



# ESRES

ENERGY SECURITY AND RESOURCE  
EFFICIENCY IN SOMALILAND



## Stakeholder Analysis

January 2016



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## List of abbreviations

ACD	Africa Cabinet Decision-Making Programme
ADRA	Adventist Development and Relief Agency International
AECF	African Enterprise Challenge Fund
AfDB	African Development Bank
AFREA	Africa Renewable Energy Access Programme
AFTEG	Africa Energy Unit, World Bank
BC-HLTF	Berbera Corridor – High Level Task Force
CSI	Civil Service Institute
CMU	Country Management Unit
DANIDA	Danish Agency for International Development Assistance
DDF	District Development Frameworks
DFID	Department for International Development
DFID	UK-Department for International Development
EPCo	Ethiopian Electricity Company
ESMAP	Energy Sector Management Assistance Programme
ESRES	Energy Security and Resource Efficiency Programme for Somaliland
EU	European Union
GAP	Governance Advisory Panel
GDP	Gross Development Product
GEEL	Growth, Economy, Employment and Livelihoods
GEF	Green Energy Fund
GMG	Green Mini Grids
GoSL	Government of Somaliland
HMG	Her Majesty's Government
HoA	Horn of Africa
HWA	Hargeisa Water Agency
ICF	International Climate Fund
IFC	International Financial Corporation
IGAD	Intergovernmental Authority on Development
IPPs	Independent Power Providers
JPLG	Joint Program for Local Governance
JPLG	Joint Programme on Local Governance
LASER	Legal Assistance for Economic Reform
LG	Local Government
MoEM	Ministry of Energy and Minerals
MoERD	Ministry of Environment and Rural Development
MoF	Ministry of Finance
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoI	Ministry of Interior
MoTI	Ministry of Trade and Investment
MoJ	Ministry of Justice
MoNPD	Ministry of National Planning and Development
MOPW	Ministry of Public Works, Housing and Transport
MoW	Ministry of Water
MPF	Multi Partner Trust Fund
MTEF	Medium Term Expenditure Framework

MTFF	Medium Term Fiscal Framework
NDP	National Development Plan
NECo	National Electrical Company
NSC	UK-National Security Council
PEG	Partnership for Economic Growth
PEG	Partnership for Economic Growth
PF	Petroleum Fund
PFM	Public Financial Management
PIMS	Promoting Inclusive Markets in Somalia Programme
PSG	Peace and Statebuilding Goal
RE	Renewable Energy
REACT	Renewable Energy
RIB	Research into Business
RG	Regional Government
SBF	Somaliland Business Fund
SDF	Somaliland Development Fund
SE4ALL	Sustainable Energy for All
SEC	Somaliland Electricity Commission
SEFA	Sustainable Energy Fund for Africa
SER	Somaliland Electricity Regulation
SLD	Somaliland
SLS	Somaliland Schilling
SP	Service Provider
SSA	Somaliland Special Arrangement
TA	Technical Assistance
TBD	To be decided
ToR	Terms of Reference
UK	United Kingdom
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
VfM	Value for Money
WB	World Bank

# Executive Summary

The Energy Security and Resource Efficiency (ESRES) project for Somaliland is financed by the UK Department for International Development (DFID) and at £20 million for Phase I and II, is currently the largest potential fund in Somaliland investing in Renewable Energy. Phase I runs for 30 months (Sept 2015 – Feb 2018) and has been allocated £5 million. It is considered to be the pilot phase. Lessons learned from past projects supported in Somaliland and elsewhere, suggest that technical assistance is important. Therefore, £500,000 has been ring-fenced for technical assistance to the Ministry of Energy and Minerals (MoEM). If the pilot phase proves successful, Phase II will run for 24 months (Feb 2018 – July 2020). It is aimed at the implementation of the Renewable Energy (RE) Fund that aims to provide co-investment financing to developing renewable energy hybrid mini-grids together with the private sector in Somaliland.

## **Preferred Funding Modality of the Somaliland Government (GoSL)**

The principles for the Government's preferred funding modality is set out in the Somaliland Special Arrangement (2013-2016) of the Somali New Deal Compact, particularly in the section on Partnership Principles. The primary focus of this approach being that the Renewable Energy (RE) Fund, envisaged for Phase II is demand-driven, country-led and with a focus on supporting priorities that have been identified by Somaliland. Key messages from a range of government, private sector and international actors are that the RE funds should be considered as co-investment, and not "free-money". Private sector investors should be encouraged to value the social return for investment, i.e. improved access to affordable, reliable, sustainable and safe electricity. Incentives should be provided for delivering on these social capital returns. The governance arrangement of these funds could potentially be shaped by the draft Electrical Energy Act and implementing regulations, if they are finalised, approved and enforced in time. These provisions have to meet international standards and the requirements under UK law. At this stage, fund management arrangements should be based on the principles of the Somaliland Development Fund (SDF), where there is strong government ownership and leadership, but with the funds being managed by an international and independent fund manager.

Recent funds such as the Somaliland Business Fund (SBF) and the Partnership for Economic Growth (PEG) that had renewable energy components provide valuable lessons. Key lessons include:

- Start-up time for a fund, particularly a "matching fund" or a "catalytic fund" takes longer than expected. Thereby, light-touch fund management arrangements do not work in a context like Somaliland;
- Due diligence and expectation management is essential at every step of the process;
- Processes should be transparent and every decision documented.

In terms of renewable energy projects there is little technical expertise at every stage of the process, including business planning, technical and maintenance. This gap needs to be met by the Fund. The SBF, AECF and the SDF have shown it takes at the very least 1 to 1.5 years to start disbursing funds. With the limited time for Phase II (24 months), this suggests that the Fund Manager should be in place by February 2018.

## **Options for Fund Management for Phase II**

Technical advisory support must accompany any future efforts in relation to renewable energy. The next stage of SBF is still at finalisation stage and will only be operational in 2016. Sectors will be more limited than SBF II. However, it will likely include the renewable energy sector. Informed by lessons from SBF II, there will be a complementary Technical Advisory Facility (TAF) for grantees to draw down technical expertise from. Promoting Inclusive Markets (PIMS) is at inception stage, and the structure and type of fund is yet to be finalised. The inception phase will be completed at the end of October 2015, and is yet to provide any useful indications as to how PIMs can potentially be a vehicle for the Phase II fund management.

AECF – Renewable Energy and Adaptation to Climate Technology (REACT) is currently not operational in Somaliland. The AECF’s post-conflict window is the only window that has been active in Somaliland. There is interest from AECF-REACT in expanding its work in Somaliland. Recent evaluations coupled with the lessons from the SBF and PEG suggest that if REACT is to be considered as a potential fund manager, in-country presence would be necessary for the more intensive “hand-holding” and due diligence. The start-up time for REACT was similarly longer than anticipated because of weak partner capacity in other East African countries, and a lack of understanding of contracts.

### **Potential Scaling up with projects in Somaliland and in the Region**

There are a number of investments from the World Bank, and the African Development Bank (AfDB) in the pipeline such as the Energy and Stabilisation Project of the World Bank. The trade negotiations with Ethiopia, which include hydropower connections in three stages to Somaliland, are also on going. ESRES potentially has a transformative role to play in these processes by leveraging and piloting hybrid mini-grids, providing technical advice on legal and regulatory frameworks, as well as strengthening the Ministry of Energy and Minerals (MoEM) and the private sector. ESRES is currently supporting a Functional Review of the Ministry as well as a Regulatory Expert to identify TA needs.

ESRES will not be able to meet the technical or financial resources needed to meet the needs of the sector. However, by supporting the MoEM with donor coordination, activities can be scaled up through investments in the pipeline. As this stakeholder mapping demonstrates, there are a number of regional programmes such as the Sustainable Energy for Africa, SE4All, Power Africa and the World Bank’s Africa Renewable Energy Access Programme (AFREA) that can be drawn upon to scale up both technical as well as financial resources. Key at this point is getting the legal and regulatory framework right, as well as developing a transaction model for the fund and the sector at large that is appropriate for the Somaliland context.

ESRES can play a key role in supporting the MoEM to develop a sector strategy, coordinate donors effectively and develop a division of labour between the different actors to ensure scarce resources are used effectively in a collaborative and coordinated manner. The window of opportunity is there, particularly as the National Development Plan (2012-2016) (NDP) is to be updated in 2016. A targeted approach to donor coordination at this critical juncture will assist the Government of Somaliland (GoSL) to know what type of assistance is coming from where, and for what. This will assist the government to plan energy infrastructure projects based on need, rather than efforts being supply-driven. ESRES can also play a key role in horizontal coordination as a number of renewable projects are being piloted in different service-delivery of Ministries such as health, water and sanitation and education, as well as vertical coordination as the decentralisation process moves forward.

### **Adding value to multi-stakeholder engagement**

ESRES can support the MoEM to establish a realistic donor coordination platform that it leads. One of the key lessons from other reform efforts with multiple interests is that, the MoEM, with a realistic light touch sector plan, can lead a well-reasoned division of labour amongst different actors. This is in line with the New Deal principles, and thus the principles enshrined in the Somaliland Special Arrangement 2013-2016 (SSA).

ESRES can also support the MoEM to conduct well-managed, results-focused Public Private Dialogues (PPDs) that are beyond “talk-shows”, but a space where national and international stakeholders can work together at this critical juncture in Somaliland’s energy development. These PPDs can provide a venue for updating the Energy Sector Policy, developing transaction models, finalising the Electrical Energy Act and implementing regulations, updating the NDP and the SSA amongst other issues.

# 1. Introduction

## 1.1 Background to ESRES

Somaliland proclaimed independence from Somalia in 1991. Though not recognised internationally, Somaliland has maintained a stable existence with a working political system, government institutions, a police force and its own currency. Despite the progress that has been made, the Somaliland government currently lacks the skills, systems and resources to ensure effective service delivery to its citizens, including the provision of energy.

Energy consumption per capita in Somaliland is among the lowest in Sub-Saharan Africa. Several sources indicate that in overall terms, charcoal, kerosene and electricity constitute an important fuel for households in urban and peri-urban areas, while fuel wood constitutes an important source of energy for rural areas. There is only a limited capacity for generating electricity through diesel-powered generators by Independent Power Providers (IPPs) and the Somaliland Electricity Agency. Although Somaliland has substantial energy resources - especially wind, solar, and fossil fuels—this potential is largely under-utilised.

A Memorandum of Understanding (MoU) governing the implementation of the Energy Security & Resource Efficiency in Somalia Programme was signed in July 2015 between the Government of Somaliland (GoSL) and the UK's Department for International Development.

The ESRES Programme supports the Government of Somaliland to improve access to affordable electricity for vulnerable communities through the promotion of renewable energies. This choice for renewable energies is based on the premise that green infrastructure investments in fragile states have potentially positive poverty reduction benefits while at the same time reducing the country's vulnerability to the negative effects of climate change. Currently the legal and regulatory framework is incomplete and there is a very low adoption rate of renewable energy technologies by the private sector in Somaliland.

ESRES will be implemented in two phases:

- Phase I (30 months): pilot-phase;
- Phase II (24 months): expansion-phase.

Phase I of the Programme exists of three components:

- Component 1: Technical assistance to the MoEM for the development of an appropriate policy and regulatory framework for the sector;
- Component 2: Pilot the development and implementation of hybrid mini-grids;
- Component 3: Create a Renewable Energy Fund towards the end of Phase I.

The ESRES activities are overseen by a Joint Steering Committee (JSC). The day-to-day implementation of ESRES is entrusted to an external Programme Manager. The Programme Manager also acts as the Secretariat of the Joint Steering Committee.

## 1.2 Objectives of the Stakeholder Mapping

Component 3 of the Programme seeks to create a funding platform for renewable energy whereby the Programme Manager needs to ensure a seamless transition from the pilot stage to mobilising and implementing projects supported by the Fund. Experiences gained during the pilot (Phase I) period will subsequently allow creating a funding platform for renewable energies (Phase II).

Experience from establishing both the SBF and SDF, also co-funded by UK-DFID, have shown that establishing a Fund, particularly in line with the New Deal Principles and the SSA, requires an early intervention and a start-up time of at least 1.5 to 2 years until funds are actually disbursed. Establishing the right governance structure, transparent decision-making criteria and processes, as well as ensuring projects are feasible in every respect, and conflict sensitive all take time if the projects are to be sustainable.

The first step towards the development of the RE Fund is a Stakeholder Mapping of all relevant actors in the energy sector in Somaliland. Due to the nature and size of the RE Fund, it is likely to attract attention of a wide audience. Stakeholder mapping and management is therefore a critical component to the successful delivery of this component, from the start of the Programme. Therefore, the Stakeholder Mapping will take place in the inception phase of ESRES.

The overall objective of this Stakeholder Mapping is to contribute to the successful delivery of Component 3 of the ESRES Programme by gaining a detailed understanding of all key energy-related activities and identification of potential of scaling up and the potential funds or organisations that could manage the RE Fund in the future.

Besides its key objective, to support Component 3 of the ESRES Programme, it was also decided that the Stakeholder Mapping report will be a building-block for the Policy and Regulatory Framework Roadmap and TA Plan under Component 1. In this regard, the Stakeholder Mapping will advise the ESRES Programme how it could support the MoEM to access international funding on renewable energy and scale-up the its efforts.

### **1.3 Analytical Framework**

The Stakeholder Mapping report is structured in line with the key tasks for this assignment. Those include:

- Undertaking a Stakeholder Mapping in relation to the foreseen establishment of an RE Fund and a continuation of ESRES in Phase II, by:
  - Providing an overview of GoSL preferred funding modalities.
  - Scoping and mapping potential funds or organisations that could manage the RE Fund in the future. DfID has identified the following funds as example: the Somaliland Business Fund (SBF), the Africa Enterprise Challenge Fund (AECF), and a funding channel to be developed through DFID's Promoting Regulation and Inclusive Markets in Somalia (PRIMS) programme.
  - Scope and map key energy-related activities and outline how they relate to the ESRES project. Thereby, DfID identified the following activities as important to take into account: the DFID Somalia Operational Plan (pillar Wealth), USAID/PEG work on renewable energy and other funders' work on RE, the regional fund AECF and the £63m DFID GMG programme.
  - Identify the potential of scaling up the RE Fund trough the engagement of the RE Fund with other energy-related projects in Somaliland and the region.
- On the basis of the results of the Stakeholder Mapping, make an analysis of how to engage with different stakeholder in the energy sector throughout Phase I of the ESRES project.

The approach has been to ground the report on Somaliland priorities, while aligning them with the objectives of ESRES and DFID's Operational Plan for 2011 – 2016. The report examines how ESRES can address some of the issues and challenges faced by the Renewable Energy Sector in Somaliland within this framework.

During the development of the Stakeholder Mapping report, the Fund Advisor pro-actively exchanged experiences and shared information gathered with the other Experts working in the inception phase, to ensure cross-fertilisation between the different assignments. Thereby, it was decided that the Stakeholder Mapping should also be a building-block for the Policy and Regulatory Framework Roadmap and TA Plan.

## 1.4 Structure of the Report

This report is developed as follows:

This report was prepared by Rima das Pradhan-Blach (Fund Advisor) with contributions from Marc Sellies (Team Leader), Mustafe Miigane (Deputy Team Leader), Michiel Bourgondiën (Project Director) and Fabian Ebbers (Project Manager).

The Stakeholder Mapping is structured in the following chapters:

### **Chapter 2 - Mapping the Priorities for ESRES:**

This section looks at the priorities set out in the NPD 2012-2016 and the SSA of the Somali New Deal as it relates to the MoEM. It will also look at DFID's priorities in relation to the ESRES Programme.

### **Chapter 3 - Overview of the Government's preferred funding modalities:**

This section sets out the funding requirements as estimated in the NDP as well as the preferred funding modalities as set out in the NDP and the SSA to inform the design of the anticipated RE Fund in Phase II of ESRES. Though outside the scope of this study, this section briefly touches on the anticipated Energy Trust Fund in the draft Electrical Energy Act (February 2013).<sup>1</sup> These provisions are considered in detail in the Policy Inventory and Gap Analysis.

### **Chapter 4 - Key energy-related activities supported by the international community:**

Key-energy-related activities are mapped out in this section, and potential linkages with ESRES highlighted. This section looks at what has been supported by the international community in Somaliland.

### **Chapter 5 – Lessons from Renewable Energy Funds:**

The TOR for ESRES anticipates a fund manager to manage the RE Funds in Phase II if the projects in the pilot phase are successful. Recent enterprise development funds in Somaliland and the region provide some valuable lessons for the anticipated RE Fund. These lessons are highlighted in this section.

### **Chapter 6 - Potential for Scaling-up:**

With the global focus on climate change, there are a number of Renewable Energy efforts particularly in East Africa. This section examines the potential scaling up of activities through better sector coordination and proper sequencing. In doing so, this section examines the current horizontal and vertical sector coordination mechanisms in place.

### **Chapter 7 - Conclusions:**

This section sets out the key messages for ESRES in relation to this assignment, and what ESRES should do in Phase I and Phase II to contribute to the successful delivery of the Component 3 of ESRES, i.e. the RE Fund.

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<sup>1</sup> See Annex 3 for the draft provisions.

## 2. Mapping the Priorities for ESRES

### 2.1 Alignment of ESRES with Somaliland's Priorities

The Energy Policy of 2010 and the Somaliland National Development Plan sets out the key needs of the energy sector in Somaliland.<sup>2</sup> While the priorities for the MoEM have changed over the years, the priorities set out in the current NDP provide a starting point to understand the situation of the energy sector in Somaliland.<sup>3</sup> Priorities identified from the NDP are further articulated in the SSA under PSG 4 (See Table 1).<sup>4</sup>

SSA PSG 4 priorities 1 and 5 in the Somali New Deal Compact relate directly to priorities set out in the NDP. Priority 1 aims to build the technical capacity of the Department of the Energy to oversee the energy sector. Priority 5 relates to finding alternatives to charcoal as an energy source, including at household level. Priority 4 aims to address the skills deficit including in the energy sector by calling for more vocational training.

Table 2 sets out the Energy Sector Implementation Matrix with a cross-reference to the priorities set out in the SSA and shows how ESRES addresses Somaliland's priorities. The Energy Sector Development Budget and Implementation Matrix in Table 2 sets out the government's priorities as identified in 2011 while preparing for the NDP. The SSA priorities are mapped against the NDP. The total estimated budget for the energy sector over the 2012-2016 is USD 15.2 million.<sup>5</sup> However, these are estimates and the perception is that the NDP is highly under-costed.<sup>6</sup> The last column of Table 2 sets out how ESRES supports the government's priorities identified in the NDP and SSA.

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<sup>2</sup> Ministry of National Planning and Development (2012), Somaliland National Development Plan (2012- 2016), pp. 138 – 148.

<sup>3</sup> Interview with Dr Saad Ali Shire, Former Minister for National Planning and Development, Current Minister for Foreign Affairs and International Cooperation.

<sup>4</sup> Ministry of National Planning and Development (Updated November 2014), Somaliland Special Arrangement (2013 -2016), pp. 6 -7.

<sup>5</sup> Ministry of National Planning and Development (2012), Somaliland National Development Plan (2012- 2016), p. 138.

<sup>6</sup> Interview with Dr Saad Ali Shire, Former Minister for National Planning and Development, Current Minister for Foreign Affairs and International Cooperation.

**Table 1 - Priorities related to energy set out in the Somaliland Special Arrangement**

<p>PSG 4 Economic Foundations Strategic Objectives: Strengthen the management of Somaliland's natural, productive and human resources, and create an enabling economic and financial environment to maximise economic growth and participation in the regional and global economy.<sup>7</sup> Priority target projects for 2015 – 2016 that are relevant to the project include the following:</p>
<p><b>Priority 1: INFRASTRUCTURE AND INVESTMENT – Develop and implement an investment strategy for public infrastructure such as roads, water infrastructure, markets, ports, energy</b></p>
<p>Develop the energy sector: Upgrade the technical capacity of the MoEM to meet its responsibilities in guiding and overseeing the energy sector</p>
<p>Develop an infrastructure investment strategy for Somaliland</p>
<p>Develop a regional economic integration strategy: the plan should define trade benefits and a competent trade negotiating team</p>
<p><b>Priority 3: INVESTMENT: Build efficient credit, investment and insurance institutions that contribute to the economic growth and higher living standards</b></p>
<p>Improve the business environment to facilitate investment and economic growth. Implement the recommendations from studies such as the Enterprise Survey to improve the business environment.</p>
<p><b>Priority 4: EMPLOYMENT: Generate employment, including through the development of vocational and technical training, and establish a special business fund for young entrepreneurs</b></p>
<p>Establish vocational training, technical training and internship programmes to skill young people in the labour force</p>
<p>Improve the functioning of the labour market, provide support to job seekers, and facilitate youth entrepreneurship. Employment opportunities should target vulnerable populations in rural and urban contexts through various means.</p>
<p><b>Priority 5: ENVIRONMENT: Develop and implement a comprehensive environmental management strategy that addresses desertification, promotes alternatives to charcoal as an energy source and protects land, water, forest and coastal resources.</b></p>
<p>Alternative sources are required to decrease charcoal use for domestic and commercial purposes.</p>

<sup>7</sup> Ministry of National Planning and Development (2014), Somaliland Special Arrangement (2013 -2016) Updated November 2014, p. 15.

**Table 2 - Somaliland Energy Sector development budget (USD 15.17 million) and implementation matrix<sup>8</sup>**

	Programs	Objectives	Project Outputs/Outcomes	\$ m	PSG	Priority	ESRES
1	Building the capacity of the MoEM (focus on the Department of Energy), and the centre for Somaliland Energy Commission (SEC)	To building the technical capacity of the MoEM and the SEC	The MoEM and SEC fully equipped. Professionals and skilled technicians recruited and trained. Office rooms constructed for the energy department and for SEC	1.29	4	1	TA
			Experience sharing tours organised especially for participation on energy conferences, and learning from regional and global energy commission and institutions.	0.25			?
2.	Commencing the drafting of the Somaliland Energy Regulation (SER)	To draft the SER	Training provided to staff and consultation made with stakeholders for drafting SER; SER drafted; SER approved by Cabinet, Parliament and President.	0.36	4	1	TA
3	Charcoal use reduction and gradual substitution with coal development	To reduce and gradually halt the devastating charcoal use in SLD by substituting it with other sources of energy, especially coal	Alternative cooking energy sources identified and developed to substitute current charcoal use	1.50	4	5	N/A
4	Construction of the SEC	To construct the SLD energy Centre	Human resource, material and skill training support provided to SEC.	0.45	4	1	TA ?
5	Enhancing and introducing alternative energy sources (such as solar and wind energies)	To develop alternative energy sources (such as solar and wind)	Small solar heaters, and solar applications in community services and for light industries developed; Wind pumping tests increased.	0.24	4	1	TA £
6	Collecting and disseminating energy related information and data	To collect and disseminate useful local and global information on energy	Relevant information and data related to energy collected and disseminated. Close follow up conducted on energy trends both locally and globally.	0.20	4	1	N/A
7	Addressing the rural energy needs for rural development	To enhance rural electrification for improved rural livelihood	Rural electrification possibilities researched and appropriate / suitable energies selected and introduced to the rural communities.	0.38	4	1, 6	TA £
8	Encouraging/enhancing investment on the energy sector, and rehabilitation of 20 earth dams	To enhance investment in the sector and rehabilitate/ construct earth dams for energy generation	20 earth dams rehabilitated / constructed for energy generation. Investment in the energy sector enhanced	4.8	4	1,6	TA £
9	Harnessing SLD energy resources for self-sufficiency in energy (varied energy sources such as hydro, thermal and tidal need to be explored: and reliable, safe and affordable multi energy for commerce and industry)	To generate reliable, safe and affordable energy in SLD	SLD energy resources harnessed for self-sufficiency in energy and production of reliable, safe and affordable energy in the country.	5.05	4	1,6	TA £
10	Initiate research and exploration on fossil energies (SL)	To explore the fossil energy potential	Fossil energy potentialities in SLD explored and exploited.	0.65	4	N/A	N/A

<sup>8</sup> The first five columns are from the Somaliland National Development Plan (2012- 2016), pp. 142 – 143. Columns align NDP priorities with SSA PSG priorities. Column in green identifies where ESRES will be providing some technical or financial investment.

## 2.2 Understanding the DFID's priorities

The UK has been one of the key international players coordinating support for PSGs in Somalia and Somaliland, leading to a Somali New Deal Compact and the Somaliland Special Arrangement (2013-2016). The DFID Operational Plan for Somalia (2011-2016) states that “Somalia is a priority country for the National Security Council (NSC)”, and that “DFID’s work is an important part of the UK government strategy for Somalia 2014-2017 which supports Somalia to become a stable and resilient country.”<sup>9</sup>

Globally, the portfolio of DFID’s projects is shifting to deliver a more coherent, focused, but ambitious approach to economic development. Thereby, it should spend in the right ways, on the right things and in the right places. Value for Money (VfM) continues to drive DFID’s approach. DFID’s approach is to ensure that every pound DFID spends has the biggest possible impact on the ground.<sup>10</sup>

At the country level, the programme will directly support HMG’s UK Strategy for Somalia. ESRES has been allocated a total of £20 million from the International Climate Fund (ICF) to build resilience in Somaliland so as to improve access to reliable electricity, facilitate affordable electricity so as to address barriers to Somaliland’s social and economic development.

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<sup>9</sup> DFID Somalia (December 2014), Operational Plan 2011-2016, p. 5.

<sup>10</sup> Idem

## 3. Overview of Government of Somaliland preferred Funding Modalities

Experience from establishing both the SBF and the SDF also co-funded by UK-DFID, have shown that establishing a Fund, particularly in line with the New Deal Principles and the SSA, requires an early intervention and a start-up time of at least 1.5 to 2 years until funds are actually disbursed. A similar finding was made in relation to the establishment of the AECF.<sup>11</sup> Establishing the right governance structure, transparent decision-making criteria and processes, as well as ensuring that projects are feasible in every respect, and conflict sensitive all take time if the projects are to get buy-in across the board, address capacity gaps, and are designed to be sustainable.

This section below sets out the government's preferred funding modalities to shape the structure and terms of the anticipated RE Fund. In addition, the anticipated Energy Trust Fund in the draft Electrical Energy Act of 2012 is mentioned in this paper in so far as acknowledging that the draft Act envisions that funds such as ESRES are to be channelled through the proposed Energy Trust Fund (See Annex 3 for draft provisions). However, as discussed with the Minister of MoEM, HE Hussein Abdi Dualeh, these provisions will have to be reviewed in light of international best practice and requires changes as they currently stand. Review of the provisions will also likely require alignment with possible legislative changes as set out in the Public Financial Management Reform Strategy (2014-2017).<sup>12</sup>

While this section considers the preferred funding modalities, the guiding principles for designing the RE Funds for Phase II are only proposed after considering the lessons from challenge funds and funds support renewable projects in Somaliland and in the region.

### 3.1 Preferred Financing Mechanisms

#### 3.1.1 Estimated Financing in the National Development Plan (2012-2016)

The NDP has five pillars, with energy being included in the infrastructure pillar 13. The NDP states that the overall goal of the energy sector is: "Improving availability and accessibility of affordable energy at a reasonable price and in support of socio-economic development in Somaliland." The Strategic Objectives are:

- To ensure improved access to a range of energy services for the whole population in urban and rural areas.
- To ensure sustainable fuel wood management.
- To consolidate data on energy resources.
- To assess the development and dissemination of appropriate renewable technology such as solar energy, wind mill etc.

The NDP envisages that financing for the various projects identified in the NDP will come from various sources including the government budget, and external sources including bilateral and regional organisations such as IGAD, INGOs, private donors and trust funds, UN agencies, international financial institutions such as (AfDB, World Bank, Islamic Development Bank), and direct foreign investment.

<sup>11</sup> DANIDA, Evaluation of Denmark's Climate Change Funding to Developing Countries, Country (Kenya), Annex 6, p. 17.

<sup>12</sup> Interview October 2015.

<sup>13</sup> The infrastructure pillar includes roads, housing and transport, post and telecommunications, civil aviation, information, ICT, Berbera Port, Law Qoray Port, Energy Sector, Somaliland Electricity Agency, Water Sector and Hargeisa Water Agency.

**Figure 1 - Budget expenditure by NDP Pillars 2014****Budget Expenditure by Pillar**

Pillar	Expenditure	%
Environment	1,059,761	0.70
Infrastructure and natural resource	13,416,203	8.83
Good Governance & Rule of Law	95,442,332	63
Economic sector	19,411,771	12.8
Social	22,669,934	15
<b>Total</b>	<b>152,000,000</b>	<b>100</b>

The estimated financing for the Energy Sector identified in Table 2, excluding support to the Somaliland Electricity Agency as anticipated in the NDP, is USD 15.2 million in total over 5 years.<sup>14</sup> Anecdotally, the private sector is said to have invested between USD 25 to 30 million in electricity infrastructure over the last few years in Hargeisa alone. However this is difficult to verify.<sup>15</sup>

Despite growth in the national budget, the energy sector continues to be one of the lowest supported through the central treasury. When the current government came to power in 2010, the budget covered only operational costs. In 2014, the investment budget was

approximately USD 22 million, including the SDF.<sup>16</sup> USD 13.41 million has been allocated to the infrastructure pillar in the budget of 2010. The investment budget purely from the treasury was largely focused on roads development and investments in infrastructure in the East. Table 3 sets out the total budget allocations made by the Ministry of Finance (MoF) to the MoEM since this government came into power.<sup>17</sup>

**Table 3 - Budget allocation from Treasury to the MoEM (2010 - 2015)**

	2010	2011	2012	2014	2015
Budget allocated to MoEM	\$193.757,00	\$220.935,50	\$313.315,50	\$363.429,00	\$319.269,00
Total Central Government Budget	\$38.782.388,90	\$66.241.915,30	\$79.921.155,00	\$93.750.000,00	\$114.000.000,00
	0,50%	0,33%	0,39%	0,39%	0,28%

**3.1.2 Preferred Financing – the Somaliland Special Arrangement (2013-2016)**

The priorities for the energy sector in the NDP and SSA have been set out in Table 1 and 2 respectively. The SSA states that financing arrangements will support a gradual performance-based transition to leadership by government institutions with the ultimate objective of providing the environment suitable for budget support.<sup>18</sup> Currently, the SSA recognises that the government systems need strengthening before international development partners are willing to provide budget support through the central treasury.

The UK co-financed Somaliland Development Fund or SDF-like mechanism is identified as the preferred financing model for Somaliland where Somaliland stakeholders take the lead in identifying financing priorities. The SDF funds are however managed by an independent private sector Fund Manager, Mott MacDonald. The SDF has an “incentive fund” which is aimed at incentivising the government to meet public financial management benchmarks. These are in the process of being defined at the time of writing.

The SSA identifies key elements that should be taken into account when designing external financing for the SSA and are highlighted in Figure 2. The preferred financing model set out in the SSA should be read together with other elements included in the SSA. Those include the once set out in the section on Partnership Principles.

<sup>14</sup> Ministry of National Planning and Development (2012 -2016), National Development Plan.

<sup>15</sup> Interview with Jama Mohamoud, GECCO Vice Chairman, October 2015; Nima Elmi, Laser Residential Adviser to the Ministry of Foreign Affairs and International Cooperation.

<sup>16</sup> Information from the Ministry of Finance.

<sup>17</sup> Information from the MoEM.

<sup>18</sup> Ministry of National Planning and Development (Updated November 2014), Somaliland Special Arrangement, p. 9.

**Figure 2 - Preferred Financing Mechanism and Partnership Principles as set out in the SSA**

<p><b>Preferred Financing Mechanisms</b> - Investments from development partners should:</p> <ul style="list-style-type: none"> <li>• Build core capacities of state and private institutions</li> <li>• Enable greater use of government systems and processes</li> <li>• Ensure greater alignment with Somaliland priorities</li> <li>• Strengthen capacity to allocate resources on the principles of inclusiveness, partnership and non-discrimination</li> <li>• Lower transaction costs</li> <li>• Better value for money</li> <li>• Transparency and accountability</li> <li>• Sustainable results</li> </ul>	<p><b>Partnership Principles</b></p> <ul style="list-style-type: none"> <li>• Government ownership and leadership</li> <li>• Adherence to “do no harm” principles</li> <li>• Greater willingness to accept and manage risk</li> <li>• Alignment of international assistance with the government’s strategic priorities</li> <li>• Harmonised approach, with a good division of labour</li> <li>• Common effort to ensure that development partner funds build and strengthen Somaliland capacity</li> <li>• Separate and distinct financing, increasingly channelled through Somaliland systems based on the achievement of agreed benchmarks</li> <li>• Dedicated support to building the monitoring capacity of the Somaliland government to ensure that PSG and development outcomes and results are tracked</li> </ul>
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### 3.2 The Energy “Trust Fund” Envisaged in the Draft Energy Act 2012 (Feb 2013)

While there are a number of versions of the draft Electrical Energy Act, the Act of February 2013 sets out the envisaged Somaliland Energy Trust Fund in Chapter Four in the greatest level of detail. The Fund is intended to be a special financing facility to address the financial needs of the overall energy and electricity sector, particularly to provide resources for capital projects. The assumption is that the GoSL will provide initial funding for the first two years; thereafter there will be an allocation of 2% of all tax revenues from Petroleum import earnings at the Berbera Port Terminal; voluntary contributions from international bilateral and multilateral organisations working on non-energy related projects, including in-kind contributions; special energy development-related grants by local or international organisations; voluntary contributions from public, private and non-government organisations and the Diaspora; climate mitigation funds from international sources, and; revenue and income from services such as energy-related licenses, licenses from hydrocarbon resource explorations and permits.<sup>19</sup>

The basic premise of this Fund is that it should be based on the principles of a Petroleum Fund such as those established through initiatives as the Oil for Development Fund spearheaded by the Norwegian Government. The concept of an Energy Fund as intended is not unfamiliar. However, the provisions as they are in the draft Electrical Energy Act of February 2013 will need to be reviewed in light of international good practice, and closely aligned with the implementation of Somaliland’s own Public Financial Management Reform Strategy (2014-2017). This is part of the Policy Inventory and Gap Analysis.

While there are many examples of good and bad Petroleum Funds, the Petroleum Fund of Timor Leste is often cited as a possible model for such funds in states coming out of fragility.<sup>20</sup> There may be possible lessons to be learned from the Timor Leste Petroleum Fund under the Petroleum Fund Law in 2005 for an environment of low institutional capacity.<sup>21</sup> This Petroleum Fund Law as amended provides for:

- Mechanisms that assist Timor-Leste to sustainably manage its petroleum revenue
- Details the parameters for operating and managing the Petroleum Fund
- Defines the asset allocation and risk limits
- Governs the collection and management of receipts associated with petroleum wealth
- Regulates transfers through the State Budget
- Provides for Government accountability and oversight of these activities

<sup>19</sup> Ministry of Energy and Mining, Electrical Energy Act 2012 (Draft: February 2013), Article 17 (2).

<sup>20</sup> Alastair McKechnie, (April 2013), Managing Natural Resource Revenues – The Timor Leste Petroleum Fund, ODI, p. 5.

<sup>21</sup> Ministry of Finance of Timor Leste website, <mof.gov.tl>

## 4. Key Energy-related Activities to Related to ESRES

### 4.1 Past Energy-related Projects in Somaliland

There have been a few energy projects that have been piloted in Somaliland in recent years and they offer valuable lessons for ESRES. Other than privately financed initiatives, most renewable energy infrastructure projects in Somaliland have been financed by the SBF and PEG22. Other energy-related projects include efforts to reduce the use of charcoal through various climate-mitigation efforts. These project mostly focus on a service-delivery e.g. a health facility, and at the household level with the introduction of fuel-efficient stoves, kerosene lamps, and more recently, biogas pilots. A snapshot of both SBF and PEG are set out in Table 4.

**Table 4 - Snapshot of the main PSD funds that has supported Renewable Energy projects in Somaliland**

	Somaliland Business Fund	Partnership for Economic Growth
<b>Objective of fund</b>	To support SMEs in Somaliland to foster productivity, innovation, diversification and market development and, in parallel, ensure development outcomes and wider socio-economic impact such as an increase in import substitution, economic growth and employment generation particularly for women and youth.	To help local authorities and private sector groups improve the enabling environment for investment in order to generate more productive employment and improve livelihoods activities
<b>Windows/ Components</b>	Initially narrow objectives: Fisheries, solid waste management and gums and resins. Subsequently opened up to all sectors of the economy.	Agro-processing, Livestock, Dairy, Poultry, Energy, Fisheries, Gums and resins, Beekeeping, Other
<b>Fund type</b>	Matching grant	Business Matching Fund whereby the Partnership Program co-invests in Somali businesses
<b>Overall amount</b>	USD 11 million	Total amount of funding available for Partnership Each Round: \$1,000,000 <ul style="list-style-type: none"> <li>• Small Grants (\$30,000 to \$50,000): Requires a minimum of 50% cost-share from applicant</li> <li>• Large Grants (\$50,001 - \$250,000): Requires a minimum of 50% cost-share from applicant</li> </ul>
<b>Location</b>	Somaliland	Somaliland
<b>Duration</b>	July 2012 – March 2015, this included a no-cost extension. Some components of energy-related projects to be completed December 2015.	Phase 1: 2.5 years (May 2011 - Aug 2013) Extension: 2 years (Sept 2013 - Oct 2015)
<b>Donor</b>	DFID, DANIDA and World Bank	USAID
<b>Implementers</b>	Landell Mills	DAI
<b>Governance</b>	The SBF was managed by the Fund Management Unit (FMU) with the Grant Advisory Panel consisting of MoNPD, MoTI and Labour and Social Affairs, and Education and Higher Education.	DAI Secretariat and a Grant Evaluation Committee (MoTI, MoNPD, CoC, DAI)

<sup>22</sup> SBF: co-financed by DFID, DANIDA and the World Bank and implemented by Landell Mills; PEG: financed by USAID, and implemented by DAI.

<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Open fund, competitive selection</li> <li>Financial risk sharing</li> <li>Well-conceived business ideas with strong (projected) development outcomes</li> <li>Objectivity/transparency, following Grant Manual procedures</li> <li>Vetting procedures for shortlisted applicants</li> </ul>	Private businesses: Sole proprietorships, Partnership, Corporation, Joint Venture, Commercially-oriented cooperatives and associations in productive sectors	
<b>Number of RE projects</b>	8 renewable energy projects. See Annex 2 for details	Ranking	Hargeisa Airport Wind farm – to be operational in November Berbera – operational 4 wind data collection points.
	Golis Renewable Energy (Solar) Aloog Renewable Energy Afgal Wind Farm Wind Turbine Alternative Energy Project Renewable Energy Sector Project (Solar) Oog Wind Energy Project Kaah Utility Company Baki Wind Generated	A B Cancelled A A A B B	
<b>Co-investment</b>	Matching fund	Cost-share can be cash or in-kind contribution	

#### 4.2 Key Players in Energy in Somaliland - Current and Pipeline Projects

Support to developing Somaliland's renewable energy potential is becoming a key priority, and more international actors are engaging in Somaliland on Renewable Energy specific activities. It is thus essential that the Government takes the lead in effective donor coordination to minimise duplication, and focus on scaling up efforts to ensure better results. A snapshot of the main programmes is set out in Table 5. This is followed by a more detailed description of the various activities in Table 6 with recommendations as to how ESRES can add value in Phase I in regard to current activities surrounding the electricity sector. The activities set out in Table 6 are summarised in Table 7. It should be noted that the GoSL has had discussions with delegations from Japan, UAE, and Norway who have shown an interest in supporting renewable energy projects in future. The details of this are yet to be decided.

During the time available, it was not possible to get a comprehensive list of agents working on projects, which had climate adaptation activities. Table 8 sets out the information collected to date. These actors are involved in household level charcoal replacement initiatives, or initiatives supporting hybrid mini-grids at health and educational facilities, or for pumping water from boreholes at the community level. Other possibilities support to the energy sector yet to be determined.

**Table 5 - Snapshot of key current and pipeline programmes in Somaliland related to renewable energy**

Programme	Donor	Implementer	Project description	Amount	Dates
<b>Energy Security and Resource Efficiency in Somaliland</b>	DFID	Mott MacDonald	The DFID supported ESRES is the largest Energy-focused renewable energy project in Somaliland currently.  Phase I. Technical Assistance to the MoEM to support the development of the policy and regulatory framework; development and operation of 3-5 hybrid mini-grids; and the establishment of the RE Fund  Phase II. The RE Fund becomes operational	Ph 1. £5 million Ph 2. £15 million	2015 - 2018.
<b>Energy Security and Stabilisation</b>	World Bank	TBD	If current expected pledges to the World Bank MPF for Somalia are paid by donors, the Country Management Unit (CMU) hopes to increase the current budget estimate for the Energy Project to USD 22 million by 2018.	\$ 22 million	2015 - 2018

<b>Growth, Enterprise, Employment and Livelihoods (GEEL)</b>	USAID	IRG/ Engility	<p>The goal of the new Economic Growth activity is to promote inclusive economic growth in Somalia. The purpose is to catalyse both “systemic” economic changes - those affect all sectors of the economy - and “sectoral” ones that affect key industries, namely agriculture, fisheries, and renewable energy.</p> <p>Systemic activities will open up opportunities for new, small and medium-sized businesses, investment from new sources by expanding access to the financial system, and increasing the availability of key business services. The sectoral interventions will increase private investment in industries with high growth and employment potential, including in regions previously inaccessible due to security.</p> <p>The activity will support the Federal Government of Somalia, Somaliland, Puntland and other state and regional administrations, in their efforts to meet commitments under the New Deal Framework to develop economic foundations.</p> <p>The activity will prioritize opportunities in industries likely to attract women and youth who have been marginalized from pursuing economic opportunities.<sup>23</sup></p>	\$ 74 million	09/30/2015 – 9/29/2020
<b>Renewable Energy Support</b>	AFDB	TBD	The AfDB also places priority on energy security, including the recent announcement by the President. However, the programming that will result from the recently completed needs assessment is still to be decided.	TBD	TBD
<b>Somaliland Energy Transformation (SET) Project</b>	EU	ADRA	To increase the access to sustainable, affordable and appropriate energy services to at least 50,000 energy insecure households in rural and peri-urban areas of Somaliland.	\$ 3 million	2015 - 2018
<b>Small- Medium Enterprise Development</b>	WB MPF	TBD	This is the successor to SBF II, and will extend to Puntland and South Central.	\$ 10 million for SLD	2016 - 2018
<b>Technical Advisory Facility</b>	WB MPF	TBD	To address some of the constraints faced by SBF i.e. the lack of technical capacity, similar to DFID, the WB project has ring-fenced budget.	\$ 5 million for SLD	2016 - 2018

<sup>23</sup> Email communication with Hodan Hassan, Senior Officer, USAID, Somalia Team.

Table 6 - Matrixes of current and pipeline projects, and potential for ESRES to add value in Phase I

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Updating the Legal and Regulatory Framework</b></p> <p><b>There is an urgent need to settle the legal and regulatory framework, although there have been and are on-going efforts to look at the Energy legal and regulatory framework.</b></p> <p>In the past, the Energy Policy of 2010 was developed with the support of the PEG, as well as the version of the draft Electricity Energy Act (February 2013). There is a sense of urgency amongst some GoSL actors to get the draft Act through Parliament so that the Berbera Corridor High Level Task Force, leading the trade negotiations with Ethiopia, can commence negotiations with the Ethiopian power company, EPCo (see below) on the terms and conditions for pilot projects through the extension of Ethiopian hydropower into Somaliland. Senior Government officials, as well as private sector stakeholders seem to suggest that once the mandate issue in relation to the energy sector between the MoEM and the MoPW is resolved, the Electrical Energy Act is likely to pass relatively quickly.<sup>24</sup></p> <p><b>With the support of the Ministry of Foreign Affairs and International Cooperation, the legal firm Slaughter and May are reported to be providing pro bono legal advice to develop the regulations for the establishment of a National Electricity Company (NECo).</b></p> <p>The primary rationale for the establishment of a National Electricity is reportedly twofold, to break the current monopoly of electricity generation, transmission and distribution, and the Ethiopian trade negotiations and to be the body charged with transmitting the electricity.<sup>25</sup></p>	<p><b>The World Bank project in the pipeline can potentially provide advice on legal and regulatory issues.</b></p> <p>This also goes for potential support from the AfDB, and Power Africa.</p>	<p>ESRES is already providing a Regulatory Expert to advice on the draft Energy Act during Phase I. If time permits, he could potentially support the MoEM to coordinate legal and regulatory advice and/or support the Electricity Regulatory Commission when the Act is adopted and established.</p> <p>ESRES could scale up current efforts by bringing together Regulatory Experts through the World Bank, AfDB (SE4All) and Power Africa from countries in the region to share experiences to inform the debate in Somaliland. Under LASER, and TAF, both activities supported by DFID global programmes, teams are also providing advice on implementing regulations. However, coordination with the MoEM could be strengthened.</p> <p>ESRES can support the MoEM to organise Public-Private Dialogues involving IPPs, the public, other government stakeholders, including local government, donors and implementers of other projects on a number of issues including the draft Act, implementing regulations, the energy sector strategy, pricing, transaction models, amongst other issues identified as priorities.</p>

<sup>24</sup> HE Dr Saad Ali Shire, recently appointed the Minister for Foreign Affairs and International Cooperation; HE Hussein Dualeh, Minister for Energy and Minerals.

<sup>25</sup> Interviews with: Dr Saad Ali Shire, Minister for National Planning and Development, October 2015; Nima Elmi, LASER Residential Adviser, Ministry of Foreign Affairs and International Cooperation; XXX, Director of Planning, Ministry of Public Works and Infrastructure.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>The Ethiopian government is stated to prefer having a government agency as the Somaliland counterpart and focal point.</b><sup>26</sup></p> <p>NECo is envisaged to play this role, as well as manage the transmission of electricity in accordance with international best practice. It is reported that the EPCo, Ethiopia's hydropower electricity generator, is charged with negotiating agreements with its neighbouring countries for the provision of Ethiopian hydroelectric power. The Slaughter and May effort thus aims to propose regulations that are appropriate for the Somaliland context, and set out the roles and regulations of the different actors, including the private sector. Pricing, accountability and transparency, occupational health and safety have been reported as government and private sector priorities.<sup>27</sup> For more discussion on this please see the Report from the Regulatory Expert.</p>		

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Light-touch master plan and feasibility studies</b></p> <p><b>The World Bank has recently put out a Request for Proposals for a light touch master plan for Somaliland, Puntland and South Central Somalia.</b> The objective of this exercise is to produce planning documents, guidance and policies for the coming years of energy development in the above areas to enable decision-makers to make informed choices for energy. It is anticipated that the entire exercise will be completed in 18 months. However, it is hoped that the study on Somaliland will be completed relatively early.</p> <p><b>The Nordic Development Fund (NDF) and the Icelandic Development Agency (ICEIDA) signed a co-financing agreement to finance the early stages of geothermal exploration.</b> This includes Djibouti, Ethiopia, Uganda, Eritrea, Kenya, South-Sudan, Tanzania, Malawi, Mozambique, Burundi, Rwanda, Zambia and Somalia in 2012. The NDF and ICEIDA contribute EUR 5 million each, to help these</p>	<p><b>The World Bank intends to develop City Master Plans in Somaliland, Puntland and South Central Somalia with the objective of providing detailed pre-feasibility level master plan studies for major cities.</b></p> <p>Planned activities include:</p> <ul style="list-style-type: none"> <li>- Engagement of city leaders;</li> <li>- Train national stakeholders in all aspects of city-wide electricity provision;</li> <li>- Map existing and suppressed demand;</li> <li>- Produce pre-feasibility level designs and plans for city level sub-transmission systems;</li> <li>- Produce pre-feasibility study level designs and plans for distribution upgrades, improvements and expansion;</li> <li>- Work with existing electricity providers to reduce technical problems, improve safety and improve management.</li> </ul>	<p>Support the MoEM to coordinate efforts including vertical coordination (i.e. central government agencies and local governments) especially in relation to City Master plans.</p> <p>Support the MoEM with Knowledge Management including improving access to baseline data.</p>

<sup>26</sup> LASER (August 2015), Action Plan for Addressing Challenges in Somaliland's Electricity Sector, pp. 5 - 6.

<sup>27</sup> LASER (August 2015), Action Plan for Addressing Challenges in Somaliland's Electricity Sector, p. 6.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p>countries increase the use of clean and renewable energy namely geothermal energy. The project will finance geological, geothermal and structural mapping, chemical analyses of geothermal springs, geophysical investigations and test drillings. The World Bank will collaborate with Iceland to establish a flexible financing facility that can in part share the costs and risks of specific drilling programs in the target countries.</p> <p><b>Under the PEG programme, four wind mapping stations were installed, including at Berbera and Hargeisa.</b></p>	<p>The expected outcomes include: citywide master plans that will form the basis for investment projects. Reliability and safety records of existing electricity providers improved. The tentative budget for this is USD 500,000 per city.</p> <p><b>The World Bank also aims to build the long-run data sets required for investments in wind and solar generation.</b> Planned activities include:</p> <ul style="list-style-type: none"> <li>- Collect, assess and (further process) existing data;</li> <li>- Train locals in all aspects of solar and wind mapping;</li> <li>- Conduct 2 years of wind and solar mapping;</li> <li>- Produce wind and solar resource maps;</li> <li>- Produce pre-feasibility studies for grid connected solar and wind parks.</li> </ul> <p>The expected outcomes include: wind and solar maps, pre-feasibility studies that can guide potential investors. A wind-mapping study is likely to move relatively quickly pending procurement of local sub-contractors. The tentative budget for this is USD 1,500,000.</p>	

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>The Ethiopia-Somaliland Trade Negotiations</b></p> <p><b>The renewed interest in finalising the Energy Act is partly driven by the on-going negotiations between Somaliland and Ethiopia on trade, investment and infrastructure.</b></p> <p>With the support of the DFID-financed Trade and Advocacy Fund (TAF) implemented by Crown Agents together with Sanaa Consulting, a technical adviser has been providing support to the Berbera Corridor High-Level Task Force. This includes the Minister of the Presidency, MoTI, MoNPD, MoTI, MoEM, MoPW and the Head of the Berbera Port Authority. The technical team with the guidance of the technical adviser have drafted Somaliland's position papers on Trade and Transit</p>	<p><b>The planned interconnector (see below) project financed by the World Bank, and potentially USAID through Power Africa, aims to also provide advice on possible legal and regulatory issues.</b></p> <p>The project envisages a regional workshop to take place in Addis Ababa or Nairobi to jointly review the draft final Main report on Interconnectors. Development partners and representatives of the East African Power Pool and the IGAD will be invited to the workshop. The outputs of this workshop will include:</p>	<p>ESRES can provide just in time advice on matters relating the Energy Act vis-à-vis trade negotiations.</p> <p>ESRES could add concrete value by providing short-term technical adviser specifically on energy expertise. However, if there are no resources for this from ESRES, the project team can support the MoEM to ask for the right type of advisory support from potential providers including from the Trade Advisory Fund itself.</p>

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p>Agreements. A third paper on energy is yet to be developed. At the time of the current assignment, the approach of the Berbera Task Force was to wait for the Ethiopian Government to put forward a proposal to the Somaliland Government for consideration.<sup>28</sup></p> <p><b>The DFID-supported Legal Assistance for Economic Reform (LASER) programme implemented by KPMG and LDP also support an adviser who has been playing a key role in the trade negotiations with Ethiopia.</b></p> <p>Following the November 2014 Ethiopian ministerial delegation visit, the Government of Somaliland and Ethiopia have agreed to establish electricity pilot projects in Togwachale and Borama as stage 1 projects extending hydropower energy from the Renaissance dam into Somaliland. Phase 2 will look at extending energy to Burao, and Phase 3 to Sool and Sanaag. No timelines have been set at this stage.<sup>29</sup></p>	<ul style="list-style-type: none"> <li>- Institutional analysis of countries proposed to be interconnected (review of existing institutions and any relevant international body and the role these institutions should play in facilitating/implementing the proposed interconnections);</li> <li>- Legal and regulatory review (review of regulations on cross-border electricity trade in affected countries, including asset ownership, power purchase arrangements, and operation and maintenance of assets);</li> <li>- Validation of data regarding the existing system, demand and system expansion plans for the participating Countries;</li> <li>- Validation of power system analysis and basic design of the proposed interconnections (lines &amp; sub-stations); including assessment of alternatives;</li> <li>- Costing and economic/financial analysis;</li> <li>- Environmental and social impact scoping;</li> <li>- Support agreements required between the affected Governments;</li> <li>- Assessment of capacity, particularly capacity building requirements for network operators in affected countries.</li> </ul>	

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Infrastructure</b></p> <p><b>Pilot project at the airport as well as projects supported through the SBF have demonstrated the need to ensure that investments in infrastructure are of quality, compatible with existing systems, and that those infrastructure investments are in fact the right choices of on-grid and off-grid solutions.</b></p> <p>The pilots in place in Somaliland also have demonstrated the importance of a good maintenance regime of existing diesel</p>	<p><b>The World Bank aims to conduct study on interconnectors to clarify the viability of interconnecting with Djibouti, Ethiopia and Kenya as a means to access affordable generation.</b></p> <p>The objective of this activity is to assess the institutional, technical, financial, and operational viability of high-voltage transmission line interconnectors</p>	<p>ESRES can play an important role by providing support services to MoEM to help plan for the different infrastructure investments based on data and need while avoiding pockets of exclusion.</p>

<sup>28</sup> Interview with various officials involved in the trade negotiations.

<sup>29</sup> Interview with Nima Elmi, LASER Residential Adviser, Ministry of Foreign Affairs and International Cooperation

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p>infrastructure. For example, at the airport, the wind farm was bought as an on-grid solution, the systems were not compatible, and because the diesel generators were “dirty”, there were delays in getting the wind farm operational, requiring additional investments.</p> <p><b>There are a number of projects supporting food security, resilience livelihood, and climate adaptation supported by various INGOs and UN organisations that support investments in renewable energy sources at the community or household level.</b> These efforts are coordinated with various line Ministries, such as the Ministry for Water, MoEM, Ministry of Health, Ministry for Fisheries and Marine Resources and local governments. Windmills for pumping water from boreholes, solar power for provision of electricity at hospitals, health facilities, street lighting, refrigeration services, or for household use. Through the DFID-funded Health Consortium solar panels were installed at the Sheikh Referral Hospital and Berbera Hospital.</p> <p><b>ADRA and Shuraako currently provide financing in different forms for renewable energy and climate adaptation technologies.</b> Shuraako provides micro-finance for rural electrification. ESRES and ADRA are in communication and will work with the MoEM to ensure a good division of labour. With the successor to SBF in the pipeline as well as GEEL, the successor to PEG, it is likely that grantees will put in proposals for renewable energy as in the case of SBF and PEG. All these are recommendable efforts. However, like the private sector, these efforts are fragmented and unregulated. In order to assist with planning for infrastructure needs, the MoEM needs to have greater visibility on what international actors, diaspora and NGOs are doing where. The MoEM, as the lead in the energy sector, can build on the information in this report, and collect information through an electricity sector working group meeting. Such an effort has been completed before by the MoNPD where the Ministry sought information from all international NGOs and UN agencies registered with the Ministry on</p>	<p>between Somaliland and its neighbouring countries. Activities for Somaliland will include pre-feasibility studies for:</p> <ul style="list-style-type: none"> <li>- Transmission line Assab (Eritrea) – Djibouti – northwest Somaliland;</li> <li>- Transmission line Hargeisa- Ethiopia.</li> </ul> <p>The expected outcome is to have pre-feasibility studies to inform decision-making about whether to proceed to actual Transmission line projects. The tentative budget for this is USD 500,000.</p> <p><b>Recent discussions with the World Bank indicate that the Interconnector project is likely to be done in partnership with Power Africa, USAID.<sup>30</sup></b> This effort aims to provide assistance to Somaliland authorities in negotiating the cross-border electrification project with Ethiopia and will need to be coordinated with the technical advice being provided through the DFID-funded TAF and LASER programmes. When this Stakeholder Mapping is completed, it is hoped that it will also trigger further momentum on finalising the draft Electrical Energy Act and implementing regulations. USAID may fund the cross-electrification TA to Somaliland as a joint effort with the World Bank.</p> <p><b>The World Bank aims to support quick impact studies in addition to a political economy analysis for actual implementation of physical infrastructure on the ground, the projects will require planning, tendering, engineering advice and implementation support services.</b> Anticipated activities include Studies and preparations of the quick impact investments. These include:</p>	

<sup>30</sup> Interview with World Bank officials, October 2015.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p>details about the various projects including amounts, locations, project objectives as well as anticipated results. This enabled the National Planning Commission, as well as the Budget Committee make funding allocations with a better understanding on external and internal resource flows to the different sectors.</p>	<ul style="list-style-type: none"> <li>- Improved cook-stoves;</li> <li>- Lighting Africa solar lantern introduction ;</li> <li>- Up-scaling of of-grid renewable energy driven livelihood improvement fisheries project;</li> <li>- Low-voltage cross border electrification;</li> <li>- Resilient street lights;</li> <li>- Grid-connected (pilot) solar PV installations and LED light study.</li> </ul> <p>The tentative budget is USD 1,000,000 for the study and separate financing for QII.</p> <p><b>The AfDB has increased its activities in Somaliland including recent needs assessment conducted in August 2014.<sup>31</sup></b></p> <p>The recommendations of this study are currently being considered. The outcome of this study aimed to achieve the following:</p> <ul style="list-style-type: none"> <li>- To ensure the sustainability of the fuel supply (especially household fuels) by reducing pressure on the biomass resources (vegetative cover), through the substitution of modern fuels, kerosene and LPG, for biomass fuels;</li> <li>- To improve welfare, productivity, and security by expanding access to grid-supplied electricity in cities (based on hybrid power generation, i.e. conventional fuels and renewables, mainly SolarPV) and promoting non-grid, modern energy services and products to poor rural and nomadic people.<sup>32</sup></li> </ul> <p><b>IGAD plays an important role in the Horn of Africa</b></p> <p>While there are interventions energy planned, particularly in relation to the Berbera Corridor Development, details were not available.</p>	

<sup>31</sup> African Development Bank (Draft Final Report: June 2015), Somalia: Energy Sector Needs Assessment and Action/Investment Programme.

<sup>32</sup> African Development Bank (Draft Final Report: June 2015), Somalia: Energy Sector Needs Assessment and Action/Investment Programme, p. 8.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Capacity Building</b></p> <p><b>Technical capacity across the energy value chain is extremely limited in Somaliland and requires urgent investment.</b>            This includes energy policy and legal and regulatory specialists, as well as electrical engineers, renewable energy specialists and trained electricians. There are limited project-driven Technical and Vocational Education and Training facilities with limited facilities and capacity. Much of the technical capacity is currently “bought in” either as short-term advisers by international partners, or more recently by IPPs such as General Electric (GE) Company themselves.<sup>33</sup> The EU-funded project to be implemented by ADRA also has a capacity development component.</p> <p><b>Ethiopia currently provides scholarships through the Civil Service Commission to about 25 public servants.</b>            Twinning arrangements and specialist training, as well as vocational education and training are also on the cards for discussion as part of the trade negotiations. The Minister of MoEM is part of the Berbera Corridor High Level Task Force, and could ensure that some of these scholarships are directed to his Ministry.</p>	<p><b>The World Bank aims to conduct a skills needs assessment and design a human resource-training plan with a short, medium and long-term horizon.</b>            The training plans produced from this exercise will be rolled out over an anticipated 2-year period and will be focused at building the capacity of the MoEM for example. Support will also be extended to Puntland and South Central ministries. The tentative budget for planning purposes is USD 2,500,000.</p> <p><b>The AfDB needs assessment study</b>            It identifies the need to take into account building institutional capacity as well as human resources.<sup>34</sup> The recommendations from the needs assessment conducted in August 2015 are yet to be formally adopted. The AfDB are keen to invest in “bankable projects”.<sup>35</sup></p>	<p>During the Inception Phase, ESRES is conducting a Functional Review of the MoEM and developing a TA Plan.</p> <p>Once approved, this information can be shared with international partners to plan for TA inputs in a coordinated manner.</p> <p>Once the law and the regulations are in place, the Ministry and other related agencies will also require institutional support to establish new institutions, training and other resources.</p>

<sup>33</sup> Interview with Jama Mohamoud, GECO Vice Chair and Engineer Haid Yusuf, GECO Technical Director, October, 2015.

<sup>34</sup> African Development Bank (Draft Final Report: June 2015), Somalia: Energy Sector Needs Assessment and Action/Investment Programme, p. 8.

<sup>35</sup> Interview with Olufunso A. Somorin, Senior Policy Officer, AfDB.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<b>Transaction Advisors</b> <p><b>Programmes such as ESRES and others in the pipeline are looking at different financing models that are suitable to the current Somaliland financial sector context.</b></p> <p>There are various financial and regulatory models to ensure that ESRES does not continue to support the current market failure in the electricity sector. ESRES and other actors are looking to discuss regulatory and financial models to ensure a social return for investment with the delivery of accessible, affordable and reliable electricity. With these multitudes of efforts, once again, coordination is key.</p>	<p><b>The World Bank aims to provide “just-in-time” transaction advisory services when and if investors offer to build and own generation, transmission or distribution assets.</b></p> <p>Unsolicited offers are reviewed and evaluated in a way that allows recipients of unsolicited (non-tendered) offers to act in the best interest of the people. The tentative budget for this is USD 500,000.</p>	<p>There are a number of programmes in the region, as well as projects in the pipeline that provide transaction advisory services. These include SEFA, SE4All, Power Africa, and AFREA amongst others. Such advice could also better inform the design of the anticipated RE Fund under Phase II. ESRES can play a role in identifying these funds, what sort of advisory services are needed, and advise the MoEM on who and what to ask for. It should also support the Government to organise a results-focused donor coordination conference.</p>

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Current Efforts: Setting baselines and data collection</b></p> <p><b>In terms of sectoral planning, while a World Bank financed project to develop a light-touch master plan is currently in the process of being rolled out, Somaliland now has better access to data to better plan on investments.</b></p> <p>Somaliland now has a Population Estimation Survey (2014) jointly completed by UNFPA and the Ministry of National Planning and Development and a sample Household Survey (2014). The MoNPD is in the process of completing a GIS mapping exercise of MCH's, educational facilities and other data.</p> <p><b>In 2013, with the support of the PEG programme and others, four wind data monitoring stations were installed in Hargeisa, Borama, Berbera and Burao (25 m and 36 m).</b></p> <p>PEG worked with the Golis Energy Company as the contractor to install them. PEG handed over the airport wind farm and wind data monitoring stations to the GoSL in 2014.<sup>36</sup> These efforts are needed to understand what type of renewable infrastructure is feasible and where it could be centrally managed to inform planning and financing.</p>	<p><b>The MoNPD will be initiating a review of the NDP in 2016, with each line ministry/agency leading the process of identifying the priorities for 2016 – 2020.</b></p> <p>It is hoped that this will be the basis of developing costed sector strategies where there are none, and if possible within the framework of a Medium Term Fiscal Framework (MTFF) and Medium Term Expenditure Framework (MTEF). This provides a window of opportunity for the MoEM to develop a costed Energy Sector Strategy with the coordinated inputs of the various projects currently on the ground or in the pipeline.</p>	

<sup>36</sup> Email correspondence from Zaki Raheem, former Team Leader of PEG/DAI.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Stakeholder management and sector coordination</b></p> <p><b>This is a crucial time in Somaliland’s stage of development with regards to energy security and requires effective leadership and management of stakeholders.</b></p> <p>Stakeholders include other government entities, local government, IPPs, donors, implementers, national and private international investors, and, in the very least, the consumers. This is particularly important as Somaliland moves towards finalising the legal and regulatory framework and then implementing it.</p>	<p><b>The International Finance Corporation (IFC) has in the past organised a Public Private Dialogue (PPD) in partnership with the MoTI as opposed to the MoEM in Somaliland.</b></p> <p>The IFC have also supported the establishment of an Energy Secretariat. Information on future programmes for IFC was not available. However, there are unverified reports that IFC intends to trial PPPs in the energy sector in Somaliland that is also listed in a draft Horn of Africa Initiative of the World Bank Group.<sup>37</sup> It is unclear as to why the IFC has supported the MoTI to establish an Energy Secretariat, which seems to be causing further confusion and fragmentation within the sector. It is recommended that those GoSL stakeholders discuss and resolve this issue to ensure that both government and international interventions are coordinated.</p>	<p>As has already been requested by the Minister of MoEM, ESRES can play a critical role in coordinating the numerous international actors, government, the private sector, including national and international investors in the sector.</p> <p>Private sector actors have put forward a proposal for donor coordination. However, from past in-country experience, the Government should best lead this sort of effort, and donors and other stakeholders should be brought together, once there is a road map. Such an effort has to have a close nexus with the GoSL to avoid such initiatives being supply-driven. An initial “light touch” Road Map that can be developed further into an Energy Sector Strategy once there is greater clarification on the draft Electrical Energy Act. Institutional mandates could be more strategic and useful. This can be tied in with the review of the NDP planned for 2016, where line ministries will be asked to lead the drafting of the NDP in their respective sectors.</p> <p>This sort of well-planned and sequenced effort can then led to a better division of labour, as well as inform planning for Phase 2 of ESRES.</p>

<sup>37</sup> World Bank, (October, 2014), Draft Regional Initiative in the Horn of Africa.

Current efforts	Projects in the pipeline	How can ESRES add value in Phase I
<p><b>Renewable Energy and service delivering</b></p> <p><b>In addition to the NDP, the MoNPD has also developed Regional Development Plans for all six regions of Somaliland some of which identify electricity needs for regional economic development and poverty reduction.</b></p> <p>The Ministry of Interior (MoI) is also in the process of developing District Development Frameworks (DDFs) in districts not supported by the UN Joint Programme for Local Governance (JPLG II). 2016 provides a window of opportunity for the MoEM to develop a proper costed Sector Strategy involving bottom up and top down planning processes in coordination with the MoF.</p> <p><b>There are numerous small-scale solar and wind energy initiatives across Somaliland particularly in the primary health, and water sectors.</b></p> <p>The genesis of the ESRES programme was originally through DFID's role as the lead donor in the health sector, with the original concept of ESRES being to pilot hybrid mini-grids in the health sector. The sectoral scope of ESRES has since expanded. Examples of small-scale efforts to improve service-delivery include:</p> <ul style="list-style-type: none"> <li>- NGOs such as CARE, the Danish Refugee Council and others have supported small-scale renewable energy initiatives through grants to communities for access to clean water, and better primary health care services.</li> <li>- UN agencies such as UNICEF, UNHCR and UNDP have supported small wind energy projects to pump water from boreholes at the community-level, as well as installed small-scale solar-powered installations in primary health care centres, and IDP camps.</li> <li>- UNDP has installed solar panels in Burao Hospital. Since then, the Ministry of Health and the government have worked together with UNDP in installing more solar power in other health posts, IDP camps, police stations and other important areas.</li> <li>- The Mayor of Hargeisa has recently installed 6 solar-powered traffic lights across strategic traffic points in Hargeisa.</li> </ul>	<p>There are numerous projects in the pipeline on renewable energy. However, it requires data collection led by the government to get a comprehensive understanding of service delivery enhancement with the use of renewable energy.</p>	<p>ESRES can provide technical support to the MoEM to strengthen their inter-ministerial coordination capacity with the development of tools, and on-the-job coaching.</p> <p>The MoNPD has in the past, manually collected information about international support through the various international partners including INGOs, UN agencies and private sector company. ESRES, in partnership with the coordination department of the MoNPD can collect this information regularly to get a better understanding of how renewable energy is being used by other ministries for better service delivery.</p> <p>ESRES can support the MoEM to ensure that the Regional Plans and DDFs are harmonised with the current and future policies and plans.</p>



Name of Project	Finance	Implementer	Status in SL	POLICY AND LEGAL	Policy	Laws and Regulations	Trade	SECTOR PLANNING	Sector Policy	Master Planning	Sectoral Planning	Sector Strategy	Local Government Planning	Feasibility studies	STAKEHOLDER MANAGEMENT	PPDs	FINANCING	Transaction Advice	Catalytic Fund	Grant	Micro-finance	INFRASTRUCTURE	Interconnectors	Hybrid MG	Charcoal substation	Biogas	Household	Service Delivery	CAPACITY BUILDING	Higher Education – Electricity	TVET	Capacity Building - Gov.	Capacity Building - IPPs	INFORMATION	Data Collection	Monitoring Impact	Research & Dev.			
GEEL	US AID	Engility	Inc													?			?	?	?			?	?	?	?				?	?		?						
Master Plan	WB MP F	TBD	RF P																																					
SBF III	WB MP F	TBD	P/L																																					
Technical Advisory Facility	WB MP F	TBD	P/L																																					
Cross-border Interconnector	WB MP F	TBD	P/L																																					
Lighting Africa	WB/ IFC	TBD	P/L																																					
Transaction Advisors	WB MP F	TBD	P/L																																					
City Master Plans	WB MP F	TBD	P/L																																					
Resource Mapping	WB MP F	TBD	P/L																																					

Name of Project	Finance	Implementer	Status in SL	POLICY AND LEGAL	Policy	Laws and Regulations	Trade	SECTOR PLANNING	Sector Policy	Master Planning	Sectoral Planning	Sector Strategy	Local Government Planning	Feasibility studies	STAKEHOLDER MANAGEMENT	PPDs	FINANCING	Transaction Advice	Catalytic Fund	Grant	Micro-finance	INFRASTRUCTURE	Interconnectors	Hybrid MG	Charcoal substation	Biogas	Household	Service Delivery	CAPACITY BUILDING	Higher Education – Electricity	TVET	Capacity Building - Gov.	Capacity Building - IPPs	INFORMATION	Data Collection	Monitoring Impact	Research & Dev.	
Human Resource Development	WB MP F	TBD	P/L																																			
Quick Impact Studies/ investments	WB MP F	TBD	P/L																																			
Berbera Corridor	IGA D/ IFC	TBD	P/L																																			
Geothermal exploration	ND F	TBD	P/L																																			
Energy	AFD B	TBD	P/L																																			

**Table 8 - Sample of climate adaptation projects in Somaliland**

<b>STATUS:</b>	Current		Inception (Inc)		Pipeline (P/L)	
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Name of Project	Finance	Implementer	Status in SLD	POLICY AND LEGAL	Policy	Laws and Regulations	Trade	SECTOR PLANNING	Sector Policy	Master Planning	Sectoral Planning	Road Map	Sector Strategy	Local Government Planning	Feasibility studies	STAKEHOLDER MANAGEMENT	PPDs	FINANCING	Transaction Advice	Catalytic Fund	Grant	Micro-finance	INFRASTRUCTURE	Interconnectors	Hybrid MG	Charcoal substation	Biogas	Household	Service Delivery	CAPACITY BUILDING	Higher Education – Electricity /RE	TVET	Capacity Building - Gov.	Capacity Building - IPPs	INFORMATION	Data Collection	Monitoring Impact	Research & Dev.		
	<b>Climate Adaptation<sup>38</sup></b>																																							
<b>JPLG</b>	Multi	UN	Op																																					
<b>Women's Livelihood</b>	DANI DA	Care	Op																																					
	DANI DA	DRC	Op																																					
<b>Diaspora programme</b>	Multi	IOM	Op																																					
	DFID	HoA Initiative	Op																																					
	MPF	AfDB	P/L																																					
	WB MPF	World Bank	P/L																																					

<sup>38</sup> Only a sample of current efforts

### 4.3 DFID-financed Projects of Relevance to ESRES

Both DFID Somalia and HQ financed projects that can potentially add value which require more coordination among implementers at the agent-level. There is clearly a need to harmonise efforts that are supported through global funds that are outside the remit of the DFID Somalia office. Areas that need better coordination as they relate to ESRES activities are set out below in Table 9.

#### 4.3.1 DFID Somalia Operational Plan and ESRES

DFID is one of the largest donors in Somaliland, and is one of three missions with an office in Hargeisa. DFID continues to support innovative and transformative programmes in Somaliland such as the Somaliland Development Fund, the Somaliland Business Fund, PIMs and now ESRES.

As stated in the current Operational Plan (2011-2016), Somalia is a priority country for the UK National Security Council. Somaliland is also covered under the current Operational Plan that is to be updated in the near future in line with the UK Government Strategy for Somalia 2014-2017.<sup>39</sup> With the opening of the office in Somaliland, DFID has also diversified its delivery modalities working through a range of partners, including private sector, consultancy-managed funds, UN, non-governmental partners and the World Bank multi-partner fund.<sup>40</sup> The current Operational Plan has a focus on five areas: governance and peace building, economic development, human development, humanitarian assistance, and conflict and stability.

While specific funds that potentially include RE funds come under the Economic Development Pillar, activities funded under the other pillars also include elements of renewable energy. The linkages between the various programmes supported by DFID and the RE Fund, to be set up under ESRES, is set out in Table 9 below.

#### 4.3.2 Globally Funded Programmes and the Linkage with ESRES

There are three interventions in Somaliland supported by the UK global programmes that have a direct bearing on the work of ESRES: the trade advisory support, legal advisory support, and the revenue project. These are described below:

- With the support of an adviser through the Trade Advisory Facility, a technical advisor has been working with the Berbera Corridor Task Force to advice on trade negotiations with Ethiopia. The Adviser, together with officials from the MoFAIC, MoNPD, MoTI, Ministry of the Presidency, MoEM, and MoPW, have been drafting preparatory notes in relation to trade and transit issues. A third paper on energy and interconnectors is also meant to be on the agenda, but due to the lack of technical capacity this has not been developed as yet. This is potentially an area that ESRES can either provide TA on, or support the MoEM to match with potential expertise supported by other development partners. The TAF is managed by Crown Agents on behalf of DFID.
- Through the LASER Programme, a Residential Adviser in place at the MoFAIC has been liaising with international actors on the energy sector, and drafted an action plan for the electricity sector that provides a useful foundation for informing ESRES.
- There has been some work with Support to Cabinet Secretariat Network through the Africa Cabinet Decision-Making Programme (ACD) which is being delivered by Adam Smith International. TA has been provided to the Ministry of the Presidency, with the objective of establishing a Cabinet Secretariat at the Ministry. Some of the planned activities include: legal drafting manual, templates for bills, review of draft bills, and legal translation from English to Somali.

<sup>39</sup> DFID Somalia (December 2014), Operational Plan 2011-2016, p. 5.

<sup>40</sup> Idem

**Table 9 - DFID Somalia-supported projects and their potential linkage to ESRES**

Pillar	Programme and Status	Implement	Link with ESRES
Governance & peace building	<p><b>Joint Programme for Local Governance (JPLG).</b></p> <p>The overall goal of the Local Governance and Decentralized Service Delivery (LG&amp;D) Joint Programme is to support good governance (transparency, accountability and participation) and the effective and efficient management in regional and district councils, increase public investment in basic services, and strengthen civic awareness and participation in local decision-making and development. Strategies include:</p> <ul style="list-style-type: none"> <li>- Policy and legal frameworks for decentralisation, local government, service provision and land;</li> <li>- Institutionalising local government systems, vertical and horizontal inter-government linkages and civic education initiatives;</li> <li>- Investment in public services and goods through testing the Local Development Fund model, direct service provision and promotion of public/private partnerships;</li> <li>- Processes and systems for housing, land and property disputes and resolution.</li> </ul>	UNDP ILO UN-Habitat UNICEF UNCDF	<p>The Decentralisation Strategy is currently being implemented and piloted in Berbera, Borama and Burao. The pilot sectors are health, education and water and sanitation.</p> <p>When supporting on energy laws and regulations, and decentralisation considerations may need to be taken into account. The line ministry for this is the Ministry of Interior (Department for the Regions).</p> <p>Depending on the District Development Frameworks (DDFs), JPLG can potentially provide finance to support renewable energy initiatives to support service delivery such as street lighting, hybrid mini-grids at Maternal and Child Health Centres, or schools.</p>
	<p><b>Core States Functions Programme.</b></p> <p>In Somaliland, this includes support to the implementation of the Public Sector Reform Strategy as well as Public Financial Management. Both these efforts are supported through the World Bank Multi Partner Fund (MPF). DFID is also supporting a Revenue Reform project that is currently being implemented by Adam Smith international.</p>	World Bank MPF and Adam Smith International	
Economic Development	<p><b>Promoting Inclusive Markets in Somalia (PIMS).</b></p> <p>The proposed three-year programme will address the market constraints to development of the private sector through improvement of key value chains. Thereby, it strengthens our focus and investment in economic development. The inception phase of PIMS finishes at the end of October.<sup>41</sup> PIMS will work through the private sector to support the functioning of markets in key sectors, through addressing failures in terms of small-scale productive infrastructure, market information, co-ordination failures, and access to finance. It will continue much of the work of the successful SEED programme, while extending value chain activities into new geographical areas and new sectors. The intervention will contain two components: value chain development and cash for work. It will be used to build market infrastructure, tackling the extensive need for productive infrastructure investment following 20 years of conflict.</p>	DAI	<p>From early discussions, the most relevant aspect of the PIMS programme are likely to be the components related to access to finance and the development of market infrastructure and value chain activities.</p> <p>ESRES could potentially add value if an applicant aims to cold chain facilities with the use of renewable energy.</p> <p>For example, solar panels to reduce the cost of cooling and refrigeration at storage points and/or markets such as fish markets at Berbera.</p>

<sup>41</sup> The PIMs Team Leader has not been present in Somaliland or available for discussion, so the observations are based on prior knowledge of the SEEDS programme implemented by FAO.

Human Dev.	Building a healthcare system and delivery basic health services for women and children. Improving access to education for girls in marginalised communities and increasing primary school enrolment rates through DFID <b>Girl's Education Challenge and Global Partnership for Education</b>	Various	Renewable energy initiatives to enhance service delivery through initiatives such as the Joint Programme on Health, Global Partnership for Education and humanitarian assistance through UN agencies and other NGOs. These initiatives are likely to target IDPs, refugees and urban poor.
Humanitarian	Building resilience of the most vulnerable to humanitarian shocks		
Conflict and Stability	<b>The Stability Fund</b> is a multi-donor fund supporting peace and stability in Somalia with a few activities in Somaliland. Donors include DFID, DANIDA, EU, Norway, the Netherlands, Sweden and the United Arab Emirates. It is designed to strengthen local stability, improve the coordination of international support and enhance its delivery, according to the International Dialogue on Peacebuilding and Stability's New Deal for Engagement in Fragile States.	Adam Smith International	The Stability Fund has supported renewable energy street lighting in Puntland, and depending on requests from communities and local governments, the Stability Fund may support small-scale community initiatives that include renewable energy.

#### 4.4 Regional Programmes of Relevance to ESRES

Investment in an Energy Secure Africa is clearly a priority given the launch of a number of initiatives aimed at “powering Africa”. The part of this section looks more narrowly at two specific Challenge Funds that have indicated interest in expanding their programmes into Somalia and Somaliland. The Africa Enterprise Challenge has already had a call for proposals through the Post-conflict window for financing in agri-business in 2014 in Somaliland. There is potential interest to expand the renewable energy window, REACT, into Somaliland. However, there are important considerations to take into account. These are discussed in the Section 5, which sets out lessons learned from Challenge Funds. Power Africa, an initiative spearheaded by President Obama in 2013, is also in the process of considering Somalia and Somaliland as a priority country from 2015. A snapshot of these programmes is set out in Table 10.

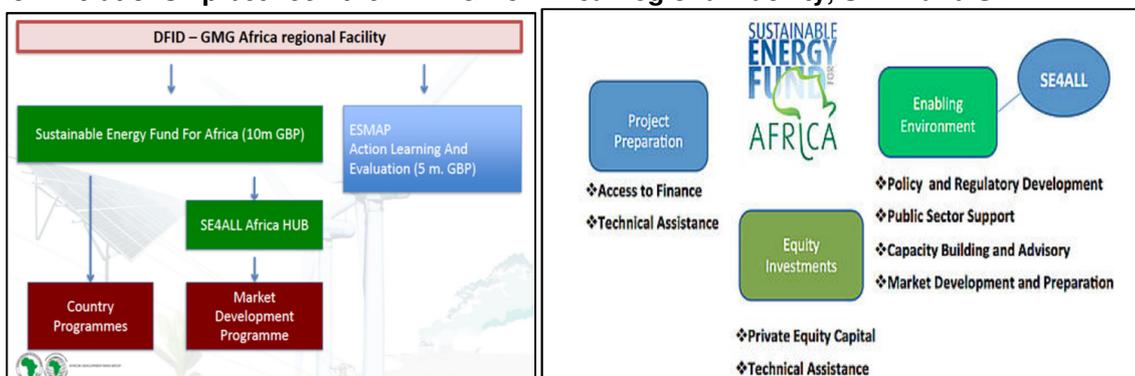
There is potential for Somaliland to access regional resources that are focused on developing the renewable energy sector in Africa. As stated above, the UK has identified Somalia as a priority country for assistance. This extends to programming in Somaliland through the country programmes as well as UK-headquarters supported programmes. This bodes well for Somaliland’s energy sector.

On 22 October 2015, the UK’s Minister of State at DFID recently launched DFID’s Energy Africa Campaign with an initial £30 million to address rural energy poverty in Africa.<sup>42</sup> The Campaign aims to accelerate the expansion of the household solar market across the continent, and aims to help reset the target date for universal energy access from 2080 to 2030. Energy Africa will take on the inefficient markets, policy barriers and under-investment by:

- Boosting the market. The heart of the Energy Africa campaign is about removing policy and regulatory barriers to market expansion, and better co-ordinating donor support to the sector as a whole.
- Agreeing partnerships with key African nations. 14 target countries have been identified for agreements that will set out policy actions, particular to each country, to improve market conditions alongside the co-ordinated support needed to deliver on these.
- Increasing support to the sector. A series of DFID programmes have helped the household solar market get to where it is today, including the REACT window of the Africa Enterprise Challenge Fund. Further financial support to the sector will build on this.<sup>43</sup>

UK’s Green Mini-grid Africa Regional Programme supports the Sustainable Energy for Africa Programme (SEFA) that is hosted by the African Development Bank (AfDB). While SEFA provides TA and finance for project preparation and equity investments, the SE4All component provides TA on establishing and strengthening an enabling environment (Figure 3). Table 11 provides a snapshot of SeFA and SE4All.

**Figure 3 - Relationship between the DFID GMG Africa Regional Facility, SEFA and SE4All<sup>44</sup>**



<sup>42</sup> DFID, (22 October, 2015), Solar Boost to Release Africa’s Untapped Energy Potential <<https://www.gov.uk/government/news/solar-boost-to-release-africas-untapped-energy-potential>>

<sup>43</sup> Idem

<sup>44</sup> AfDB website, <<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/sustainable-energy-fund-for-africa/>>

In September 2015, the AfDB unveiled its landmark initiative to solve Africa’s huge energy deficit by 2025 and launched the “New Deal for Energy in Africa”.<sup>45</sup> This partnership focuses on mobilising support and funding in five key areas. Thereby the AfDB plans to significantly expand its support towards energy in Africa. Development partners are obliged to scale up on-going efforts while countries must also expand their share of financing going into the energy sector, while at the same time demonstrate stronger political will to ensure success of the Deal. Development partners are also required to work together and coordinate their efforts to drive critical policy and regulatory reforms of the energy sector to improve incentives for accelerated investment.

While the AfDB is at the early stages of developing support to the electricity sector with the completion of a needs assessment, AfDB would be able to leverage funds from various regional funds relatively swiftly to provide support to the MoEM.<sup>46</sup> The AfDB has recently hired an infrastructure specialist to develop “bankable” projects, including for Somaliland. It is likely that Somaliland would be eligible for support through the UK’s Green Mini-grids programme that supports SEFA and SE4All. Table 10 sets out potential regional funds that could be targeted for scaling up activities through regional funds. Table 11 sets out some of the funds that are co-financed by the UK Government.

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<sup>45</sup> African Development Bank (9, September, 2015).

<sup>46</sup> Interview with Olufunso A. Somorin, Senior Policy Officer, AfDB, October 2015.

Table 10 - Snapshot of Regional Energy Funds

	Africa Enterprise Challenge Fund – REACT Window	Power Africa <sup>47</sup>
<b>Objective of fund</b>	The REACT Window is a special fund of the AECF that is open to business ideas based on low cost clean energy solutions that help smallholder farmers adapt to climate change. REACT's goal is to contribute to reducing rural poverty through energy access and climate resilience in Sub-Saharan Africa. REACT's purpose is to catalyse private sector investment and innovation in low cost, clean energy and climate change technologies.	Power Africa is working with African governments, over 100 private sector partners and other organizations to add more than 30,000 megawatts (MW) of cleaner, more efficient electricity generation in all of Sub-Saharan Africa. Power Africa is also focused on increasing electricity access by adding 60 million new home and business connections. In Sub-Saharan countries, Power Africa also aims to: <ul style="list-style-type: none"> <li>- Advance energy sector reforms;</li> <li>- Identify and address barriers to investment;</li> <li>- Work with partner countries and institutions to improve efficiency and capacity of power ministries and utilities;</li> <li>- Increase regional, cross-border energy trading;</li> <li>- Enhance energy resource management capabilities;</li> <li>- Work with partner countries and regions.</li> </ul>
<b>Windows/ Components</b>	REACT is one of seven windows of AECF. Other windows are the: Tanzania Window, Post-conflict Window, Zimbabwe Window, Research Into Business Window, Agribusiness Africa Window, South Sudan Window and General Window.	This sub-initiative utilizes Power Africa's transaction-focused model to galvanize partners to collaborate on off-grid and small-scale renewable energy solutions. Power Africa uses the following tools and resources to drive deals and facilitate investment: <ul style="list-style-type: none"> <li>- Transaction assistance and finance;</li> <li>- Policy/ regulatory design and reform;</li> <li>- Capacity building and legal assistance ;</li> <li>- Informational resources.</li> </ul>
<b>Fund type</b>	Co-financing grant loan risk management. Applicant companies are required to match the AECF REACT funding with an amount equal to or greater than 50% of the total cost of the project.	Multiple finance types: equity, mezzanine financing, senior and sub-senior loans, guarantees, export credits, grants and insurance programmes
<b>Overall amount</b>	Amount allocated for REACT is USD 47.2 million	Power Africa's initial \$7 billion commitment has already mobilized more than \$20 billion in private sector commitments to invest in power generation and distribution across Sub-Saharan Africa.
<b>Location</b>	Kenya, Tanzania, Rwanda, Uganda and Burundi and Mozambique	Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania. A bill was proposed to include Somalia and Somaliland from 2015.
<b>Duration</b>	REACT Window: 2010 - 2021	2013 - on-going
<b>Donor</b>	DFID, Sida, Australian Department of Foreign Affairs and Trade, Royal Netherlands Embassy, and Danida	AfDB the World Bank Group and the Government of Sweden have collectively committed an additional \$9 billion in support of Power Africa. On July 14th, the EU and Power Africa announced a new partnership fund more than \$2.8 billion in sustainable energy activities across sub-Saharan Africa.

<sup>47</sup> Power Africa Toolbox, <<https://www.usaid.gov/sites/default/files/documents/1860/PA-Toolkit-10-21-2015.pdf>>

<b>Implementing partner/Host</b>	KPMG IDAS retains the services of Triple Line Consulting (TLC) for monitoring, evaluation and dissemination of learning. The Fund Manager is responsible for the day-to-day operations of the Fund, from its HQ offices in Nairobi, regional offices in Harare and Accra and a country office in Tanzania.	Tetra-Tech
<b>Eligibility</b>	<p>The AECF REACT operates like a “social” venture capital fund, seeking and engaging with many companies to find those projects and business ideas with the greatest rate of return against its objectives. Eligible projects:</p> <ul style="list-style-type: none"> <li>- Increased access to low cost, clean energy for rural businesses and households. This includes cost effective renewable power, commercially viable renewable fuels and other clean energy alternatives.</li> <li>- Products and services that help smallholder farmers adapt to climate change (egg, drought resistant seeds and technologies or weather early warning systems that increase resilience and reduce vulnerability).</li> <li>- Financial services that increase access to finance for low cost clean energy and climate resilient technologies or catalyse financial solutions such as weather insurance for smallholder farmers.</li> </ul>	<p>Power Africa is focused on unlocking the substantial wind, solar, hydropower, biomass, geothermal, and natural gas resources in all of Sub-Saharan Africa.</p> <p>The size of projects varies, from large-scale projects (50 MW and greater) to small-scale projects (less than 10 MW) and off-grid energy projects (any size, but usually between 1 kW residential applications to 5 MW projects). Power Africa also supports the development of expanding transmission and distribution networks.</p> <p>All transactions or projects are reviewed independently and are selected based on their merit, alignment with Power Africa goals and priorities, and the requirements of relevant Power Africa agencies. Each agency has its own internal processes and criteria to review projects and decides independently whether and how to engage on partner projects.</p>
<b>Co-investment amount</b>	Co-funding from \$250,000 to \$1.5 million per project. Applicant companies are required to match the AECF REACT funding with an amount equal to or greater than 50% of the total cost of the project.	Depends on type of transaction

Table 11 - Snapshot of other Regional Funds relevant to Somaliland

	Sustainable Energy Fund for Africa (SEFA) <sup>48</sup>	SE4All – Africa Hub <sup>49</sup>	Africa Renewable Energy Access Programme (AFREA) <sup>50</sup>
<b>Regional Energy-Related Programmes</b>	Support enabling environment interventions in six countries in Sub-Saharan Africa. Projects will support sector planning, regulatory policy interventions, as well as market development work at the country level. Expected to address the constraints face by governments, financiers, developers and communities.	To coordinate and facilitate the implementation of the SE4All Initiative on the African continent in keeping with the resolution of the Conference of the Energy Minister of Africa in November 2012. Aims to promote African ownership, inclusiveness and a comprehensive approach to the initiative's implementation.	The Energy Sector Management Assistance Programme (ESMAP) and the World Bank's Africa Energy Unit (AFTEG) have proposed a new dedicated ESMAP program for Sub-Saharan Africa: the second phase of the Africa Renewable Energy Access Program (AFREA II) managed by AFTEG. AFREA II will continue to help find workable, scalable solutions to Africa's energy deficit in the following ways: <ul style="list-style-type: none"> <li>• Promoting increased access to energy, with an emphasis on meeting basic household energy needs, and developing renewable energy and other low carbon energy sources;</li> <li>• Creating an enabling environment for regional cooperation and private sector participation in energy generation, transmission and distribution;</li> <li>• Complementing and supporting AFTEG's "Energy-Driven Development" vision of poverty reduction, green growth and making biomass sustainable in low income and post conflict countries.</li> </ul>
<b>Types of Activities</b>	<ul style="list-style-type: none"> <li>• Country level actions including Rapid assessment and gap analyses;</li> <li>• Global energy efficiency accelerator platform;</li> <li>• High impact opportunities;</li> <li>• They are regional including one for Africa and thematic hubs. Thematic hubs include: Energy Efficiency; Energy Efficiency Facilitating Hub; Renewable (IRENA); Capacity Building (TERI); and Global Knowledge Hub.</li> </ul> <p>Mainly targeted at public sector institutions.</p>	<ul style="list-style-type: none"> <li>• Coordination and facilitation;</li> <li>• Mobilising finance;</li> <li>• Information sharing, matchmaking, outreach and knowledge management;</li> <li>• Monitoring Evaluation and Reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Support to rural energy agencies and utilities including energy efficiency programs;</li> <li>• Continued support to Lighting Africa's efforts to help meet the long-term target of reaching 250 million people (50 million lights);</li> <li>• Implementation of the Africa Clean Cooking Initiative piloting and promoting improved cook stoves, improving sustainability of wood-fuel supply, inter-fuel substitution, and development of biomass energy strategies;</li> <li>• Disseminating information and building capacity among stakeholders to improve access and scale up</li> </ul>

<sup>48</sup> Sustainable Energy Fund for Africa <<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/sustainable-energy-fund-for-africa/>>

<sup>49</sup> Sustainable Energy for All, <<http://www.se4all.org/hubs/>>

<sup>50</sup> World Bank, AFREA, <[http://siteresources.worldbank.org/EXTAFRREGTOPENERGY/Resources/717305-1266613906108/AFREAIntro\\_Brochure.pdf](http://siteresources.worldbank.org/EXTAFRREGTOPENERGY/Resources/717305-1266613906108/AFREAIntro_Brochure.pdf)>. A snapshot of the World Bank's AFREA programme is also included in Table 14 as electricity projects in the pipeline for Somaliland could potentially include financing from AFREA.

			renewable energy and offering low carbon and climate change adaptation programmes; <ul style="list-style-type: none"> <li>Continued priority for gender mainstreaming and sharing lessons learned in AFREA's first phase;</li> <li>Building private-public partnerships for the delivery of sustainable energy services;</li> <li>Promoting regional cooperation, in particular the increased use of renewable energy via regional power pools.</li> </ul>
<b>Fund type</b>	<ul style="list-style-type: none"> <li>Grants to facilitate preparation of medium-scale renewable energy generation and energy efficiency projects;</li> <li>Equity investments to bridge the finance gap for small and medium-scale renewable energy generation projects;</li> <li>Support to public sector to improve the enabling environment for private investment and sustainable energy.</li> </ul>		
<b>Amount</b>	USD 90 million		AFREA I: UAS 28.8 million
<b>Location</b>	Six countries – Sub-Saharan Africa	At the beginning of 2014, 37 of the 42 opt-in African countries	Sub-Saharan Africa
<b>Duration</b>			2009 – AFREA II on-going
<b>Donor</b>	UK Aid, DANIDA and US.		The Kingdom of the Netherlands, International Finance Corporation (IFC), Africa Energy Group (AFTEG), The World Bank, Energy Sector Management Assistance Program (ESMAP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), European Union Energy Initiative Partnership Dialogue Facility (EUEI PDF), Global Alliance for Clean Cook Stoves, Global Partnership on Output-Based Aid (GPOBA)
<b>Implementing partner/Host</b>	African Development Bank, Energy, Environment and Climate Change Department	AfDB hosts the Africa Hub in partnership with the African Union Commission (AUC), NEPAD Planning and Coordination Agency (NPCA), and UNDP.	
<b>Eligibility</b>	Mainly public sector organisations. Proposals evaluated on criteria such as recipient's ownership, commitment and alignment with country's SE4All Action Agenda, existing sector policy, institutional capacity and market potential, and relevance and specificity of technical support.		



## 5. Lessons from Renewable Energy Funds

Recently completed funds aimed at stimulating the private sector with renewable energy components provide some valuable lessons in relation to fund management, and in particular the implementation of renewable energy projects in the Somaliland context. The two main private sector development funds that have been active in Somaliland in the past few years are the SBF and the PEG. The AECF has only been active in Somaliland through its Post-Conflict Window in 2014. However, a recent evaluation of the REACT window of AECF in neighbouring Kenya provides some useful lessons that can also be applied in the Somaliland context.<sup>51</sup> These lessons are summarised in Table 13.

**Table 13 - Key lessons from Challenge Funds in Somaliland and the Region**

ISSUE	LESSON
<b>Governance: Having the right people at the table</b>	One of the complaints about the SBF was that although there were Ministers on the Grant Application Panel, given that most of the projects were in the productive and energy sectors, they were not represented on the Grant Application Panel. For example, projects selected in different service delivery Ministries were not coordinated with the relevant line Ministry. <sup>52</sup> Thereby, the selection of the projects in the energy sector was not coordinated with the MoEM.
<b>Sector and geographical coverage</b>	SBF grant support was made available to a total of 16 business sectors in all six regions of Somaliland, leading to significant variations in the type, complexity and location of the projects that were implemented. In terms of the regional distribution, Round 1 saw a not unexpected dominance of Hargeisa with 66% of all projects. This was balanced by a reduction to 43% in Round 2 with gains in other regions. Applications received from Hargeisa were generally stronger than those outside of Hargeisa.
<b>Location of office</b>	While this may seem trivial, it is important that the Fund Manager makes every attempt to remain independent. This is particularly important in the Somaliland context. The SBF fund management team living and working at the Mansoor hotel, a major meeting place in Somaliland for different stakeholders, meant that there was often a perception that the team's independence was compromised.
<b>Basket model of funding is challenging</b>	The DANIDA review of the AECF-REACT found that "the basket model comprising a joint fund management and administration of seven separated windows and sub-windows with different thematic and/or geographical coverage as well as different donor is challenging." <sup>53</sup>
<b>In-country presence</b>	AECF-REACT has found that its country-focused window in Mozambique has had better success than regional programmes where they have not had in-country presence. <sup>54</sup>

<sup>51</sup> DANIDA, Evaluation of Denmark's Climate Change Funding to Developing Countries, Country (Kenya), Annex 6.

<sup>52</sup> Interview with Dr Saad Ali Shire, Minister for Foreign Affairs and International Cooperation, and member of the Grant Advisory Panel for SBF.

<sup>53</sup> DANIDA, Evaluation of Denmark's Climate Change Funding to Developing Countries, Country (Kenya), Annex 6, p. 17.

<sup>54</sup> Interview with Anjali Saini, AECF-Project Manager, October 2015.

<b>Fund mobilisation is slow</b>	Lessons from the SDF, AECF-REACT and the SBF is that fund mobilisation takes longer than anticipated if the proper safeguards are to be put into place. The delay in contract fund mobilisation is for a range of reasons such as ensuring stakeholder ownership, lack of understanding of contracts and technical requirements.
<b>Light touch fund management does not work</b>	The SBF team in particular highlighted the fact that “light touch” fund-management does not work. Rather, the team needs to be a mix of national fund analysts, technical specialists (in the case of ESRES, renewable energy specialists), as well as international fund management specialists. <sup>55</sup>
<b>Communication and managing expectations</b>	A key message from SBF, PEG and AECF-REACT is the importance of managing expectations and being clear about the process in writing at every given opportunity. <sup>56</sup>
<b>Complaints procedure</b>	The complaints procedure should be clear, simple and communicated in both Somali and English. Clear protocols should be put in place for the Fund Manager to respond to complaints. <sup>57</sup>
<b>The grant application process should be able to cope with a large volume of applicants</b>	To maximise the efficiency of the application process with a large volume of applications, systems have to be robust and designed to cope with local circumstances. <sup>58</sup>
<b>Clear provisions in grant agreements</b>	Grant agreement amendments should include clauses on: <ul style="list-style-type: none"> <li>- Setting realistic deadlines;</li> <li>- Importance of performance bonds to increase Grantee motivation;</li> <li>- Securing value for money on procurement;</li> <li>- Placing an absolute limit on implementation timescale;</li> <li>- Confirmation of authenticity of paperwork supporting claims.</li> </ul> These messages should be reinforced at every stage, preferably in writing.
<b>Providing post-grant award support</b>	Access to funding is a major benefit to investors in Somaliland, but while essential, it is not sufficient. A locally available ‘full-service’ technical assistance unit providing TA to grantees and local BDS providers, would facilitate a more timely and productive delivery of any given project’s outputs and outcomes over the course of the implementation timeframe. <sup>59</sup> Access to BDS is not only essential as a facilitator of project development and implementation, but also would encourage a greater degree of self-selection among applicants seeking grant fund support.
<b>Technical support and quality assurance of materials</b>	The Fund Managers for both SBF and PEG found that they had to be intensively involved in ensuring that the infrastructure and technical support was of quality, and compatible with the Somaliland systems. This is of particularly relevance to RE projects. Ready access to spare parts is also important. <sup>60</sup>

<sup>55</sup> Interview with Catherine Devlin, former SBF Project Director, October 2015; and Sahra Hassan for SBF Fund Analyst, October 2015.

<sup>56</sup> Interview with Catherine Devlin, former SBF Project Director, October 2015; Sahra Hassan for SBF Fund Analyst, October 2015; and Anjali Saini, AECF-Project Manager, October 2015.

<sup>57</sup> Interview with Catherine Devlin, former SBF Project Director, October 2015; and Sahra Hassan for SBF Fund Analyst, October 2015;

<sup>58</sup> Landell Mills, (2015), SBF Final Report.

<sup>59</sup> DANIDA, Evaluation of Denmark’s Climate Change Funding to Developing Countries, Country (Kenya), Annex 6, p. 17.

<sup>60</sup> Landell Mills, (2015), SBF Final Report.

<b>Thorough and regular due diligence of grant applicants and awardees</b>	Somaliland is characterised by high levels of business informality and there is no banking sector. In these circumstances, conducting effective due diligence on applicant enterprises was particularly challenging but important. Any future programmes should take adequate account of this situation and ensure that appropriate risk mitigation measures are in place. <sup>61</sup>
<b>Verifying milestones and disbursing grants</b>	In order to minimise the risk of disbursing grant payments against fraudulent milestone claims, the fund manager needs to invest in ensuring that milestones have been met with not only original documentation but also site visits. <sup>62</sup>
<b>Grant cancellations for non-performance</b>	The SBF found that grant cancellations should be communicated for no other reason than ensuring that grantees remain business-like and committed to implementing projects in a timely manner. <sup>63</sup>
<b>Project performance and outcome</b>	67% of SBF supported projects were assessed as being 'A - Well Performing' or 'B - Satisfactory and Operational' and a sizeable proportion of the rest were successful at least in part, which may be regarded as an indication of the overall success of the SBF programme. Outcomes in terms of job creation, output increase, new products and investment mobilisation were overall good, with indications of effective domestic capacity building in business services and through technical externalities from business linkages within the value chain. However, there was inadequate monitoring of access to finance of vulnerable groups.
<b>Independent monitoring</b>	SBF and evaluations of AECF-REACT highlighted the importance of independent monitoring. <sup>64</sup> This has been addressed in ESRES with the independent Real Time Learning Team.
<b>Sustainability</b>	For example, in the case of AECF-REACT, 80% of the companies funded were start-ups and there was a high rate of failure. AECF-REACT found that the "pay as you go" technology has a higher degree success. This was highlighted in the DANIDA's Evaluation report, which states that PAYGO is prevalent in the telecom sector. Its application in the energy distribution sector is fairly new, and should be developed further. <sup>65</sup> Scratch cards, or the use of mobile banking, lowers the threshold for rural poor access to clean modern energy, while also lowering the risk for distributing companies.

## 5.1 Guiding Principles for the Design of the Renewable Energy Fund

These guiding principles are based on the Partnership Principles set out in the Somaliland Special Arrangement (2013-2016) as well as the UK International Climate Fund that is the source of funding for ESRES. The guiding principles are also informed by recommendations from different stakeholders and lessons learned from past projects. Table 14 sets out how the Partnership Principles have informed the proposed guiding principles for the RE Fund.

<sup>61</sup> Landell Mills, (2015), SBF Final Report.

<sup>62</sup> Interview with Catherine Devlin, former SBF Project Director, October 2015; Sahra Hassan for SBF Fund Analyst, October 2015; and Hirsi Farah, Deputy Team Leader, PEG.

<sup>63</sup> Landell Mills, (2015), SBF Final Report.

<sup>64</sup> Landell Mills, (2015), SBF Final Report; DFID (2013) Annual Review of AECF-REACT; DANIDA, Evaluation of Denmark's Climate Change Funding to Developing Countries.

<sup>65</sup> DANIDA, Evaluation of Denmark's Climate Change Funding to Developing Countries, Country (Kenya), Annex 6, p. 24.

**Table 14 - Guiding principles for the RE Fund**

Partnership Principle	Guiding principles for the RE Fund
Government ownership and leadership	Fund governance structure should take into account possible developments in relation to the finalisation of the draft Electrical Energy Act. Like the SDF, the ESRES Programme is currently led by a JSC that is chaired by Government and co-chaired by the lead donor. In the case of ESRES, the Chair is the MoEM, and the JSC is co-chaired by DFID for now. However, the governance arrangements for the RE Fund may change in the near future, if some form of the Energy Trust Fund stays in the legal framework.
The Fund should look at innovations beyond PPPs arrangements.	There are important lessons to be learnt from the DFID-supported SEEDs project. According to sources, PPPs have not worked in Somaliland because of a range of factors. The key factor is the lack of a legal framework governing PPPs. <sup>66</sup> As stated in the 2014 Annual Review of SEEDs: <sup>67</sup> <i>“The PPP concept has become unhelpful, masking a variety of arrangements with variable outcomes. Programming needs to define what it is trying to achieve. In the absence of a legislative framework, “PPP” cannot be an end in itself, but rather a means to attract investments and provide cost effective ways for government to deliver public goods to its citizens. PPP agreements should specify what investment the private partners will bring and where possible these terms should be binding.”</i> Lessons learned from SEED II PPP interventions should be formally captured for future interventions and shared widely. Donors should develop a common approach for future infrastructure interventions. See Box 2.
Adherence to “Do no harm” principles	ESRES should ensure that it fosters competition amongst providers and not reinforce existing monopolies to ensure that citizens have access to affordable, reliable and safe electricity. <sup>68</sup> ESRES should also be careful not to “do harm” by inadvertently reinforcing monopolies, and provide targeted technical support to help regulate the electricity sector. As agreed at the 2 <sup>nd</sup> ESRES JSC on 9 October, 2015, as an investor, the ESRES Programme seeks a Social Return on its investment. Social return on investment is defined as having positive socio-economic impacts and at the same time adhering to conditions of equitability, climate resilience and sustainability. Key criteria for defining the social return for investment are: <ul style="list-style-type: none"> <li>• Additional renewable energy generation capacity</li> <li>• Additional consumers base through new connections</li> <li>• Improved affordability to consumers.<sup>69</sup></li> </ul>
Greater willingness to accept and manage risk	Investment funds should be conditional. The recipients must be able to demonstrate accountability and efficiency, with a focus on increasing access to reliable and affordable electricity. To ensure that the funds from the RE Fund are used responsibly, some discussants recommended that applicants should be selected on the basis of ensuring that the following “tests” are addressed – affordability, reliability and safety. <sup>70</sup>
Alignment of international assistance with the Government’s strategic priorities	ESRES aims to support the development of a harmonised Policy and Regulatory Framework Road Map for support to Somaliland priorities in the electricity sector. <sup>71</sup> Based on lessons from other efforts such as Public Financial Management Reform, Justice Sector Reform and Public Service Reform in Somaliland, the Government is keen to ensure that there is a government-owned and developed Road Map, and that the Ministry leads donor coordination and a process of identifying a division of labour amongst donors.

<sup>66</sup> E.g. Dr Saad Ali Shire, Minister for Foreign Affairs and International Cooperation.

<sup>67</sup> DFID, (2014), Annual Review

<sup>68</sup> E.g. Dr Saad Ali Shire, Minister for Foreign Affairs and International Cooperation.

<sup>69</sup> Draft Guidelines for applicants, (09 October 2015), Section 4.2.

<sup>70</sup> Interview with Dr Saad Ali Shire, Minister for Foreign Affairs and International Cooperation; HE Eng. Hussein Duale, October 2015.

<sup>71</sup> See Functional Review Report,

Harmonised approach, with a good division of labour	Government places great priority on donor coordination, and a good division of labour. This should result in a division of labour that is based on comparative advantage, availability of financial resources, and technical expertise.
Common effort to ensure that development partner funds build and strengthen Somaliland capacity	<p>Fund management arrangements should not be “light-touch”. On the contrary, based on lessons from the SBF, PEG as well as the Somaliland Development Fund (SDF), sustained technical capacity building is necessary for different elements of fund management including on-going monitoring.</p> <p>Fund-recipients should be seen as co-investors. Based on the lessons from the SBF as well as the PEG the money should not be a pure “grant” to the private sector. The funds should be seen as funds for co-investment with the private sector. The ultimate goal of ESRES is to be an enabler for private sector development, and thus poverty reduction. This approach is also in line with the principles of the International Climate Fund through which ESRES is financed. It is aimed to test the private sectors interest and capacity in climate financing.</p> <p>Entrepreneurs need their ideas supported with business planning support. The second round of grant calls of the SBF, based on lessons from the first round, grantees were provided the opportunity to use business development services to help with their grant applications. PEG used a similar approach.<sup>72</sup></p> <p>The Fund should invest in technical knowhow across the whole renewable energy value chain. For example, in the renewable energy sector, SBF and PEG grantees did not have the technical know how about the infrastructure, electrical engineering capacity, and the maintenance capacity leading to technical challenges and cost overruns.<sup>73</sup> The Fund Manager should provide for quality assurance of equipment purchased, including compatibility with existing diesel generation equipment, installation as well as maintenance.</p>
Separate and distinct financing, increasingly channelled through Somaliland systems based on the achievement of agreed benchmarks	As discussed at the 2 <sup>nd</sup> ESRES Joint Steering Committee on 9 October 2015, the ESRES Programme, through the GoSL provide investment to implementing partners for the development and implementation of hybrid mini-grids. <sup>74</sup>
Dedicated supported to building monitoring capacity of the GoSL to ensure that PSG and development outcomes and results are tracked.	DFID has designed the ESRES programme to be monitored independently by a Real Time Learning Component. The ESRES team will work closely with this RTL team to ensure that lessons are captured and incorporated into future programming. A representative from the Real Time Learning Project will have observer status at the JSC meetings of ESRES.

**Figure 4 - Lessons Learned: 2014 Annual Review of SEED II<sup>75</sup>**

Likewise there is a need for the implementing partners to work more closely together. For example, on Public Private Partnerships (PPPs), both FAO and the World Bank are engaged in developing very similar PPP structures and yet do not work together. WB and FAO need to recognise the opportunities for complementarities and synergies and make this cooperation mandatory under future PPP work.

Implementing partners need to have better oversight and control of the PPP process. FAO and WB need to be on the procurement panel for remaining PPP negotiations under SEED II to ensure that the interests of communities, as well as the donor are properly represented. They should undertake economic appraisals for all PPPs and these should be an essential part of the decision-making process. Municipalities have led this process with some private sector representatives possessing indeterminate influence. PPP decisions need to include Ministries.

<sup>72</sup> Landell Mills, (2015), SBF Final Report.

<sup>73</sup> Landell Mills, (2015), SBF Final Report. Interview with Hirsi Farah, Deputy Team Leader, PEG October 2015.

<sup>74</sup> Draft Guidelines for applicants, (09 October 2015), Section 4.1.

<sup>75</sup> DFID, (2014), Annual Review, Sustainable Employment and Economic Development Programme II.

## 5.2 Alignment with objectives: UK's International Climate Fund

The International Climate Fund (ICF) helps developing countries adapt to climate change, adopt low carbon growth and tackle deforestation. The UK is providing £2.9 billion of Official Development Assistance from 2011-2015 for the ICF.<sup>76</sup> The ICF priorities have been identified as the following:

- Demonstrate that building low carbon climate resilient growth at scale is feasible and desirable;
- Support the international negotiations, particularly through providing support for adaptation in poor countries and building an effective international architecture;
- Drive innovation and new ideas for action, and create partnerships with the private sector.

**Table 15 - RE Funds alignment with ICF Objectives**

ICF Objective	Alignment of the RE Fund with the ICF Objectives
Identify and implement financial instruments and solutions, that have transformative potential and potential to be replicated at scale	The ICF objectives on private finance should also inform the design of the RE Fund. Thereby, public finance needs to be used to mobilise private finance. The ESRES team is in dialogue with the government and other stakeholders in Somaliland to “think outside the box”. A clear message from the government, private sector stakeholders and civil society is that the funds should not be a grant, or “easy money”. Funds should be treated as co-investments, with some level of financing provided by the private sector. While there seems to be the potential for raising a certain level of capital within the private sector, their level of interest may be limited to the urban areas of Somaliland. This is to be tested in Phase I. Stakeholders have proposed a series of PPDs to not only resolve the impasse on the draft legislation, but to also find a way forward on finding innovative financing options amongst other matters.
Test new and innovative approaches to mobilising private climate finance to better inform international initiatives and spending on key factors of success or failure	DFID has been one of the lead agencies mobilising private sector financing for renewable energy efforts in Somaliland. While there have been challenges with the renewable energy projects financed through the SBF, they offer useful lessons that will inform the design of ESRES and the successor to the SBF, also co-financed through the World Bank Multi-Partner Fund.
Mobilise climate finance in ICF priority countries that would not otherwise flow to those countries so as to create a sustainable climate investment market	The DFID Operational Plan for Somalia (2011 – 2016) identifies Somalia as a priority country for HMG. These operational plans include financing for Somaliland, including discrete financing for potentially transformative projects such as ESRES. <sup>77</sup>
Mobilise private sector engagement and finance in specific sectors and/or technologies that experience difficulties in accessing private finance	ESRES was initially initiated to support the health sector in the business case. However, the current ESRES Programme is much broader and considers the whole electricity sector for Phase I, with sectors for Phase II to be open for competition. It is likely that if there is a Phase II, then the government and private sector prefer to leverage the financing for private sector development.
Create a better understanding of private finance within ICF priority country governments, HMG and internationally to inform future climate finance policy and projects	The Real Time Learning component will provide useful lessons to gain a better understanding of private finance within Somaliland to better inform climate finance policy and projects, particularly for contexts such as Somaliland.

<sup>76</sup> UK Department of Energy and Climate Change, (undated), The UK's International Climate Fund and Capital Markets Climate Initiative, p. 3.

<sup>77</sup> DFID Somalia (December 2014), Operational Plan 2011-2016, p. 5.

### 5.3 Potential Fund Managers for Phase II

DFID has identified possible fund managers for Phase II of the Renewable Energy Fund to be SBF, PIMS and AECF. However, SBF is still at the final design stage, PIMS is at the inception stage and it is unclear what the fund will look like.

SBF III is still at the design stage. Unlike SBF II, SBF III will cover Somalia, Somaliland and Puntland. About USD 10 million will be allocated to Somaliland. The design is being finalised and is likely to come out to tender in early 2016. Based on lessons learned from SBF II, the catalytic fund will be supported with a USD 5 million Technical Advisory Fund. It is unclear at this stage whether the fund will be managed through one office in one location, or whether there will be satellite offices in Mogadishu, Garowe and Hargeisa.

PIMS is currently at the end of its inception phase (end of October 2015), and according to the team, there is no scope for a matching fund in the current design. This will have to be verified. Currently, a roving Team Leader based in Nairobi manages the project. The “fund” component needs to be further explored once the inception report is discussed and approved by DFID.

AECF-REACT is currently not operational in Somaliland. There have been three rounds, with the last round being country-focused on Mozambique. A DFID Annual Review of AECF-REACT undertaken in October 2013 gives REACT a rating of A.<sup>78</sup> Feedback from AECF-REACT seems to indicate that rather than regional rounds it is better to have a fund that is specific to a country, with in-country presence, because of the level of technical expertise needed. The one advantage of REACT is that there are energy specialists across the spectrum, and if there is the possibility of a country-specific programme, fund management through REACT may be an attractive option.

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<sup>78</sup> DFID, (October, 2013), Annual Review, Renewable Energy and Adaptation to Climate Technologies (REACT) Window, AECF.

## 6. Potential for Scaling-up

There is real potential for scaling up activities to address the barriers through both country and regional programmes, such as the GMG-SEFA, GMG-SE4All, Power Africa, and AFREA. Tables 6 – 12 demonstrate how activities supported by ESRES can be scaled up through funds allocated specifically to Somaliland and regionally. With the limited financing available through ESRES, there is potential for scaling up through existing programmes, programmes in the pipeline and through regional programmes. However, this needs strong government leadership, a clear regulatory framework and a clear road map. Through every stage of the process, it is recommended that a series of PPDs are conducted to ensure buy-in from various stakeholders. Figure 5 sets out the current aid architecture and Figure 6 sets out how the MoEM can build on this by establishing an energy sector coordination platform.

### 6.1 How ESRES can engage with Stakeholders

The current aid coordination framework in Somaliland is set out in the SSA.<sup>79</sup> The National Planning Commission is charged with monitoring the implementation of the NDP, budget planning and resource allocation.<sup>80</sup> However, one of the weakest sectors in terms of sector coordination is the Infrastructure Sector Coordination Group. Currently, the energy sector comes under the infrastructure sector in the NDP (See Figure 6). Each Sector Coordination Working Group is meant to be chaired by a Minister from the Sector, and co-chaired by a lead donor in the sector. The Minister of MoPW is the current Chair of the Infrastructure Working Group, and no donor has come forward as co-chair. It was hoped that the other donors would come forward as the co-chairs and provide technical support to ensuring the sector coordination could be strengthened. However, this has not happened, and as a result, the infrastructure sector coordination working group has rarely met.

**Figure 5 - The Aid Coordination Framework in Somaliland**



In addition to the international stakeholders, there are a multitude of national stakeholders who are also involved with either implementing aspects of the Energy Policy, or leading other reform efforts that have a direct bearing on the energy sector. For example, the GoSL is rolling out the Decentralisation Policy (2014) under the leadership of the MoI and piloting it in health, education, water and sanitation in Borama, Burao and Berbera. The Public Financial Management Reform process is underway under the leadership of the MoF, which has implications for tariff setting, potential revenue generation, and tax revenue. Under the Chairmanship of the Minister of Labour and Social Affairs, a Public Sector Reform strategy is underway, which

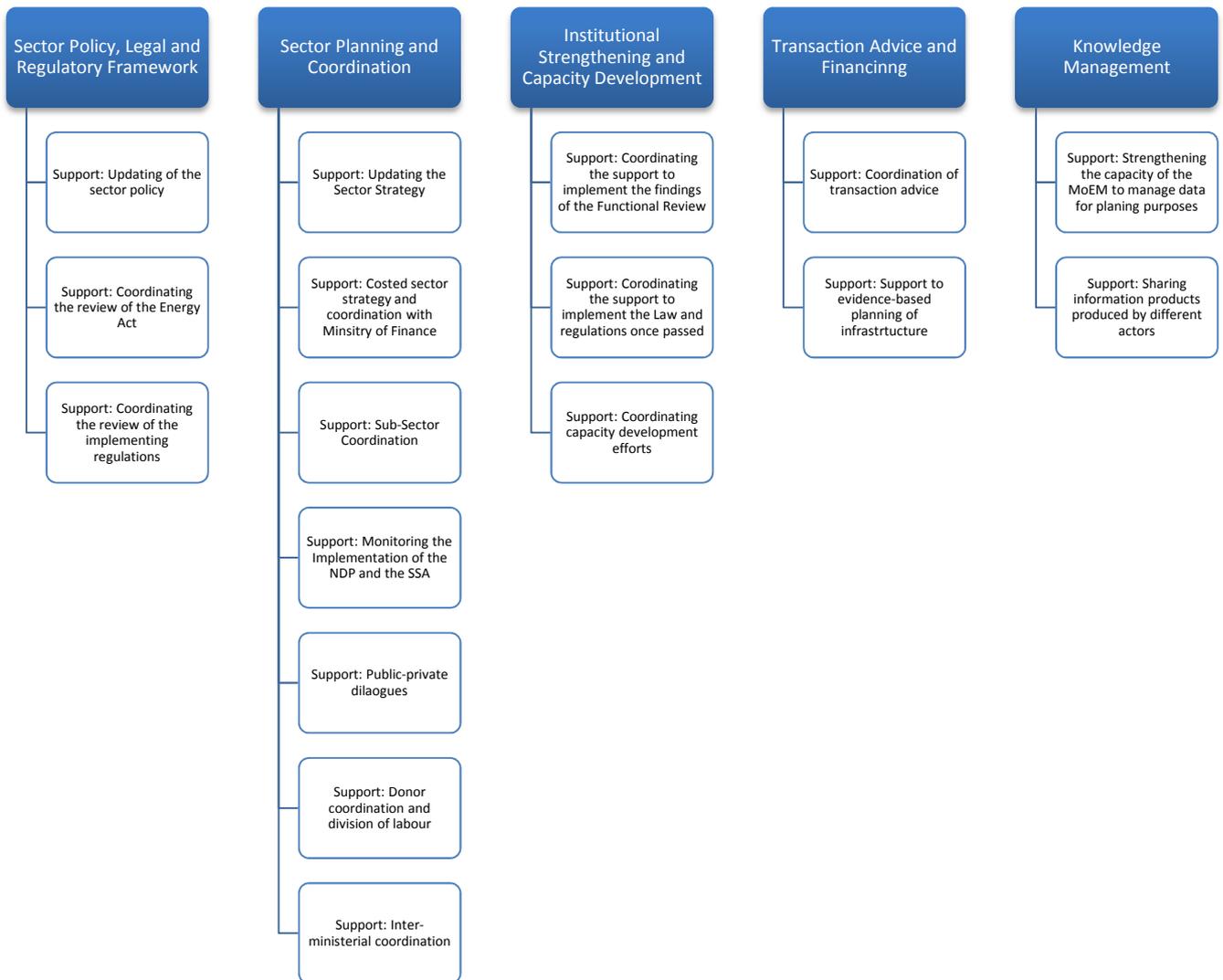
<sup>79</sup> Ministry of National Planning and Development, (2011), Somaliland Special Arrangement (2012-2016).

<sup>80</sup> Ministry of National Planning and Development, (2011), National Development Plan (2012-2016).

has implications for implementing some of the findings of the Functional Review. Table 17 provides an overview of various public administration functions that touch on the energy sector, or broader public administration matters.

Table 16 sets out how different institutions have a direct or secondary relationship to priorities in the energy sector. It is indicative but not definitive. Table 16 should be seen as a “living table”, a tool to visualise horizontal and vertical and coordination needs.

**Figure 6 - Conceptual model of how ESRES can support the MoEM to strengthen**



**Table 16 - Mapping of public administration functions that have a bearing on the energy sector**

Government stakeholders currently engaged in the energy sector	Core agency currently active										Other agencies that utilise RE for better service delivery										Secondary role																	
	Berbera Corridor	POLICY AND LEGAL	Policy	Legal	Regulatory	SECTOR PLANNING	Donor Coordination	Sector Coordination	National Planning - Energy	Regional Plan - energy	District Development	FINANCING	Energy Budget Planning	Budget Allocation -	Budget Reporting	ESRES investments	INFRASTRUCTURE	Monitoring Implementation	Trade	Community Mobilisation	INFRASTRUCTURE	Renewables in Service	Charcoal - alternatives	OVERSIGHT AND	Regulation	Licenses	Registration	Contracts	Taxation	Security	CAPACITY DEVELOPMENT	Capacity Building of govt.	Research and Innovation - RE	Vocational Education	Higher Education - RE	Dispute resolution		
President	█	█	█	█																																		
Presidency	█	█	█	█																																		
Cabinet		█	█	█																																		
Guurti		█	█	█																																		
Parliament		█	█	█																																		
Solicitor General		█	█	█																																		
Cabinet		█	█	█																																		
Courts		█	█	█										█																								█
Ministry of Justice		█	█	█									█																									
Cabinet Secretariat (in the future)		█	█	█									█																									
Ministry of Energy and Minerals	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Ministry of Public Works, Housing and Transport	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Environment and Rural Resources	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Foreign Affairs and International Cooperation	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Trade and Investment	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of National Planning and Development	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Finance	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Regional Government	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Regional Offices - MoEM	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Local Government	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Interior	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Ministry of Water	█	█	█	█		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█

Government stakeholders currently engaged in the energy sector	Berbera Corridor	POLICY AND LEGAL	Policy	Legal	Regulatory	SECTOR PLANNING	Donor Coordination	Sector Coordination	National Planning - Energy	Regional Plan - energy	District Development	FINANCING	Energy Budget Planning	Budget Allocation -	Budget Reporting	ESRES investments	INFRASTRUCTURE	Monitoring Implementation	Trade	Community Mobilisation	INFRASTRUCTURE	Renewables in Service	Charcoal - alternatives	OVERSIGHT AND	Regulation	Licenses	Registration	Contracts	Taxation	Security	CAPACITY DEVELOPMENT	Capacity Building of govt.	Research and Innovation - RE	Vocational Education	Higher Education - RE	Dispute resolution	
Ministry of Health																																					
Ministry of Education																																					
Ministry of Fisheries and Marine Resources																																					
Ministry of Livestock																																					
Ministry of Labour and Social Affairs																																					
Civil Service Commission																																					
Civil Service Institute																																					
Vocational Education Centres																																					
Universities																																					

ESRES can support the MoEM to convene an Energy sub-sector coordination group to ensure scarce resources are directed in the right places at the right time. The broad categories of the different tasks are: sector planning, policy and regulation, macro-economic planning, capacity building, infrastructure and financing (See Figure 6). Building on the existing country systems, and the aid coordination framework, ESRES can support the MoEM to establish a sub-sector working group to provide coordination support services to the MoEM. Like in other sectors, however, the Energy sub-sector can form a sub-sector level coordination group. This sub-sector working group can be provided with technical support by ESRES to enhance its coordination and knowledge management capacity. Table 17 summarises how ESRES can potentially add value and engage with the different stakeholders in Phase I by building linkages with existing and projects in the pipeline in Somaliland, as well as regional programmes.

**Table 17 - Possible Areas of ESRES engagement**

Area	Possible activities
<b>Legal and Regulatory Framework</b>	<ul style="list-style-type: none"> <li>ESRES is already providing a Regulatory Expert to advise on the draft Electrical Energy Act during Phase I. If time permits he could potentially support the MoEM to coordinate legal and regulatory advice and/or support the Electricity Regulatory Commission when the Act is adopted and it is established.</li> <li>ESRES could scale up current efforts by bringing together Regulatory Experts through the World Bank, AfDB (SE4All) and Power Africa from countries in the region to share experiences to inform the debate in Somaliland. Under LASER, and TAF, supported by DFID global programmes, teams are also providing advice on implementing regulations. However, coordination with the Ministry could be strengthened.</li> <li>ESRES can support the MoEM to organise PPDs involving IPPs, the public, other government stakeholders, including local government, donors and implementers of other projects on a number of issues including the draft Electrical Energy Act, implementing regulations, the energy sector strategy, pricing, transaction models, amongst other issues identified as priorities.</li> </ul>
<b>Light Touch Master Plan and Feasibility Studies</b>	<ul style="list-style-type: none"> <li>Support the MoEM to coordinate efforts including vertical coordination (i.e. central government agencies and local governments) especially in relation to City Master plans.</li> <li>Support the MoEM with Knowledge Management including improving access to baseline data.</li> </ul>
<b>Ethiopia-Somaliland Trade Negotiations</b>	<ul style="list-style-type: none"> <li>ESRES can provide just in time experts to advise on matters relating the Electrical Energy Act vis-à-vis trade negotiations.</li> <li>ESRES could add concrete value by providing short-term technical adviser with specific energy expertise.</li> <li>However, if there are no resources for this from ESRES, the project team can support the MoEM to ask for the right type of advisory support from potential providers including from the Trade Advisory Fund itself.</li> </ul>
<b>Stakeholder Management</b>	<ul style="list-style-type: none"> <li>This has already been requested by the Minister of MoEM. ESRES can play a critical role in coordinating the numerous international actors, including private sector investors in the sector.</li> <li>Private sector actors have put forward a proposal for donor coordination. However, from past in-country experience, the Government should best lead this sort of effort, and donors and other stakeholders should be brought together, once there is a road map. This can initially be a "light touch" Road Map which can be developed further into an Energy Sector Strategy. This can be tied in with the review of the NDP planned for 2016, where line ministries will be asked to lead the drafting of the NDP in their respective sectors.</li> <li>This sort of well-planned and sequenced effort can then lead to a better division of labour, as well as inform planning for Phase II of ESRES.</li> </ul>
<b>Transaction Advice</b>	<ul style="list-style-type: none"> <li>There are a number of programmes in the region, as well as projects in the pipeline that provide transaction advisory services. These include SEFA, SE4All, Power Africa, and AFREA amongst others. Such advice could also better inform the design of the anticipated RE Fund under Phase II.</li> <li>The funds are there and ESRES can play a role in identifying what sort of advisory services are needed, and advise the MoEM on who and what to ask for, and support the Government to organise a results-focused donor coordination conference.</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>ESRES can play an important role by providing support services to MoEM to help plan for the different infrastructure investments based on data and needs, while avoiding pockets of exclusion. This will particularly be important in relation to possible investments from the World Bank SME, AfDB, GEEL and others in the pipeline.</li> </ul>

Area	Possible activities
<b>Institutional Strengthening and Capacity building</b>	<ul style="list-style-type: none"> <li>• During the inception phase, ESRES is conducting a Functional Review of the MoEM and identifying TA needs.</li> <li>• Once approved, this information can be shared with international partners to plan for TA inputs in a coordinated manner.</li> <li>• Once the law and the regulations are in place, the MoEM and other related agencies will also require institutional support to establish new institutions, training and other resources.</li> </ul>
<b>Sector Coordination</b>	<ul style="list-style-type: none"> <li>• The Minister of MoEM has identified sector coordination as a priority for the Ministry. ESRES can provide technical support to the MoEM to strengthen sector coordination capacity with the development of tools, and on-the-job coaching.</li> <li>• The NDP will be reviewed in 2016, and line Ministries will be charged with leading the development of their sectors strategies. ESRES can help facilitate this.</li> <li>• ESRES can also draw linkages with the team leading PFM reform to develop a sector strategy that is grounded on a medium term fiscal/ expenditure framework.</li> <li>• Decentralisation is underway and there are implications for the energy sector. ESRES can support the MoEM on vertical coordination.</li> <li>• Sector coordination will be needed with international actors, as well as other government agencies.</li> </ul>

With the support of a longer-term technical adviser embedded in the MoEM, institutional strengthening of the Ministry can be supported in the ways listed below. In terms of timing, given the number of activities underway, and the level of interest on the energy sector, it is recommended that this TA is provided soon after inception phase to truly provide “just-in-time” coordination support to the MoEM. Thereby ESRES should:

- Coordinate the input and harmonisation of legal and regulatory advice provided to the MoEM on the Electrical Energy Act and implementing regulations.
- Support the MoEM to implement the approved recommendations of the Functional Review.
- Strengthen the policy, planning and monitoring section, particularly as it relates to sector planning, sector coordination including inter-ministerial coordination and monitoring of activities.
- Strengthen the Public Relations and Data Centre to strengthen knowledge management and data.
- Ensure linkages with Public Financial Reform, decentralisation as well as Public Sector Reform efforts to ensure that interventions in the MoEM are aligned with other major reforms underway.
- Strengthen the capacity of Regional Officers to ensure that they are able to meaningfully contribute to energy planning, data collection at the regional level, coordination and monitoring of activities.

## 7. Conclusions

The ESRES Programme is “just-in-time” and provides an opportunity for both HMG and the GoSL to build on their existing strong relationship with a truly transformative project in an important sector. This Stakeholder Mapping Assignment demonstrates how ESRES can potentially play a key role in supporting the MoEM to take leadership of the sector and guide the development of efforts being pioneered in Africa and elsewhere. Some key conclusions from this Stakeholder Mapping exercise are set out below. However, all these efforts require a clear roadmap, and strong ownership and leadership from the MoEM and inter-ministerial coordination.

1. The guiding principles for the preferred funding modality are set out in the Somaliland Special Arrangement. There is also language in the draft Electrical Energy Act on how funds such as the RE Fund could potentially be governed by the Act. Key messages from the discussants were:
  - There should be an independent fund manager
  - The ESRES Programme provides an opportunity to learn and build on the lessons from challenge funds, and funds that supported renewable energy efforts in Somaliland and in the region.
  - The investment from the RE Fund should not be seen as “free money”, but tied to conditionalities of providing social returns on investment (affordable, reliable, safe and sustainable electricity).
2. Through a ministry-led process, a detailed mapping can help the MoEM to better plan and guide interventions so that they are New Deal/SSA compliant. There are a number of projects in the pipeline. The biggest energy-specific support, similar to that provided by ESRES is likely to be from the World Bank. AfDB have also indicated that supporting renewable is a matter of priority and are keen to move forward with bankable projects. The USAID-funded GEEL as well as the SBF III will also likely support renewable energy projects. Furthermore, there are a plethora of smaller household and community-level projects that are being coordinated through service delivery ministries such as health, education, water and sanitation.
3. It is too early to determine potential fund managers for Phase II. DFID has identified SBF, PIMS and AECF as potential fund managers in the future. SBF has not yet gone out to tender, while PIMS is still at its inception stage, and waiting for approval on their grant component. The Renewable Energy window of AECF is not currently operational in Somaliland, but is interested. However, the team strongly recommends an in-country presence based on lessons from SBFII, PEG and other AECF–REACT projects. This will need to be revisited in the coming months once SBF III and PIMS are more operational. However, if DFID does want the fund operational by February 2018, the Fund Managers should be in place by February 2017 at the very latest. Like in Phase I, Phase II efforts should be accompanied by a well-thought through package of technical assistance so as to ensure that the RE Funds do not leave behind “white elephants”. This is also the approach envisioned for SBF III.
4. With technical support, the MoEM can seize the level of interest in renewable energy, and make more informed decisions on where and what types of interventions are necessary. Tables 6 – 11 demonstrate the number of renewable energy projects that are operational, at inception or in the pipeline. This analysis also provides the MoEM with a “window of opportunity” to invest in strengthening sector coordination. This can be done with the support of TA through ESRES. This will also enable the MoEM to identify current gaps in the energy value chain, and direct development partners to those gaps, as well as scale up activities for better results.
5. On the basis of the Stakeholder Mapping, it has become clear that the MoEM needs urgent support to coordinate efforts that are currently dispersed between different Ministries. Figure 6 set out a concept model of how ESRES could potentially support the MoEM to coordinate the Electricity Sector Working Group as well as support the Ministry to strength its core functions as per the findings for the Functional Review. This approach is in line with the New Deal principles of transparency and mutual accountability.

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## Annex 2. List of Meetings

Name	Title	Organisation
		Havoyoco
Abdelmalik Jama	Economic Technical Adviser	JPLG, ILO
Alberto Fait	Field Officer	EU
Anders Cajun Pedersen	Senior Energy Specialist	World Bank
Anjali Saini	REACT Project Manager	AECF - REACT
Catherine Devlin	Former Project Director, SBF	Landell Mills
David Mitchell	SBF Fund Adviser	World Bank
Dr Saad Ali Shire	Minister	Foreign Affairs and International Cooperation
Engineer Haid Yusuf	Technical Director	GE CO
Fred Zake	Senior Private Sector Development Specialist	IFC
Gavin Roy	Officer	UN Resident Coordinator's Office
Hassan Ahmed Hussein	CEO	Kaah Electricity Co
Hassan Jama	Area Programme Manager	Rural Women's Programme, Care
Hassan Madar	Director General	Ministry of the Presidency
Hirsi Farah	Deputy Team Leader	Partnership for Economic Growth
Hugh Riddell	Country Officer	World Bank
Hussein Abdi Du'ale	Minister	Ministry for Energy and Mineral Resources
Hussein Abdi Du'ale	Minister	Ministry for Energy and Mineral Resources
Ibrahim Ismail Elmi	Executive Director	Chamber of Commerce
Issa Mohamoud	Director of Planning	Ministry of Public Works and Infrastructure
Jama Mohamoud	Vice Chairman	GE CO
Jens Mjaugedal	Special Envoy for Somalia	Norwegian Embassy
Julia Kronberg-Nair	First Secretary	German Embassy
Lee Sorensen	Director	Shuraako
Ambassador (Eng.) Mahboub Maalim	Executive Secretary	IGAD
Marc Sellies	Team Leader	ESRES
Martin de Graaf	Functional Review Specialist	ESRES
Matthieu Dillais	Project Director	Altai
Max	Arte	Golis
Michael Engmann	Senior Private Sector Development Specialist	World Bank
Michael Thyge Poulsen	Danida, Head of Office	DANIDA
Michiel Bourgondien	Project Director	ESRES
Mubarik Daljir	Special Projects Officer	Ministry of National Planning and Development
Mukhtar Ainashe	Principal Political Adviser	Conflict Dynamics
Mustafe Awad	Formerly of TIS	Adam Smith International
Muzaffer Yuksel	Counsellor	Turkish Embassy
Nima Elmi	LASER Resident Adviser	Ministry of Foreign Affairs
Noel Harris	Project Manager	IFAD
Olufunso A. Somorin	Senior Policy Officer	AFDB

Paul Crook	Head	Joint Programme on Local Governance
Richard Walker	Principal Economist	African Development Bank
Sahra Hassan	Independent Consultant	Former Fund Analyst, SBF
Sharmarke Jama	Consultant to the Minister of Foreign Affairs	Ministry of Foreign Affairs
Suleiman Jama	Director of Energy	Ministry for Energy and Mineral Resources
Zaki Raheem	Former Team Leader, PEG	DAI

## Annex 3. The Somaliland Energy Trust Fund

The Somaliland Energy Trust Fund as set out in the Draft Energy Act 2012 (Version February 2013)

### **Article 17: The Somaliland Energy Trust Fund**

- 1) A Trust Fund, known as the Somaliland Energy Trust Fund (SETF) shall be established.
  - a) The fund shall be a special financial facility for promoting and supporting the financial needs of the overall energy and electricity sector.
  - b) The fund shall be used to provide resources otherwise not available for capital projects in the energy sector.
  - c) Seventy five percent (75%) of the fund shall be earmarked for investments in energy efficiency and renewable energy.
  - d) The fund must be established and operational within 12 Months of the effective date of this Act.
- 2) The principal sources of finances for the Somaliland Energy Trust Fund will be:
  - a) Allocation from the Somaliland Annual Fiscal Budget for the first two years of operation.
  - b) Allocations of 2% of all tax revenues from Petroleum import earnings at the Berbera Petroleum Terminal.
  - c) Voluntary contributions from international non-governmental organizations working in Somaliland whose mandate includes development and economic growth, with the exception of any actual energy project funds. Organizations may elect to contribute this in kind.
  - d) Special energy development related grants, by local or international institutions.

- e) Voluntary contributions from the public, private, non-governmental organizations and the Diaspora.
  - f) Contributions from bilateral and multilateral donors, including climate change mitigation funds. Other miscellaneous and incidental funds as applicable.
  - g) Revenue and income from services including processing of energy related licenses, licenses from hydrocarbon resources explorations and permits.
- 3) Method and process of funds collection and disbursement.
- a) The Fund may have bank accounts in local or foreign currencies with the Central Bank of Somaliland or other private financial institutions which meet standard Islamic Finance requirements within its registered country, and as the Ministry finds necessary, with foreign banks.
  - b) The Ministry will have control of such account and all matters relating to the Trust Fund.
  - c) The Ministry shall disburse the funds in accordance to strict procedures of highest integrity and in line with official Ministerial duties, programs and projects and the management procedures of public funds.
  - d) The disbursement of funds should be in compliance with the Public Procurement Act or equivalent and the regulations issued pursuant to that Act or its equivalent except where the Ministry seeks an exemption. Any exemption shall be issued by written Presidential decree only.
  - e) The Trust Fund will be audited by the Auditor General as provided for in the Somaliland Audit Act. The findings of the audit will be published and made available to the relevant Somaliland authorities, the Financial Controller and the Council of Ministers, and publicly to any other interested parties.
  - f) The financial books of the Trust Fund shall be open for inspection and review by anyone capable of showing good cause and reason. Any donors to the fund shall be given unconditional, immediate and direct access to the inspection and financial records of the Trust Fund.
- 13. Board of Directors.**
- 1) The Trust Fund shall have a Board of Directors consisting of five members, two of whom shall be women. Members shall be recruited in accordance with the Civil Service Act and their terms and conditions of service shall be government by the provision of this Civil Service Act.

## Annex 4. SBF Renewable Energy Projects

### Round 1

<b>Project Reference</b>	RNW-R1-005	<b>Project</b>	Gollis Renewable Energy	<b>Project Rating</b>	A
Existing Business description	A start-up energy consultancy & training project.				
Project Description	The project created a commercially viable energy consultancy business together with a training institution. The project was a JV between Gollis University and a private consortium with the private consortium having day-to-day implementation responsibilities. This did not work out too well and the project was stripped away from the private consortium with Gollis taking over the implementation (based upon the intervention by SBF). It was not until the project management were removed that the project started to blossom (with new management) from April 2014. Project budget 236K – building work 42K; furniture 6K; motor vehicle 8K; energy system 82K; consulting 54K; and special software 36K				
Project Status	Implemented. This project highlights the value that SBF was able to bring to a ‘failing’ project. By insisting upon changes to senior project management and the implementation team this project was effectively turned around (by the new management with support from SBF)				
Outcomes – where known	Project created 16 new jobs, which is less than planned (50). The project played a significant role in working with Round 2 Grantees to implement solar powered energy solutions within each project.				

#### Quantitative Results

Resource type		New Jobs (expected)				Sales + Products			
		Existing	Planned	Actual		Existing	Planned	Actual	
Contributed Assets	18,500				Sales		300,000	267,500	
Co-payment	123,923	Total	0	51	16	Products		2	
SBF Grant	112,000	Female	0	5	1				
Total Investment	254,423	Youth	0	0	2				
		Seasonal	0	0	14				

<b>Project Reference</b>	RNW-R1-013	<b>Project</b>	Aloog Renewable Energy	<b>Project Rating</b>	B
Existing Business description	Expansion of existing electricity generation business.				
Project Description	Project budget of \$260K – wind turbines \$202K, consulting \$49K, training \$6K and market research \$3K.				
Project Status	Implemented – all milestones completed however the project is not fully operational due to need and the lack of technical expertise/assistance of the project for testing and configuration as wind energy generation is new to Somaliland.				
Outcomes – where known	The project created 3 new jobs - The project is not fully operational due to need for and the lack of technical expertise/assistance of the project for testing				

known	and configuration as wind energy generation is new to Somaliland. Therefore, the current jobs created are small and are only for watchmen and gatekeepers. Jobs will be created as soon as the turbines are configured, tested and connected.							
Quantitative Results								
Resource type		New Jobs (expected)				Sales + Products		
Contributed Assets	80,000		Existing	Planned	Actual	Existing	Planned	Actual
Co-payment	120,195	Total			3	Sales	125,500	570,000
SBF Grant	140,000	Female			0	Products		1
Total Investment	340,195	Youth			0			
		Seasonal			0			

Project Reference	RNW-R1-041	Project	AFGAL Wind Farm			Project Rating	Cancelled	
Existing Business description	Expansion of an existing electricity generation & supply company							
Project Description	This project was cancelled. Grantee never had the cash resources to implement project. Grant amount was \$150K							
Project Status	Cancelled - This project was cancelled by SBF with effect from 1 July 2014 due to a lack of progress with implementation. No payments had been made up to this date.							
Outcomes – where known	No outcomes!							
Quantitative Results								
Resource type		New Jobs (expected)				Sales + Products		
Contributed Assets	0		Existing	Planned	Actual	Existing	Planned	Actual
Co-payment	0	Total			0	Sales		0
SBF Grant	0	Female			0	Products		0
Total Investment	0	Youth			0			
		Seasonal			0			

Project Reference	RNW-R1-044	Project	Wind Turbine Alternative Energy Project			Project Rating	A
Existing Business description	Existing business (established in 1992) electricity generation & supply company. Services provided in Burao, Erigavo, and Ainabo.						
Project Description	Project procured & installed wind turbines in Ainabo. Project budget 216K – building work 35K; energy systems (wind turbines) 155K; and installation & assembly 20K						
Project Status	Implemented						
Outcomes – where	Project created 10 new jobs and increased sales revenue by 125%.						

known									
Quantitative Results									
Resource type		New Jobs (expected)				Sales + Products			
Contributed Assets	0		Existing	Planned	Actual		Existing	Planned	Actual
Co-payment	112,294	Total	60	5	10	Sales	81,900	70,000	182,000
SBF Grant	104,000	Female			2	Products			1
Total Investment	216,294	Youth			6				
		Seasonal							

Project Reference	RNW-R1-047	Project	Renewable Energy Sector Project (SOLAR)	Project Rating	A				
Existing Business description	Existing business (established in 2000) electricity generation & supply company based in Las-Anod.								
Project Description	The project started out as a modest \$540K limited solar / hybrid installation. The Grantee subsequently enlarged the project scope and revised the project budget to \$2,350K including procurement, shipment and installation. Such a large-scale project required an international tender process that was managed by the Grantee. The enlarged project budget was \$2.25M with purchases of equipment \$1.5M; construction & commissioning \$418K and engineering costs of \$245K.								
Project Status	Implementation was delayed because of the need to run an international tender. Will be fully implemented in February / March 2015								
Outcomes – where known	Project is in the early stages of implementation and has already created 15 new jobs. This number should increase once implementation has taken place. There is a significant demonstration effect with this project – it is the largest hybrid solar generating plant in East Africa.								
Quantitative Results									
Resource type		New Jobs (expected)				Sales + Products			
Contributed Assets	90,000		Existing	Planned	Actual		Existing	Planned	Actual
Co-payment	2,107,695	Total	45	30	15	Sales	800,000	360,000	
SBF Grant	150,000	Female				Products			
Total Investment	2,347,695	Youth							
		Seasonal							

**Round 2**

<b>Project Reference</b>	<b>RNW-R2-007</b>	<b>Project</b>	<b>Oog Wind Energy Project (OWEP)</b>			<b>Project Rating</b>	<b>A</b>				
Existing Business description	Beder Electricity Company was established in 1991 with 10,000 customers in Erigavo, Ainabo. Oog and Burao.										
Project Description	The project has designed and built a new micro grid for new customers and generate electricity by using wind turbines (with existing hybrid generation) ors that will supply 400 customers of Oog households. This will bring electricity to 400 customers for the first time. Project budget 230K – building work 40K; energy systems 168K; and vehicles 22K										
Project Status	Project has been implemented as far as possible within the constraints of Somaliland – final testing and commissioning is still necessary. Project implemented before the 15 November 2014 deadline – therefore, 10% milestone was paid.										
Outcomes – where known	Project created 6 new jobs										
<b>Quantitative Results</b>											
Resource type		New Jobs (expected)				Sales + Products					
Contributed Assets	71,000	Existing		Planned	Actual	Existing		Planned	Actual		
Co-payment	108,375	Total		65	8	6	Sales		1,050,000	26,000	161,280
SBF Grant	121,500	Female		14	2	1	Products				
Total Investment	300,875	Youth		50	5	3					
		Seasonal									
<b>Project Reference</b>	<b>RNW-R2-045</b>	<b>Project</b>	<b>Kaah Utility Company (KUC)</b>			<b>Project Rating</b>	<b>B</b>				
Existing Business description	Kaah Utility Company, Burao (KUC) an IPP since 1996. KUC holds 50% of the market share with Beder										
Project Description	The project expands the hybrid electricity generating assets – and provides significant additional renewable energy generating capacity. Project budget 300K – building work 45K; machinery & equipment 250K; and training 5K										
Project Status	Implemented after the 15 November 2014 deadline – therefore no 10% milestone payable. Despite the experience of R1 the procurement of wind turbines and logistics still caused delays in R2. Another area of delay was the lack of technical capability in Somaliland to install and commission wind turbines. Same constraints with regard to implementation as other wind powered projects – i.e. final testing and commissioning is still necessary.										
Outcomes – where known	Project created 21 new job and estimated sales revenues of 160K for the first year of operations										
<b>Quantitative Results</b>											
Resource type		New Jobs (expected)				Sales + Products					

Contributed Assets	5,000		Existing	Planned	Actual		Existing	Planned	Actual
Co-payment	160,000		Total	25	21	Sales	1,150,000	128,414	160,000
SBF Grant	135,000		Female	7	5	Products			
Total Investment	305,000		Youth	18	21				
			Seasonal	0	-				

<b>Project Reference</b>	<b>RNW-R2-065</b>	<b>Project</b>	<b>Baki Wind Generated Power</b>	<b>Project Rating</b>	<b>B</b>
Existing Business description	Baki Electricity Company (BEC) is a brand new company having been established in May 2013 in the Baki district of Awdal by a group of management team with long-term experience of the electricity industry in Somaliland.				
Project Description	The project has procured a wind-turbine generator which is estimated to produce approximately 125,000kWh per annum. As there has never been electricity in the area, the project has also installed the grid, set-up poles and wires and install the required transformers. Baki is a small farm village located approximately 30km from Borama with no access to electricity. The majority of the estimated 1000 Baki residents are subsistence farmers producing fruit and vegetables for local consumption. Lack of electricity has been a key obstacle restricting Baki farmers from expanding their cultivation and targeting regional markets for their produce. Project budget 307K – building work 33K; generator 82K; wind generation 185K; and consultancy & training 7K				
Project Status	All project milestones have been completed however the project is not fully operational due to need and the lack of technical expertise/assistance of the project for testing and configuration as wind energy generation is new to Somaliland.				
Outcomes – where known	Project is still in the early stages of implementation – ONLY 2 new jobs created to date. This number will increase once the project has been tested and has become operational.				

Quantitative Results									
Resource type		New Jobs (expected)				Sales + Products			
			Existing	Planned	Actual		Existing	Planned	Actual
Contributed Assets	8,000					Sales	89,000	65,000	75,600
Co-payment	171,549	Total		48	2	Products			
SBF Grant	135,000	Female		32	0				
Total Investment	314,549	Youth		16	0				
		Seasonal							

-/-