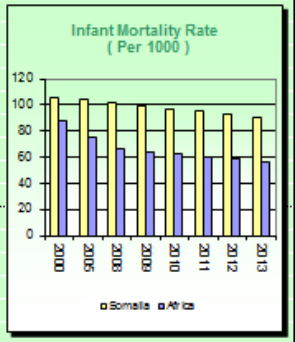
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Somalia	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)	2014	638	30,067	80,386	53,939
Total Population (millions)	2014	10.8	1,136.9	6.0	1.3
Urban Population (% of Total)	2014	39.2	39.9	47.6	78.7
Population Density (per Km²)	2014	16.9	37.8	73.3	24.3
GNI per Capita (US $)	2013	*150*	2 310	4 168	39 812
Labor Force Participation - Total (%)	2014	56.1	66.1	67.7	72.3
Labor Force Participation - Female (%)	2014	33.8	42.8	52.9	65.1
Gender -Related Development Index Value	2007-2013	...	0.801	0.506	0.792
Human Develop. Index (Rank among 187 countrie	2013	...	...	...	...
Popul. Living Below $ 1.25 a Day (% of Populatio	2008-2013	...	39.6	17.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2014	2.9	2.5	1.3	0.4
Population Growth Rate - Urban (%)	2014	4.1	3.4	2.5	0.7
Population < 15 years (%)	2014	46.9	40.8	28.2	17.0
Population >= 65 years (%)	2014	2.8	3.5	6.3	16.3
Dependency Ratio (%)	2014	90.4	62.4	54.3	50.4
Sex Ratio (per 100 female)	2014	99.0	100.4	107.7	105.4
Female Population 15-49 years (% of total populatio	2014	22.1	24.0	26.0	23.0
Life Expectancy at Birth - Total (years)	2014	55.4	59.6	69.2	79.3
Life Expectancy at Birth - Female (years)	2014	57.0	60.7	71.2	82.3
Crude Birth Rate (per 1,000)	2014	43.4	34.4	20.9	11.4
Crude Death Rate (per 1,000)	2014	12.0	10.2	7.7	9.2
Infant Mortality Rate (per 1,000)	2013	89.8	56.7	36.8	5.1
Child Mortality Rate (per 1,000)	2013	145.6	84.0	50.2	6.1
Total Fertility Rate (per woman)	2014	6.5	4.6	2.6	1.7
Maternal Mortality Rate (per 100,000)	2013	850.0	411.5	230.0	17.0
Women Using Contraception (%)	2014	22.2	34.9	62.0	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004-2012	3.5	46.9	118.1	308.0
Nurses (per 100,000 people)*	2004-2012	11.4	133.4	202.9	857.4
Births attended by Trained Health Personnel (%)	2009-2012	33.0	50.6	67.7	...
Access to Safe Water (% of Population)	2012	*31.7*	67.2	87.2	99.2
Healthy life expectancy at birth (years)	2012	45.0	51.3	57	69
Access to Sanitation (% of Population)	2012	*23.6*	38.8	56.9	96.2
Percent. of Adults (aged 15-49) Living with HIV/AID	2013	0.5	3.7	1.2	...
Incidence of Tuberculosis (per 100,000)	2013	285.0	246.0	149.0	22.0
Child Immunization Against Tuberculosis (%)	2013	33.0	84.3	90.0	...
Child Immunization Against Measles (%)	2013	46.0	76.0	82.7	93.9
Underweight Children (% of children under 5 years	2005-2013	32.8	20.9	17.0	0.9
Daily Calorie Supply per Capita	2011	1 696	2 618	2 335	3 503
Public Expenditure on Health (as % of GDP)	2013	...	2.7	3.1	7.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2011-2014	*29.2*	106.3	109.4	101.3
Primary School - Female	2011-2014	*20.8*	102.6	107.6	101.1
Secondary School - Total	2011-2014	*7.4*	54.3	69.0	100.2
Secondary School - Female	2011-2014	*4.6*	51.4	67.7	99.9
Primary School Female Teaching Staff (% of Total)	2012-2014	*16.6*	45.1	58.1	81.6
Adult literacy Rate - Total (%)	2006-2012	...	61.9	80.4	99.2
Adult literacy Rate - Male (%)	2006-2012	...	70.2	85.9	99.3
Adult literacy Rate - Female (%)	2006-2012	...	53.5	75.2	99.0
Percentage of GDP Spent on Education	2009-2012	...	5.3	4.3	5.5
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2012	1.8	8.8	11.8	9.2
Agricultural Land (as % of land area)	2012	0.7	43.4	43.4	28.9
Forest (As % of Land Area)	2012	10.5	22.1	28.3	34.9
Per Capita CO2 Emissions (metric tons)	2012	0.1	1.1	3.0	11.6









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : February 2016*

Note : n.a. : Not Applicable ; ... : Data Not Available.

Appendix II: Table of ADB's portfolio in Somalia

Project	Project type	Rating	Approval Date	Disb Ratio (%)	Amount (UA)
Governance					
Economic and financial gov. ISP	ISP	PPP	12/18/2013	27	2,500,000
TA – Debt Management and Arrears clearance – Phase II	ISP	NPP/PPP	01/02/2015	32	154,286
Financial Governance Programme II	ISP	PPP	07/07/2015	0	1,225,275
Water and Sanitation					
AWF Water project in Somaliland	Investment	NPP/PPP	31/10/2014	0.1	2,260,000
Agriculture					
Drought Resilience and Sustainable Livelihoods Project	Investment	NPP	26/11/2014	0.1	15,000,000
Infrastructure Needs Assessment/Action Plan	ISP	NPP/PPP	20/12/2013	55	371,429
Social					
Socio-economic reintegration of ex-combatants and youth at risk project in Somalia.	Investment	Not signed	26/01/2016	0	3,000,000.00
TOTAL					**24,510,990**

Appendix III: Key related projects financed by the Bank and other development partners in Somalia

Project	Funding DP	Amount	Closing date
Drought Resilience and Sustainable Livelihoods	AfDB	UA 15.0m	2019
AWF "Building Resilience to Water Stress in Somaliland" Preparation of a Water Resources Management and Investment Plan project	AfDB	EUR 3.0 m	2017
Improving urban water service delivery in Somaliland. Master plan for 4 towns	EC	EUR 7 million	2016
Water Supply/ Basin sanitation and sustainable land management project	EC	EUR 15m	2017
Construction of Hora Hadley well field	SDF	USD 9.5m	2017
Somali water for Agro-pastoral livelihoods pilot project	World Bank	USD 2 million	2019
Water Resources Development for MoWR	SDF	USD 5.4 million	2017

Appendix IV: Map of Somalia



Appendix V: Fragility-responsive program design and approach

1. Fragility Context in Somaliland

Somalia has embarked on a path from fragility guided by the New Deal and adoption of the Compact, which provides a new political, security and developmental architecture that will help frame the future relations between Somalia, its people and the international community. Conflicts and instability are at the very core of state fragility in Somalia and the country has gone through enormous multi-dimensional political, economic, social and cultural changes over the last three decades. On the other hand, Somaliland has been relatively peaceful and stable and by and large Government institutions are functional. Clan related disputes and tensions have been well managed in Somaliland through traditional bottom up approach mediation systems spearheaded by elders. Stability has further contributed to large scale return of the diaspora who have brought new ideas to development. Key to peace and conflict is the long-term sustenance of the relative stability and re-occurrence of low levels of violence. The identified fragility drivers related to the program are (i) resource scarcity within the context of high population growth and weak government capacity and (ii) marginalized youth due to among others lack of opportunities.

2. Fragility-responsive program design and approach

The overall objective of the program is to build a resilient and sustainable water and sanitation sector that meets the needs of all users in Somaliland as well as to provide water supply and sanitation infrastructures in targeted areas with a view to improving livelihoods and building resilience against climate variability and change. The table below presents how the risks emanating from the identified fragility drivers related to this program, and how they shall be addressed.

Table V.1: Fragility sensitive design

Drivers of Fragility	**Downside risks stemming from the drivers of fragility**	**Proposed Program interventions**
Under development and weak government capacity	• Uneven development and increased competition for land and water resources between clans.	• Capacity building of MoWR staff will enhance service delivery capability by hence reducing water - based conflicts. • A Project Steering Committee will be established to ensure equity in the selection of sites for physical implementation
Un-employment (especially among the youth) and poverty	• High number of youth engaged in un-lawfull activities due to lack of opportunities. • Economic marginalization of rural communities • Lack of access to basic services	• Provision of plumbing and solar energy skills for youth at Hargeisa including procurement of training facilities and equipment • Promotion of women and youth empowerment through establishment of tree nurseries and appropriate conservation with community management. • Multiple water services such as minor irrigation and livestock watering will be incorporated; and for systems using solar energy for pumping, power generated from the system will also be availed for domestic purposes (such as recharging solar lanterns, mobile phones etc).

Appendix VI: Letter from Somaliland MoWR Nominating CARE Somalia as Implementing Agency

Wasaaradda Khayraadka Biyaha
Jamhuuriyadda Somaliland
(WKhB) - Hargaysa

Ministry of Water Resources
Somaliland Republic
(MoWR) - Hargaisa

XAFIISKA AGAASIMAHA GUUD

Ref MOWR/03-101/16 Date 17/03/2016

The Regional Director
East Africa Regional Resource Centre (EARC)
African Development Bank
Khushee Tower, Longonot Road Upper Hill
P O Box 4861-00200
Nairobi
KENYA

Dear Mr Gabriel NEGATU

SUBJECT: SOMALILAND: WATER INFRASTRUCTURE PROGRAM FOR RESILIENCE IN SOMALILAND – NOMINATION OF CARE SOMALIA AS IMPLEMENTING AGENCY

We take this opportunity to thank the African Development Bank for the support offered to Somaliland in the area of Water and Sanitation. In reference to the above program which is under preparation, we request that due to capacity constraints, the Bank to allow the Ministry of Water Resources in Somaliland to engage the services of CARE Somalia to receive the funds earmarked for this program and implement the program activities as per the Project Appraisal Report. The Ministry of Water Resources in Somaliland has a good working relationship with CARE Somalia who have a strong field presence and capacity to implement this water program.

We also take this opportunity to thank you once again for the continued support towards this important project.

Yours sincerely,

Dr. Abdirizak J. Nuur
Director General

Cc: Minister of Water
E-mail: directorofwater@gmail.com

Cc: State Minister of Water
00252634351417