



United Nations Development Programme
Somalia Country Office
Project Initiation Plan



*Empowered lives
Resilient nations.*

Project Title:	PIP – Capacity for Investment Promotion and Economic Development (CIPED)
Somali NDP Pillar	Economic Development
Expected CPD/UNSF Strategic Priority Outcome(s):	SP4: Strengthening resilience of Somali institutions, society and population; and SP5: Supporting socioeconomic opportunities for Somalis, leading to meaningful poverty reduction, access to basic social services and sustainable, inclusive and equitable development
Expected PIP Output(s):	<ul style="list-style-type: none"> • Establishment of the National Economic Council and the Economic Policy Analysis Unit supported; • Capacities for promoting of investment in Somalia strengthened; and • Establishment of Investment Project Design Unit supported;
Implementing Partner:	UNDP
Responsible Parties:	UNDP, Ministry of Planning, Investment and Economic Development (MoPIED)
Project Gender Marker Score: 2	3 – Project has gender equality as a principal objective. 2 – Project has gender equality as a significant objective. 1 – Project will contribute in some way to gender equality, but not significantly. 0 – Project is not expected to contribute noticeably to gender equality

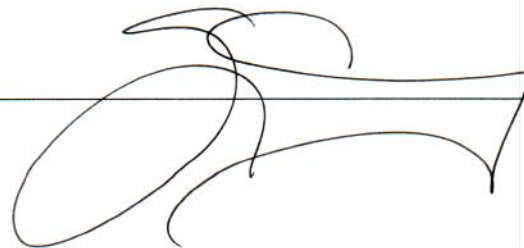
Brief Description

The main objective of this project initiation plan is to support the Ministry of Planning, Investment and Economic Development (MoPIED) to strengthen three (new and interrelated) main functions: a) establishing national advisory economic development functions (NEC and EPAU, and technical support to the Pillar Working Group on Economic Development), b) establishing an appropriate investment promotion function and c) developing a supporting function allowing project ideas to be transferred into bankable investment proposals/projects.

Programme Period:	2018-2021
Key Result Area (SP):	advance poverty eradication in all its forms and dimensions
Atlas Award ID:	00109639
Project ID:	00108944
Start date:	15-Feb-2018
End Date :	15-August-2018
PAC Meeting Date:	
Management Arrangements:	DIM

2018 AWP budget (USD):	703,388
Total resources required:	703,388
Total allocated resources:	
• Regular:	203,388
• Other:	
- Emergency Development Response to Crisis and Recovery (EDRCR) FW	500,000
Unfunded budget:	-
Government (in-kind):	-

Agreed by Ministry of Planning, Investment & Economic Development: 
 H.E. Minister Jamal Mohamed Hassan

Agreed by UNDP:  11.02.18
 George Conway, Country Director

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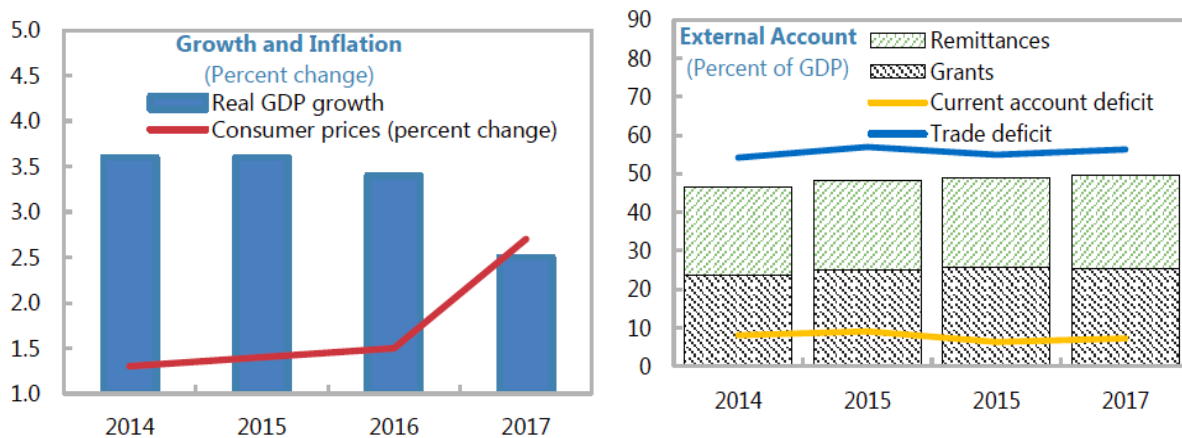
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I. Background

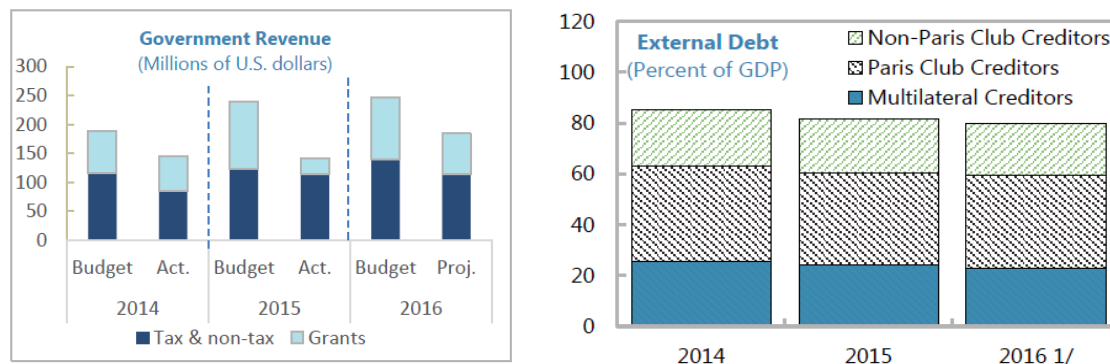
Somalia is a complex political, security and development environment, and much of its recent past has been marked by poverty, famine and recurring violence. Despite significant improvements in the past few years, most Somali citizens still live in a difficult situation with high levels of poverty, high levels of insecurity and high levels of vulnerability to disasters and marginalization. As a result, all efforts must focus on maximizing rates of investment return to growth, revenue and jobs.

All major economic activities were disrupted by the civil war, which led to the collapse of agriculture, manufacturing and related activities. It is estimated that during 1991 – 2005 GDP fell on average by about 4% annually, falling by 12% in 1992 and 20% in 1994. By 1996 growth had returned to positive territory but stayed flat at around 2-3% for a decade. The High Frequency Survey of 2016 indicated that 69% of the Somali live below the poverty line of \$1.9 per day, with the bottom quintile experiencing extreme periodic malnutrition. Poverty cuts across sectors, location, groups and gender, and its forms and causes vary.

Despite strong gains in recent years, growth remains volatile and is cyclically hijacked by drought. Economic activity is projected to decelerate in 2016–17. Growth is projected to remain subdued at 1.8 percent and inflation to pick up to 3.7 percent in 2017, compared to 2.4 percent and 1.3 percent, respectively in 2016.. As the drought started receding, growth is expected to recover to 2.5–3.0 percent and inflation to decline to 2.0-2.5 in 2018–19. Somalia’s trade deficit is 55.5% of GDP in 2014–15, and has been largely finance by remittances and grants. For the same period, the current account registered an annual deficit of 8.6 percent of GDP and was covered mostly by foreign direct investment, mainly by Somali diaspora.



The significance of remittances can be seen in the chart above, highlighting the considerable importance of external flows to households, and to prop up the purchasing power of the Somali economy. Similarly, as outlined in the charts below, grants play a considerable role in filling budget deficits, financing wage and non-wage recurrent costs and an increasing amount of capital investment to improve state capacities and drive improved service delivery.



Source: IMF 2016 Article IV Consultation, February 2017

Net ODA has been increasing year on year since 2005, with notable decreases in 2009 and 2010, which were subsequently offset by a huge spike in spending between 2010 and 2011. ODA reached US\$ 1.253 billion in 2015, up from US\$ 240.22 million in 2005. Of course, much of the transaction costs (administration etc.) remain off shore, so total in country spend will fall below these levels.

Net official development assistance and official aid received (current US\$ million)										
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
240.22	396.17	393.74	765.87	661.64	505.68	1098.98	990.46	1054.58	1109.58	1253.55

The vast majority of the Somali economy is informal and therefore essentially untaxable. The Government operates the lowest revenue to GDP ratio in the world, undermining state building and the delivery of basic and essential services, including those that accelerate growth. Lack of revenues also affect the viability of the Federal model, and sub-national block grants are not transferred to the regions in return for policy and regulatory compliance; and loyalty. The fiscal economy remains highly balkanized. Communities, the urban ultra-poor, nomads and sedentary pastoralists, work outside the mainstream economy, in what might best be understood as the coping economy.

Somalia’s Gender Inequality Index is alarmingly high, at 0.773, close to the maximum value of 1, which shows extreme gender inequality. Women suffer more exclusion and inequality than men in terms of economic empowerment including labour market participation¹. Poverty in Somalia is more pronounced in the IDP (internally displaced people) camps where it estimated to be 88%, followed by rural areas with 75% and urban areas with 67%. Women and children comprise 70-80% of IDPs in Somalia. More than two thirds of the people who are in crisis and emergency are internally displaced and nearly 215,000 children aged under five are acutely malnourished, of whom almost 40,000 are severely malnourished and face a high risk of disease and death². Somali citizens lack access to social services, particularly education, health and sanitation. Most women in Somalia are uneducated and maternal mortality rates are among the highest in world. Further, 27% of the young women are neither in school nor employed, compared to 15% of their male counterparts.³ The drought in 2016/2017 has further deteriorated this situation.

Humanitarian assistance averages around USD 400 Million per year and is estimated to spike to some USD 600 Million in 2017 due to the drought. The state and non-state sectors and the Somali communities are still insufficiently resilient to predict, prevent or manage human-made or natural disasters. National disaster responsiveness, planning and mitigation capabilities and resources need to be established and strengthened. The consequence is cyclical upheaval that can only be avoided by addressing the underlying causes of vulnerability and strengthening the resilience of the state and non-state institutions and communities, creating economic growth to increase employment and reduce poverty.

Over the past few years, major progress was made in re-establishing the state in Somalia. The Federal Government was established, the Federal Member States have been established, a rather solid Aid Coordination Structure based on the New Deal arrangements is functioning, the Federal Government developed for the first time in over 30 years a National Development Plan (NDP), covering the period 2017-2019, and did so in an inclusive manner, and recently the Security Pact was agreed upon paving the way for a national security system. Moreover, the IMF predicts long term economic growth in the range of 5-6% over the medium term, which will see real returns to wealth creation affecting all income quintiles. In short, the Government sector is emerging quite strongly and is ready to move beyond state establishment - beyond the narrow confines of the political and security transition - moving into addressing fundamental development challenges.

The NDP describes the priorities for development in investment in the political and security arena, the government and governance areas as well as in the different service and productive sectors in the country. In

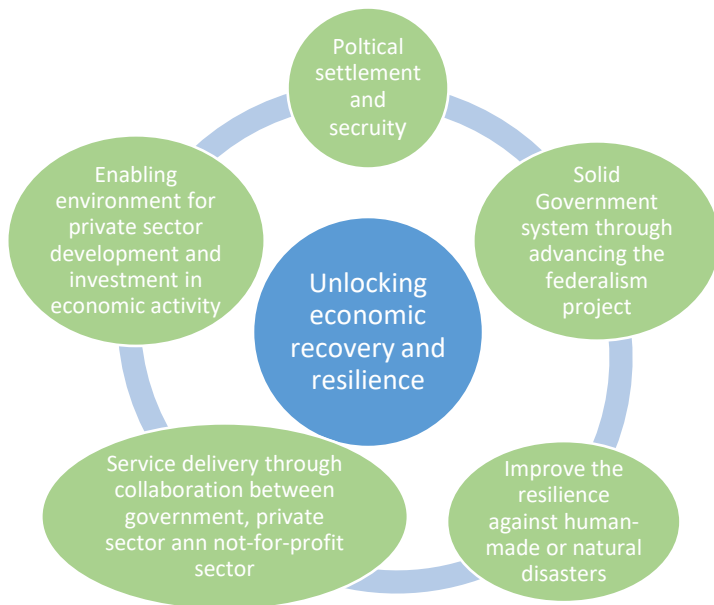
¹<http://www.undp.org/content/dam/undp/library/corporate/HDR/Arab%20States/HDR-Somalia-Factsheet-2012-E.pdf>

² OCHA- 2015

³<http://www.undp.org/content/dam/undp/library/corporate/HDR/Arab%20States/HDR-Somalia-Factsheet-2012-E.pdf>

an overall effort to **unlock the economic recovery, improve resilience and reduce abject poverty**, the core priorities underlying the NDP include:

- Political settlement and improvement in security through open politics and reconciliation, and the reestablishment of the Somali National Armed forces and reform of the security sector;
- Federal political and economic framework that empowers the federal member states to deliver services and economic opportunities to the citizens of Somalia;
- More resilient communities that can withstand internal and external ‘shocks’ like cyclical droughts and other natural disasters, including development and implementation of a comprehensive approach to displacement from a development point of view;
- Vibrant economic sector, focusing on agriculture, livestock and fishing, leading among other things to increased employment opportunities and decent work particularly for the youth and women;
- Increased availability and accessibility of quality of basic education, health, water and sanitation services, leading among others to improved health outcomes, reduced maternal and child mortality, reduction in malnutrition rates as well as prevention and control of communicable and non-communicable diseases.

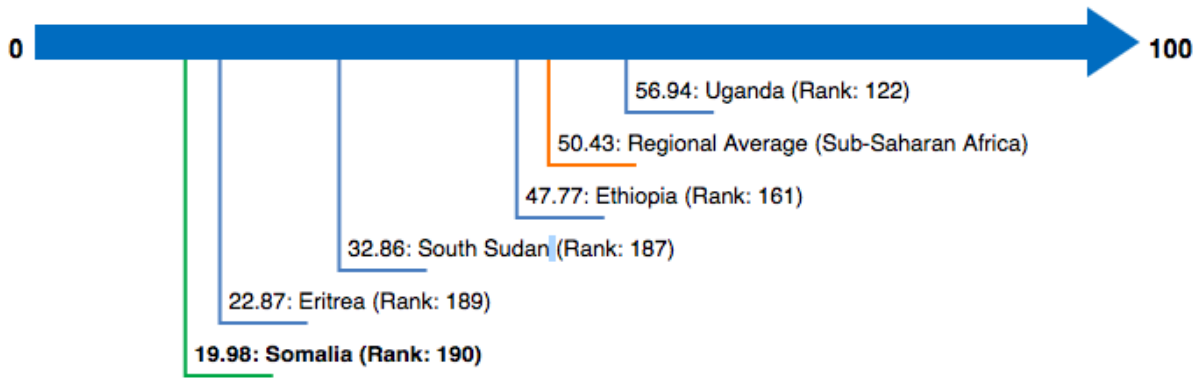


The underlying approach towards unlocking economic recovery and improving resilience hinges on establishing **productive collaboration** among the government sector, civil society, the private sector and the non-for-profit (or NGO) sector. Each of these sectors has a role to play and if one of them fails, the overall approach will be at risk.

The Government sector is emerging, but with strong regional imbalances. The Governments in Somaliland and Puntland have been in existence for several years and are on a strong pathway towards efficiency and effectiveness, with strong growth and fiscal gains laying the foundation for improved delivery of public goods. The regional governments in Galmudug, South West, Jubbaland, Hirshabelle and the special region of

Benadir are all recently established and require significant support to put in place the machinery of state, new functional mandates while implementing public policy. Since 2012, the Federal Government of Somalia, has made strong steps towards maturity, but in the absence of enabling legal and regulatory arrangements combined with a still fledgling and weak administration, productivity gains in the legal, regulatory, policy and oversight arrangements remain priorities for improvement.

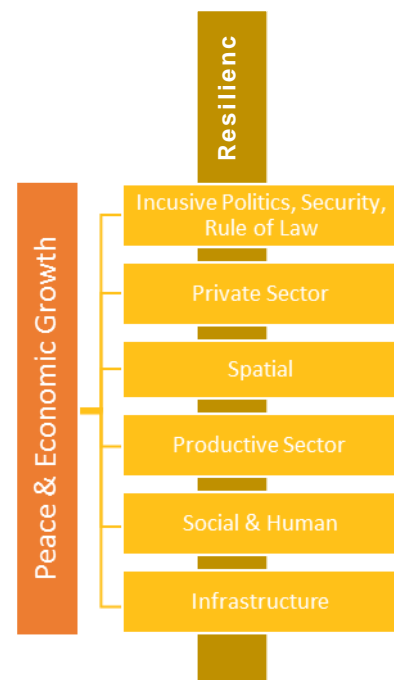
At the level of private firms, the so-called Distance to Frontier (DTF) ranking for Somalia on the Doing Business Report highlights the lack of competitiveness of the Somali private sector, given the plethora of enabling environment constraints. In 2016, Somalia was ranked 190 out of 190 states.



The Private sector is vibrant, but faces a number of obstacles to further growth:

- Weak business regulations and lack of critical value chain infrastructure for SMEs hinder their growth throughout their lifecycle.
- Poor access to costly finance:
 - No national currency in circulation
 - Non-existent credit information systems
 - No collateral laws that can enable businesses to use their assets as security
 - AML/CFT compliance concerns
 - High interest rates and few financial products on the market
- Low skills level & mismatch between labor demand and supply
 - Skills training and employment services are not available, affordable, or demand driven
 - There is low labor market information and monitoring mechanisms
- Limited access to nontraditional overseas markets
 - Somalia is yet to engage in broader trade pacts or be part of regional trade groupings
 - Somali businesses face comparatively higher barriers to market access and are uncompetitive in pricing
- The Somali private sector is dominated by Micro, Small and Medium Enterprises (MSMEs), where women are the main drivers of especially the micro sector.⁴ Though larger corporations exist – particularly in the finance sector – they are not significant employers in their own right. However, women struggle to function in an environment where vital business information is still shared in a very informal manner, and where belonging to a strategic network and having strong clan connections persistently determine success. The representation of women in the private sector, or bodies supporting the sector, remains meager.

Despite these challenges, private sector development is proceeding, often fueled by diaspora remittances and direct investments. In the absence of a banking system, innovative financing approaches are explored by the private sector (e.g. the “crowdfunding” effort to install a solar power plant now complemented by three windmills in Garowe, Puntland). The private sector is organizing itself and is increasingly able to form a consolidated counterpart to government initiatives and developments, capable of constructive engagement to tackle



Links between Peace & Economic Growth and Resilience.

⁴http://www.so.undp.org/content/somalia/en/home/library/womens_empowerment/publication_2211.html

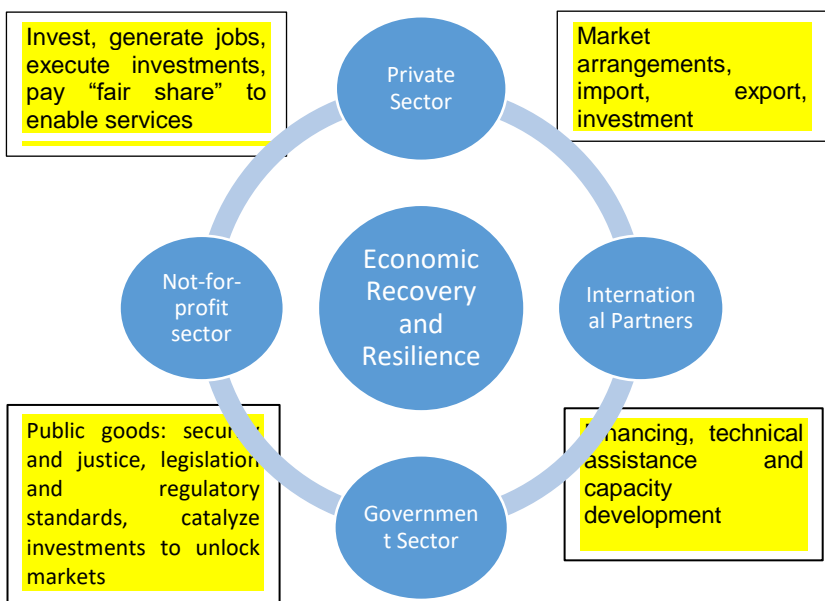
bottlenecks for private sector development – as was demonstrated in the run-up to and at the London Conference.

The civil society is – naturally – dispersed along various interests. However, as with the private sector, it is organizing itself in consortia and coordination arrangements, such as the NGO consortium and the Somali Women's Leadership Initiative (SWLI). As the private sector, the civil society is engaging strongly on specific development challenges with the public sector, most recently in the development of the NGO law.

The not-for-profit sector is – as the private sector – **a strongly emerging economic sector** in Somalia. Numerous NGOs have seen the light of day in recent years and increasingly they perform functions in a professional manner in the field of service delivery, advocacy and accountability (“watch-dog”). While most NGOs and CSOs do have strong support from the local population and the diaspora and are engaged with the international community, the absence of appropriate regulation and an enabling environment in sectors like health and education hamper investments and long-term engagement.

The NDP explicitly recognizes that there is **no silver bullet** on the path towards peace and stability, that there is no single action that will make the ultimate difference. Instead, the NDP is built on the notion that the different causal factors, challenges, opportunities and constraints need to be addressed as much as possible in unison and at the same time, requiring a coordinated partnership between Somali public and non-state actors (civil society and private sector), with enabling assistance of external partners.

The **overall outcome of the work** ahead is that the Somali citizens will have access to employment, will have access to essential services like health and education, and will be better prepared to withstand human-made or natural disasters.



The private and not-for-profits sectors will need to be enabled to invest in the priority sectors and engage with a government system that provides an enabling environment through appropriate policy work, a transparent and predictable legal and regulatory environment, while international actors back the approach with finance, technical assistance and capacity development, while assisting to unlock international markets. The proposed work program aims to put in place a new administrative structure to address the many structural constraints to improved growth and private sector investment outcomes.

An illustrative example relates to the time and costs of starting up a business in Somalia, highlighting the kind of work that the proposed project would address. Currently, as seen below, it takes up to 100 days to start a business, with costs as a percentage per capita often providing a disincentive to register a business. As a result, the informal sector dominates and the Government is denied a taxable income from these companies. A regulatory guillotine approach could be deployed with some effect. Similarly, as illustrated below, Somalia offers no legal rights to investors, again providing a huge disincentive to private operators.

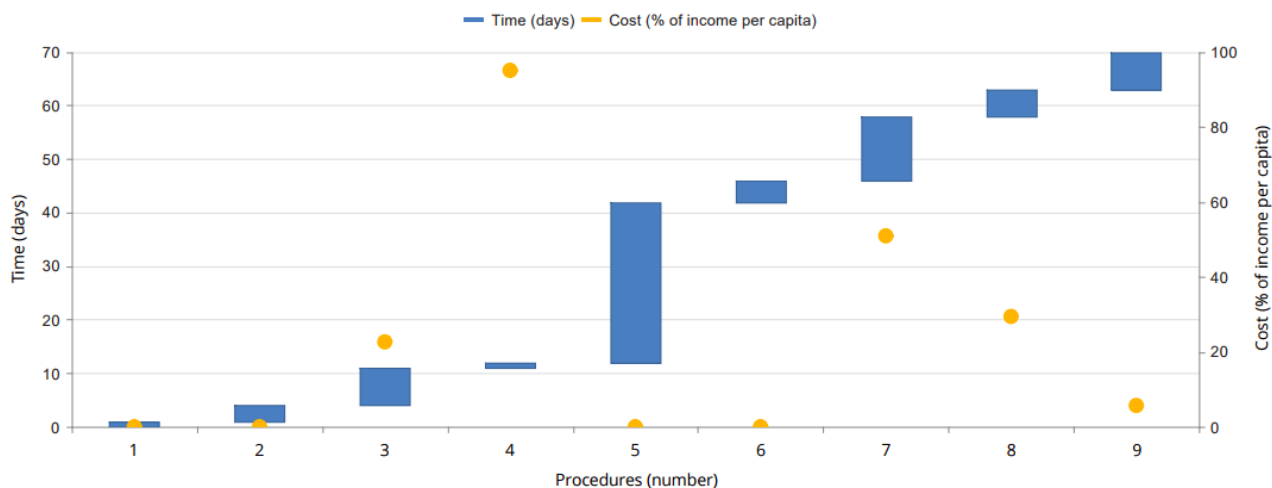
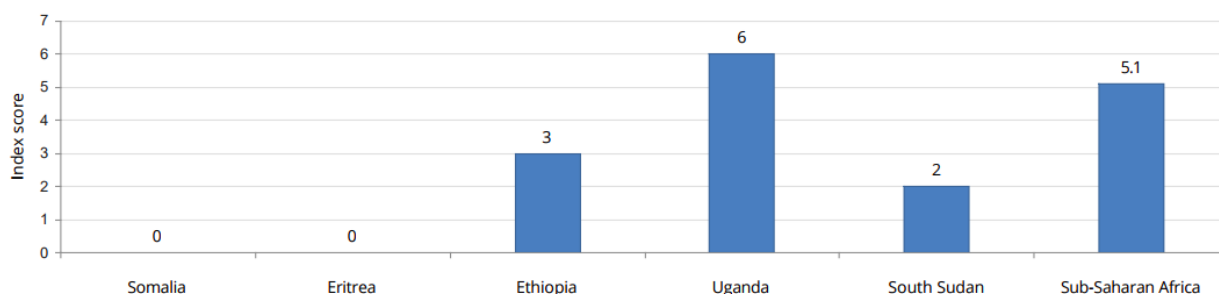


Figure – Legal Rights in Somalia and comparator economies



II. Purpose and strategy

It is against the background described above that the Ministry of Planning, Investment and Economic Development (MoPIED) has developed a number of initiatives that will be further supported through the present project.

The specific areas that will be supported through this 6-months project are:

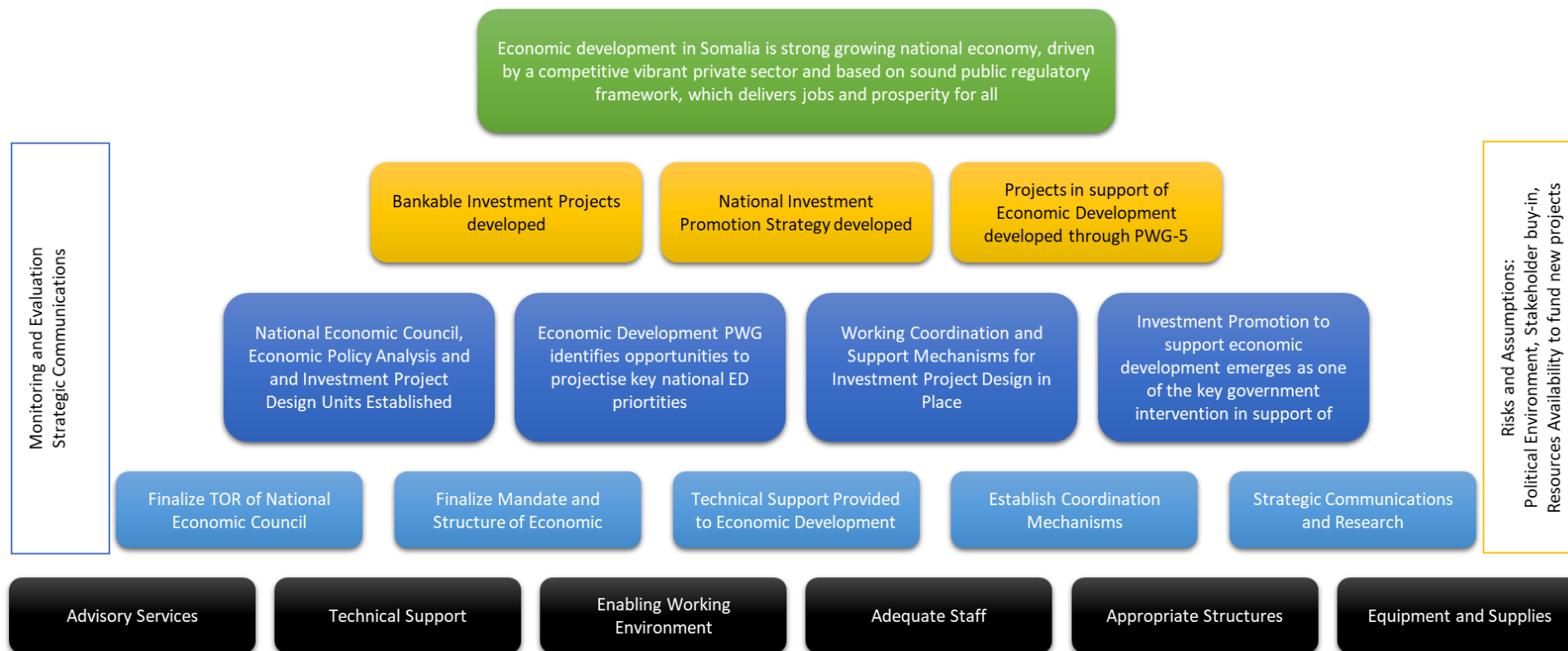
- Establishment of the National Economic Council;
- Strengthening investment promotion capacities in Somalia; and
- Establishment of Investment Project Design unit.

While the project support focuses on the Ministry of Planning, Investment and Economic Development, through its coordinating functions, the Ministry will reach out and include other key ministries in the Government and ensure that appropriately alignment concerning the above initiatives is ensured. To this extent, the project may support the organisation of dedicated efforts, including conferences and workshops.

While this project provides the initial support, the activities supported are intended as pilot activities and are expected to lead to longer term engagement with the Ministry in these arenas. It will therefore be critical to inject initial capacity to support the current Sominvest Department, but with a clear exit strategy in mind from kick off. The present project is proposed to allow the Ministry to respond to the urgent requirements and expectations the Somalia society of the Somali Government to deliver on the priorities as documented in the National Development Plan, where economic recovery and increased resilience against natural or socio-economic shocks are paramount in the overall approach to improve the quality of life of the Somali citizens.

III. Theory of Change

If the government has a functioning national economic council supported by a secretariat that promotes investment in Somalia and translates key priorities of the country identified in NDP and/or through consultations with relevant stakeholders into bankable projects and attracts investment, then the government's efforts will be on track to facilitate unlocking the economic recovery, improve resilience and reduce abject poverty.



Risks and Assumptions:

The political environment is right for this work and no conflicts created as a result of this initiative. National and international stakeholders support this initiative that will lead to increased investment in Somalia and financial support for key national economic development projects increased.

IV. Outputs



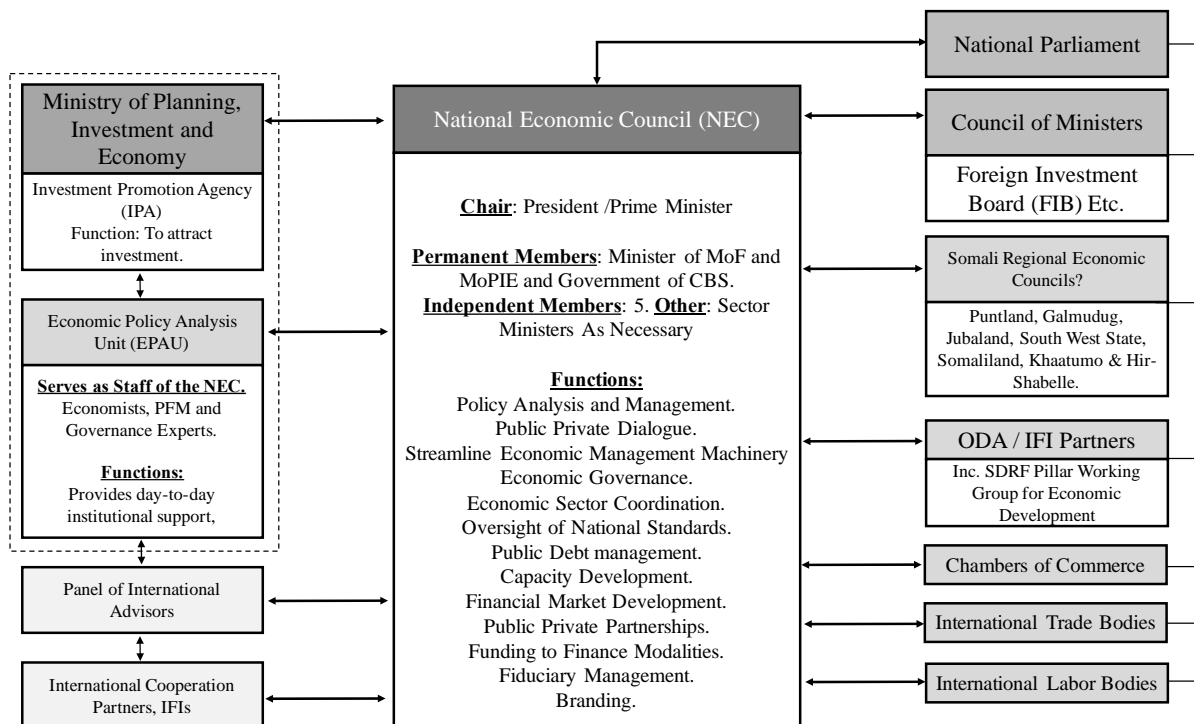
Output 1: Establishment of the National Economic Council and the Economic Policy Analysis Unit supported
 The Ministry of Planning, Investment and Economic Development of the Federal Government of Somalia has been charged to establish a **National Economic Council (NEC)**, an advisory council on formulation, implementation and monitoring of economic policy matters to the government, including on how best to achieve economic objectives and the efficient ways of implementing economic reform programs.

The establishment of the NEC will help to signal to the people of Somalia and the country's development partners that the Government is committed to the principles of sound economic and financial management, will undertake effective reforms with efficiency and urgency, and will strengthen the government's capacity to formulate and execute its economic programs and plans with the highest commitment and seriousness to improve the welfare of the general public and the most vulnerable in particular. It further underscores the determination of the Government to signal to the international community that external financial assistance to the country will be utilized with effectiveness and efficiency, and above all for the intended purposes.

The private sector can create jobs, drive infrastructure development and strengthen the sense of normalcy and peace. Many countries in fragile situations do not attract private sector investment primarily due to lack of infrastructure, weak governance, and political constraints. In the case of Somalia, domestic private investment remains dominated by SMEs, operating with very little enabling support from the state. Foreign Direct Investment too remains limited, as investment laws are outdated and ownership and regulatory issues are very limited in scope, and the weak justice system undermine the legal application of contract law.

The National Economic Council will bring together the key stakeholders in economic development in the country to ensure that its advice is not only technically sound, but also represents appropriately the various communities in the country. The NEC will be supported by the **Economic Policy Analysis Unit (EPAU)** to be established at the Ministry of Planning, Investment and Economic Development. The EPAU will not only perform functions as secretariat to the NEC, it will be endowed with the capacities and network to implement substantial analysis of the economic situation in Somalia, and translating this analysis into solid strategic economic advisory proposals for debate at the NEC.

Illustrative Cooperation Framework for the Somali National Economic Council (NEC)



The EPAU may be tasked by the NEC on undertaking specific research and policy formulation issues. Through the EPAU dedicated capacity will be deployed to support the Ministry's key role in the Development

Assistance (aid) Coordination architecture, where the Ministry is the lead of the Pillar Working group 5 on Economic Development (see also annex 1 and 2).

The **specific activities** to be implemented and supported through the present project initiation plan include:

- Formal establishment and launch of the National Economic Council
- Establishment of the Economic Policy Analysis Unit (EPAU)
- Support to the operations of the NEC and the EPAU

The kind of activities likely to be undertaken by the EPAU, among others, are illustrated below:

- Identify and develop new capital financing modalities to increase capital inflows to accelerate development and economic growth in alignment with the SDGs;
- Identify bankable anchor and ancillary projects, of various sizes and risk/return profiles and suited to different types of capital, conduct feasibility studies and take projects to market (G2B / PPP, B2B);
- Build Government readiness capacities in formulation, execution, oversight, financial intermediation and socially responsible investing;
- Provide investment readiness assistance, evaluate investability and investor appetite (develop pitch books, host investment roadshows, business development / incubation labs for the main urban areas);
- Identify measures that increase the efficiency and impact of existing (government and donor) funding mechanisms through their intersection with financing – moving from the notion of single-project funding to outcomes-based financing and advise government on how best to navigate the financial ecosystem;
- Develop an impact due diligence framework against which projects can be evaluated;
- Establish working relations (and where feasible coordination) with the Private Infrastructure Development Group (PIDG), Public-Private Infrastructure Advisory Facility (PPIAF), and World Bank Global Infrastructure Facility African Investment Facility.

In addition, MoPIED, as the government co-chair of the PWG, will be technically supported through deployment of technical advisor (Annex 2: TOR) for Economic Development Pillar Working Group (PWG)

Blended Finance

Another possible focus of the National Economic Council and EPAU work might include looking at issues such as blended finance. Blended Finance (Direct funding is the provision of debt, equity or grants) has some potential in Somalia, despite the weak financial market structure and regulation. In Somalia, a blended facility could consist of grants, junior equity (with the donor accepting a high risk for a relatively low return), and/or subordinated/junior/mezzanine debt (with which the donor absorbs the first tranches of risks in the case of non-payment or late payment of loans). A critical driver of such an approach is that the private investor can minimize risk and maximize rates of return above an investment hurdle rate, improving the IRR and NPV. In Somalia – for energy, infrastructure, transport and perhaps even Agriculture – such an approach might provide a foundation for considerable new capital flows. In Afghanistan for example, where IPP power supply modalities made the investment costs and risks too high for private contractors, the capital costs were subsidized by donors allowing the breakeven point to be brought forward many years, on a concession of 20-30 years.

Output 2: Capacities for promoting of investment in Somalia strengthened

The private sector can create jobs, drive infrastructure development and strengthen the sense of normalcy and peace. Many countries in fragile situations, however, are struggling to attract private sector investment primarily due to lack of infrastructure, weak governance, political constraints, and importantly due to insufficiently developed networks and strategic approaches to communicate appropriately to interlocutors and potential investors. While some of the investment in Somalia is domestically generated, in view of the substantial needs in the country, it is expected that a significant part of the investments is to be sourced internationally.⁵ The Government of Somalia has undertaken several efforts to improve its image in the

⁵ One of the best ways to formalize an economy is to establish a Freezone, as it now being done in Somaliland and Puntland, in order to provide a dedicated space equipped for businesses to operate, where the enabling services and regulations are newly established. These would in essence become hubs for SMEs and larger companies, strengthening the in-

‘investment world’ but recognises that a more substantial approach is required to attract the type of investment that is required to realise the development objectives. This was one of the fundamental reasons behind the change in mandate of the Ministry of Planning to include the responsibilities to promote investment.

The Ministry of Planning, Investment and Economic Development has established the internal cooperation and coordination with the national government partners and is engaged in networks with the private sector in Somalia. These networks and coordination arrangements are fundamental in the overall approach and ensuring that the promotional efforts directly link to the expectations in the domestic environment and build upon the follow-through potential.

The **specific activities** that will be supported through the present project include:

- Improve the understanding of the investment ‘eco-system’ relevant to Somalia, aiming to allow better targeting of investment promotional activities;
- Improve the understanding of the promotional avenues and mechanisms Somalia could productively engage in its efforts to communicate to potential investors;
- Develop and support the implementation of the National Investment Promotion Strategy, including the required coordination and networking efforts

Moreover, the EPAU unit will also work to establish institutional coordination mechanisms with the following international support networks:

- The Private Infrastructure Development Group (PIDG) mobilizes private sector investment to assist developing countries in providing infrastructure vital to boosting their economic growth, and combating poverty;
- The Public-Private Infrastructure Advisory Facility (PPIAF), which is a multi-donor trust fund providing technical assistance to governments in developing countries in support of the enabling environment conducive to private investment. This includes the necessary policies, laws, regulations, institutions, and government capacity. PPIAF also supports governments to develop specific infrastructure projects with private sector participation;
- World Bank Global Infrastructure Facility (GIF): The newly established GIF is focused on expanding the universe of infrastructure projects that have the potential to mobilize private investment, through support across the project preparation and transaction process, to include infrastructure investments in power, transport, water and sanitation;
- African Investment Facility: The main purpose of Africa Investment Facility (AfIF) is to support sustainable growth in Africa, through what amounts to a blending facility. It aims at fostering investments which will have a positive impact on the socio-economic development such as infrastructures in transport, communication, water, energy as well as agriculture and private sector development, in particular SME's. The Facility is an innovative financial mechanism that combines grants (non-refundable financial contributions from the European Union) with other resources such as loans from Development Finance Institutions in order to leverage additional financing for development and increase the impact of EU aid; and,
- Asian Infrastructure Investment Bank (AIIB): Somalia would do well to apply for membership of the AIDB, as China, the Gulf States and other investors seek to make considerable sovereign and private investments in the Horn of Africa. AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond, and a number of African countries are already members, linked to the Belt and Road Initiative more broadly. AIDB provides or facilitates financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the Asia region.

country supply chain, creating jobs and allowing induced and spillover spending to occur to effect the wider economy. It would also expedite creating an enabling business environment, including clarifying ownership structures, as all regulatory compliance issues can be established by the authority.

Output 3: Establishment of Investment Project Design Unit supported

While overall economic strategy and prioritization as well as sound investment promotional action are essential ingredients for stimulating economic recovery and resilience, they will not be as productive as they can be in the absence of sound investment projects to promote.

Over the past years, and for instance during the recent **Drought Impact Needs Assessment** and **Recovery Resilience Framework** (see box below), a fairly large number of investment ideas have been identified, varying from water provision for livestock, to port upgrading, to irrigation schemes, to jetties for the fishing industry, etc. Some of these relate more to 'classic' development projects while others are more in the arena of private sector investment, PPP or other mixes of investment arrangements. However, these ideas only rarely are developed in bankable, fully worked out investment proposals, which is seriously hampering the economic recovery. The second challenge is that even if there is a solid proposal, the access to finance is not sufficiently available.

Drought Impact Needs Assessment / Recovery Resilience Framework and the link to the National Development Plan

The DINA/RRF is a framework that, through the specific lens of drought and resulting social upheaval, analyses what the key drivers are behind drought and the consequences and proposes a series of priorities covering the productive sectors, social sectors as well as the roles and responsibilities of the public, private and not-for-profit sectors in re-dressing the situation and – importantly – creating the conditions to avoid that in the future drought will lead again to social upheaval, including famine. The kind of actions include restoration of productive capacity, provision of services and strengthening (or building) capacities in public and private agencies with key roles in the process – this is captured under the banner of "Recovery and Resilience Framework (RRF)".

The Somalia National Development Plan, while describing the overall development vision for Somalia, provided an outline of the way of working and priorities in the different sectors and paid specific attention to resilience. The NDP indicates the requirements to reach a series of objectives in the productive sectors, social service sectors, governance, and political development, among others. The NDP, however, described these from a general development perspective. The DINA/RRF add value to these general priority settings, by providing the specific lens from the angle of drought. This allows highlighting to large level of detail and granularity priorities for the country that will allow it to predict, respond and avoid crisis related to drought.

Building upon the more general directions in the NDP, the DINA/RRF provides for an operationalisation in a relatively large level of detail and granularity, and more immediate action oriented. In a sense, the DINA/RRF is a dedicated approach within the framework of the NDP to tackle the drought related matters.

The scope of the DINA/RRF crosses the different Pillars of the NDP, as indicated above. The resulting action from the DINA/RRF links to the priority setting in the NDP, and therefore is coordinated through the established Pillar Working Groups structure. The RRF will contain a costed framework of the prioritised action and will serve to mobilise funding and – just as important – will provide for an arrangement that will facilitate access to finance. The possible funding arrangement for specific activities that will be prioritised in the RRF are diverse. They can include national public or private funding, direct foreign investment, bilateral donor funding, crowdfunding, multi-party trust funds, matching fund arrangements, angel investor arrangements, social impact funds, to name but a few of the options. The DINA/RRF will provide support to a management/facilitation arrangement concerning the access to funding, including a 'facility' that will assist maturing investment priorities and ideas into 'bankable projects' as per the nature of the most likely funding arrangement.

The Government of Somalia has identified the urgent need to fill this gap and the **Investment Project Design unit** is to be established at the Ministry of Planning, Investment and Economic Development for this purpose.

The Investment Project Design unit would be endowed with a limited number of staff and have access to funds to hire (mostly consulting) services to develop the bankable proposals and do the 'due diligence', in line with the financing option that would be most suitable. In close cooperation with the other relevant units at the Ministry, the Investment Project Design unit will maintain a global network with potential financing avenues for the projects in Somalia and link the investment opportunities to financing arrangements like crowdfunding platforms, social impact investment funds, matching fund schemes, direct foreign investment as well as regular development cooperation financing.

The **specific activities** that will be supported through the present project include:

- Develop the concept of the Investment Project Design Unit, including TOR, staffing, budget and funding requirements
- Develop a strategic proposal for 'access to financing' building upon a solid analysis of (global) financing options
- Support the Investment Project Design Unit in its operations upon its establishment

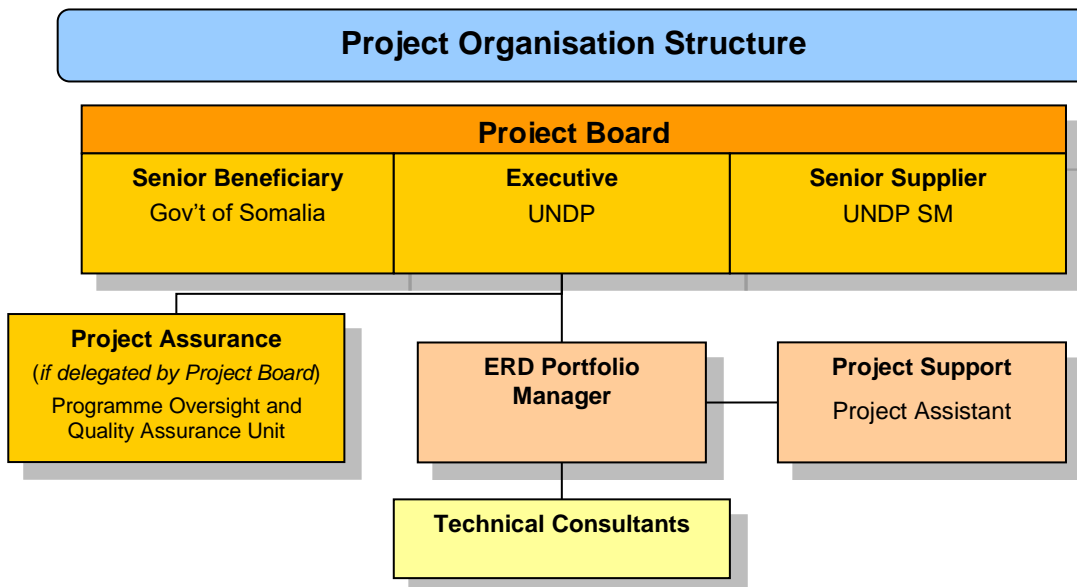
The funds required to engage consultancy services for specific project design are expected to be made available through another mechanism.

V. Management Arrangements

The Project Initiation Plan (PIP) will be managed by the Economic Recovery and Development (ERD) portfolio. The project will support technical consultants and as required operations costs to cover work of the consultants. The portfolio manager will ensure the activities are implemented in line with the objectives of the project and implemented as per the approved AWP. In consultation with the government and UNDP regional technical support, as feasible, a full project document will be developed or the current PIP extended.

The project management arrangements will be in accordance with the standard UNDP procedures. A project management board will be established and chaired by UNDP with membership from other key stakeholders for strategic guidance and oversight of the project. The deputy programme manager will provide the oversight role to be delegated by the project board.

The structure below shows the project organization and management arrangements.



VI. Monitoring

The PIP will follow standard UNDP procedures for reporting, monitoring and evaluation. These include follow up on the implementation of work, producing progress updates and tracking of progress based on the benchmarks and reporting on use of resources as per the approved annual work plan (AWP). As per established requirements in the country office, quarterly progress reports will be prepared to take stock of results achieved, plans for the next quarter and issues, risks and lessons learnt during the reporting period. A final report will prepared following closure of the project.

VII. Annual Work Plan – 2018

EXPECTED OUTPUTS <i>And baseline, indicators including annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount in USD
Output 1: Establishment of the National Economic Council and the Economic Policy Analysis Unit supported Indicators: a. NEC and EPAU exists and operational b. Extent of technical support provided to PWG on Economic Development Baselines: a. NEC and EPAU do not exist b. No support for PWG on Economic Development Targets: a. NEC and EPAU are established and are operational b. PWG on Economic Development technically supported	Formal establishment and launch of the National Economic Council <ul style="list-style-type: none"> Finalize TOR Formal Establishment Decree Inaugural Conference NEC meets at least quarterly EPAU produces at least one strategic economic advisory paper per quarter 	X				UNDP / MoPIED	EDRCR	72100 - Advisory Services 75700 - Training, Workshops and Conferences 72100 - Contractual Services-Companies Advisory Services (1 consultant @1,000 x 40 days)	10,000 50,000 40,000
	Establishment of the Economic Policy Analysis Unit (EPAU) <ul style="list-style-type: none"> Develop TOR and mandate Develop staffing and costing structure Engage government staff Provide appropriate working environment 	X				UNDP / MoPIED	EDRCR	72100 - Contractual Services-Companies 72200 - Equipment & Furniture 71800 - Contractual Services-Imp Partners Staffing (2 staff @4000 months)	15,000 10,000 48,000
	Support to the operations of the NEC and the EPAU <ul style="list-style-type: none"> Bi-monthly meeting of the NEC Economic Research capacity for EPAU Coordination arrangements and support 	X	X			UNDP / MoPIED	EDRCR	75700 -Training, Workshops and Conference, conferences 72100 - Contractual Services-Companies Economic research 75700 - Training, Workshops and Conferences arrangements and support (e.g. dedicated meetings)	30,000 20,000 10,000
	Technical support to the Economic Development Pillar Working Group <ul style="list-style-type: none"> Finalise TOR and hire technical consultant Provide inputs as per Annex 2: TOR 					UNDP / MoPIED	EDRCR	72100 - Advisory Services (1 consultant @10,000 x 6 months)	60,000
SUB-TOTAL OUTPUT 1							Sub-Total		293,000
							GMS		20,510
							Total Output 1		313,510
Output 2: Capacities for promoting of investment in Somalia strengthened	Improve the understanding of the investment 'eco-system' relevant to Somalia, aiming to allow better targeting of investment promotional activities; <ul style="list-style-type: none"> Meetings, conferences, engagement, outreach 'eco-system' analytics 	X	X			UNDP / MoPIED	EDRCR	72100 - Contractual Services-Companies Advisory services 75700 - Training, Workshops and Conferences	10,000 20,000

EXPECTED OUTPUTS <i>And baseline, indicators including annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount in USD	
Indicators: NIPS draft developed Baseline: National Investment Promotion Strategy has not been developed/drafted while initial promotional initiatives have been undertaken Targets: National Investment Promotion Strategy is developed/drafted	Improve the understanding of the promotional avenues and mechanisms Somalia could productively engage in its efforts to communicate to potential investors; <ul style="list-style-type: none"> Strategic option research Strategic communications development 	X	X			UNDP / MoPIED	EDRCR	72100 - Contractual Services-Companies Advisory services	10,000	
	Develop and support the implementation of the National Investment Promotion Strategy (NIPS), including the required coordination and networking efforts <ul style="list-style-type: none"> Staffing support Strategy development Strategy implementation Provide appropriate working environment 		X			UNDP / MoPIED	EDRCR	72100 - Contractual Services-Companies Advisory services	10,000	
								71800 - Contractual Services-Imp Partners	25,000	
								72100 – Contractual Services - Companies	10,000	
								72100 - Promotional activities working environment	10,000	
SUB-TOTAL OUTPUT 2									109,000	
									GMS	7,630
									Total Output 2	116,630
Output 3: Establishment of Investment Project Design Unit supported Indicators: No of bankable projects developed by the IPDU Baseline: No bankable projects produced by the IPDU Targets: The Investment Project Design Unit produces at least 5 bankable projects per year	Develop the concept of the Investment Project Design Unit, including TOR, staffing, budget and funding requirements <ul style="list-style-type: none"> Design work 	X				UNDP / MoPIED	EDRCR	72100 - Contractual Services-Companies	10,000	
	Develop a strategic proposal for 'access to financing' building upon a solid analysis of (global) financing options <ul style="list-style-type: none"> Global market scanning Analytics on fit between options and Somalia requirements 	X	X			UNDP / MoPIED	EDRCR UNDP	72100 - Contractual Services-Companies Advisory services 72100 Contractual Services-Companies - Advisory services	1,531 8,469	
	Support the Investment Project Design Unit in its operations upon its establishment <ul style="list-style-type: none"> Engage staff Provide appropriate equipment Work-plan development 		X			UNDP / MoPIED	UNDP	71800 - Contractual Services-Imp Partners Staffing (2 staff @4000) 72200 - Equipment & Furniture	48,000 20,000	
SUB-TOTAL OUTPUT 3									88,000	
									GMS	807
									Total Output 3	88,807
TOTAL DIRECT PROJECT COSTS									518,947	
Output 4 Project Managed Effectively and Efficiently Indicators: Level of project team presence and functionality Baseline: No project team in place	Project management and related costs					UNDP / MoPIED	UNDP	71400 - Contractual Services	20,000	
								UNDP	73100 - Premises	83,520

EXPECTED OUTPUTS <i>And baseline, indicators including annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount in USD
Targets: Functioning project team in place									
	Direct Project Cost <ul style="list-style-type: none"> • Monitoring, Evaluation and Oversight @1 % • Communication Support @ 1% • Programme Oversight @3% • Operations (Finance, HR, Procurement, ICT and other office Support • Common Services) @4% • Security Support @4% 					EDRCR	64300- Staff-related cost (DPC)-70%	37,631	
							74500- General Operating Expenses (GOE) (DPC)-30%	16,128	
	Direct Project Cost <ul style="list-style-type: none"> • Monitoring, Evaluation and Oversight @1 % • Communication Support @ 1% • Programme Oversight @3% • Operations (Finance, HR, Procurement, ICT and other office Support • Common Services) @4% • Security Support @4% 					UNDP	64300- Staff-related cost (DPC)-70%	16,379	
							74500- General Operating Expenses (GOE) (DPC)-30%	7,020	
SUB-TOTAL OUTPUT 4								180,678	
Direct & Project Management Costs								670,678	
						EDRCR	GMS (7%)	32,710	
TOTAL								703,388	

Annex 1 - Draft TOR – Pillar Working Group for Economic Development

I. BACKGROUND

Under the Somalia Development and Reconstruction Facility (SDRF), the Pillar Working Groups are responsible for sectoral and programmatic coordination within the pillars of the National Development Plan (NDP). Development partners should use these groups to present programs at an early stage of development to discuss alignment with NDP priorities, coordinate with key actors, and avoid duplication. The groups will also be responsible for tracking and reporting on progress within their pillars, which will then be compiled by the Secretariat and inform discussions of the Steering Committee. Coordination between the pillar working groups and humanitarian cluster system will be important for ensuring coherence and coordination across the humanitarian-development-peace nexus.

There is an increasing realization that the principal reasons for development failures in developing economies are the internal weaknesses of institutions and processes of development planning and economic management; weak mechanism for translating planning to actual implementation; lack of appropriate mechanism for engaging citizens in the development processes as well as communicating development results.

Keeping this in mind, we envisioned under the NDP a transformation agenda aiming to enhance coordination and partnerships by addressing the persistent challenges through effective coordination and networking between the Government and International Development Partners.

We anticipate considerably large part of the NDP funding will come from International Development Partners to finance NDP priorities. Therefore, the Federal Government of Somalia is strongly committed to making aid more effective by working closely with donors to ensure that development is Somali owned and led, and is strongly aligned with NDP priorities.

II. RATIONALE

The coordination structures for the NDP are structured into Pillar Working Groups and related Sub-Committees. The Pillar WGs are responsible for facilitating Policy Formulation, Planning and Program Coordination in line with the NDP Priorities and Agreed Partnership Principles. It is also responsible to ensure that cross cutting issues as identified in the NDP are being effectively addressed.

The Economic Development Working Group has been established as it is essential for Government to be able to deliver and/or support economic development in order to revitalize local economies and build resilient and economically diverse country.

The Economic Development Pillar is responsible for establishing the ‘Economic Foundations’ for sustainable long-term growth and poverty reduction. The overall strategic aim of the Pillar is to ‘revitalize and expand the Somali economy with a focus on livelihood enhancement, employment generation and broad-based economic growth’.

III. PURPOSE AND OBJECTIVES

Purpose

The Economic Development Working Group is tasked with developing a range of short to long-term projects and programs designed to remove impediments and build government capability to address priority economic development issues, ensure greater aid effectiveness and harness the effective delivery of the NDP priorities.

Specific Objectives

1. To strengthen information sharing, dialogue and coordination among Government and Development Partners with regard NDP projects and programs;
2. To identify, prioritize and promote priority projects and oversee the allocation of available resources to NDP priorities;
3. To monitor and review the performance in delivery by key stakeholders;
4. To report on progress in delivering priorities for economic development to the SDRF on regularly basis;

5. To serve as a forum for promoting and building sector-wide approaches to the development of economic, productive, and national resource management sectors;
6. Submit approvals to the SDRF;
7. To oversee the implementation of NDP priorities; as identified within the NDP Economic Development Agenda;

IV. SCOPE OF WORK

1. Individual members will develop projects and programs with participation of Government through identifying information gaps, disseminating information and developing an integrated suite of strategies/action plans to support economic growth and development;
2. Establish a mechanism to support the sharing of information between both spheres of government, private sector and international development partners and encourage the joint identification of economic development projects and funding opportunities, which will support economic diversification and build jobs growths in the country.
3. Strengthen economic development planning and promote private sector participation and collaboration to plan and deliver economic development initiatives;
4. Promote knowledge sharing between relevant Pillar WG partners in respect to policies and programs aligned to the achievement of NDP objectives and milestones, including respect for gender and human rights;
5. Promote policy coherence in the main areas of technical focus covered by the Pillar, ensuring that the policy and program interventions of participating institutions are mutually reinforcing, inclusive, gender responsive, fosters respect for the human rights of Somalis, and contributes to maximizing synergies in the pursuit of agreed NDP objectives and milestones;
6. Foster cooperation between international and national partners with a view to the efficient and effective delivery of NDP projects and programs at national and sub-national levels by ensuring Somali leadership and ownership of the development projects and programs;
7. Facilitate and actively contribute to M&E and reporting requirements of Pillar WG with specific attention being paid to reporting on results as per the NDP results framework and related M&E framework;
8. Actively advocate for gender, capacity development and human rights mainstreaming in the policy formulation, planning and program implementation under the Pillar WG;
9. Maintain systematic links with other PWG and sub-committees, in particular infrastructure, effective institutions, social and human development, etc;

V. GOVERNANCE

The PWG is chaired by a Senior Government Representative from an appropriate Federal Line Ministry (MOPIED), and co-chaired by a donor representing multi-lateral and bi-lateral partners with a clear programmatic commitment to the technical area in question. Mirroring the overall structure of the PWG, relevant sectors and agencies will nominate a representative “regular member and alternate” to the PWG and related sub-committees.

VI. APPROACH

Participation in PWGs requires the active engagement of all participating agencies. Under the overall direction of the Government chair and donor/agency co-chair, PWG members should take steps to ensure regular attendance at PWG meetings, including wherever possible, the continuous involvement of senior institutional representatives with technical oversight and decision-making authority in the relevant areas of technical focus.

It will be the responsibility of all members to promote the work of the PWG as a whole, and to ensure that the membership is inclusive of a broad range of relevant national and international stakeholders with emphasis on equal representation of women and men. Particular efforts should be taken to encourage increased participation from States and local level institutions, and private sector representatives.

VII. MEMBERSHIP

Government (Ministry of Planning, Ministry of Commerce, Ministry of Agriculture, Ministry of Fishery, Ministry of Livestock, Ministry of Finance, Ministry of Labour and Ministry of Petroleum, Environment), Chambers of Commerce

UN agencies

Multi-lateral donors (World Bank, African Development Bank, Islamic Development Bank)

Bilateral Donors (USAID, EU, SIDA, DfID, Turkey,

Private Sector (Chamber of Commerce and Industry, representatives from private businesses and investors including women enterprises)

VIII. FREQUENCY OF MEETINGS AND SECRETARIAT

The PWG will normally meet on a quarterly basis. The co-chairs will be responsible for developing draft agendas and drafting and sharing minutes of the meetings. The co-chairs will share relevant policy and program documents and meeting minutes with the PWG members.

Secretariat support for the PWG will be provided by ACU (meeting organization, provision of venue, minutes, other tasks as appropriate).

Annex 2: TOR - Technical Advisor – PWG 5 - Economic Development

Background

The Somalia Development and Reconstruction Facility (SDRF) serves as the centrepiece for the partnership between the government and international community. It functions as both a coordination framework and a financing architecture for implementing the Somalia National Development Plan (NDP), in line with the principles of the New Partnership for Somalia (NPS). The coordination structure for the SDRF comprises nine Pillar Working Groups (WGs) corresponding to each of the nine pillars of the NDP. Under the Somalia Development and Reconstruction Facility (SDRF), the Pillar Working Groups are responsible for sectoral and programmatic coordination within the pillars of the National Development Plan (NDP). Development partners use these groups to present programs at an early stage of development to discuss alignment with NDP priorities, coordinate with key actors, and avoid duplication. The groups will also be responsible for tracking and reporting on progress within their pillars, which will then be compiled by the Secretariat and inform discussions of the Steering Committee.

It is anticipated that considerably large part of the NDP funding will come from International Development Partners to finance NDP priorities. Therefore, the Federal Government of Somalia is strongly committed to making aid more effective by working closely with donors to ensure that development is Somali owned and led, and is strongly aligned with NDP priorities.

The Economic Development Working Group has been established as it is essential for Government to be able to deliver and/or support economic development in order to revitalize local economies and build resilient and economically diverse country.

The Economic Development Pillar is responsible for establishing the 'Economic Foundations' for sustainable long-term growth and poverty reduction. The overall strategic aim of the Pillar is to 'revitalize and expand the Somali economy with a focus on livelihood enhancement, employment generation and broad-based economic growth'.

The Economic Development Working Group is tasked with developing a range of short to long-term projects and programs designed to remove impediments and build government capability to address priority economic development issues, ensure greater aid effectiveness and harness the effective delivery of the NDP priorities.

Specific Objectives

- To strengthen information sharing, dialogue and coordination among Government and Development Partners with regard NDP projects and programs;
- To identify, prioritize and promote priority projects and oversee the allocation of available resources to NDP priorities;
- To monitor and review the performance in delivery by key stakeholders;
- To report on progress in delivering priorities for economic development to the SDRF on regularly basis;
- To serve as a forum for promoting and building sector-wide approaches to the development of economic, productive, and national resource management sectors;
- To oversee the implementation of NDP priorities; as identified within the NDP Economic Development Agenda;

The Ministry of Planning, Investment and Economic Development (MoPIED) chairs the PWG, co-chaired by two donor 'co-leads' – The Embassy of Denmark and DFID. Members of the PWG comprises relevant federal and regional member state ministries, multilateral and bilateral donors, UN agencies and private sector.

Rationale

The PWG had its first meeting in October and is expected to present a cohesive and integrated economic strategy in line with NDP priorities. These priorities in collaboration with stakeholders would then need to be realized into flagship programmes that would have tangible effects on economic growth of the country. It is therefore recognized that there's a need for a dedicated advisor to support the lead of the PWG 5 in MoPIED,

lead donors and UN focal points to ensure substantial progress against key milestones is achieved by end of the NDP in 2019.

Objectives of the assignment

The assignment outlined in this TOR is intended to address this need, by bring on board a full time advisor to assist the Pillar Working Group 5 – Economic Growth for a period of six months. The overall goal of the assignment will be.

- Provide advisory and technical support to the Federal Ministry of Planning, Investment and Economic Development in its role as chair of the PWG 5;
- In consultation with stakeholders, develop strategies/action plans to develop projects and programmes to support economic growth and development;
- Keep the PWG Core Members of all relevant projects, programmes and funding opportunities in support of the PWG;
- Develop effective engagement with donors, agencies and other members of the PWG;
- Coordinate development of projects and programmes with participation of government and relevant agencies, ministries and federal and regional states;
- Establish and maintain an internet-based knowledge platform for PWG 5 including best practice information gained through comparable Fragile States initiatives and key Somalia specific information sources e.g. census and survey data, donor mappings, key reports, etc.;
- Participate in PWG 5 and sub working group (SWG) meetings and advise on steps to promote increased coherence between SWG-level activities, including measures to ensure an appropriate level of information sharing and the cross-fertilization of information and ideas;
- Provide research and analysis in support of the SWGs on an ‘as needed’ basis, including and in particular, private sector development and productive SWGs;
- Address key informational constrains and establish a shared evidence-base for the formulation of new PWG 5 programmes. Primary data and research are notoriously scarce in Somalia, placing a greater emphasis on the need to share the limited research and analytics sources that are available;
- Assist in the establishment of mechanisms to ensure greater consistency in the measurement and reporting of results / impacts. The success of the PWG 5 process will be assessed primarily in terms of its perceived ‘additionality’ with respect to the impact of new economic development initiatives. This in turn will require greater attention to the accurate and consistent and measurement of results across PWG 5 programmes, projects and initiatives undertaken by a diverse range of stakeholders and implementing partners;
- Ensure effective knowledge sharing between PWGs (1-9) and between PWG 5 SWGs, including mechanisms to ensure increased ‘coherence’ and effectiveness in PWG 5 programming. Current PWG 5 priorities, to be reflected in the SWG structure, are highly inter-related and need to be managed in a way that maximizes potential synergies. In addition, there is an important need to ensure that economic policies promoted through the PWG are consistent, both ‘internally’ - i.e. within the substantive priority areas embraced by PWG 5 - and ‘externally’; i.e. with approaches adopted by other PWGs – Effective and Efficient Institutions, Social and Human Development, Infrastructure, Resilience and HR and Gender;

Competencies

Functional Competencies:

The consultant should possess the functional competencies consistent with a high- level strategic assignment of this kind including:

- A strong client / results orientation;
- The ability to build strategic partnerships;
- A demonstrable ability to adopt and apply knowledge in different contexts;
- Excellent communication, organization and facilitation skills.

Core Competencies:

- Conceptual innovation;
- Intellectual leadership.

Required Skills and Experience**Academic Qualifications:**

- Advanced degree (Master's or higher) in economics or a related social or political science discipline.

Experience:

- A minimum of 5 years' relevant work experience in the field of international development cooperation and / or employment policy gained through work in a government, consultancy or international development agency context.
- Demonstrable first-hand experience working at a senior level within governments and international development organisations in a technical advisory / coordination capacity.
- Experience in aid coordination, Somalia and / or other fragile states would be a considerable advantage.
- Excellent communication, organization and facilitation skills.

Language Requirements:

- Fluency in written and spoken English;
- Proficiency in Somali language is an asset but not a requirement.