

*African Development Bank infrastructure investments in Somalia:  
An Analysis of multilateral development funding within a High-risk  
socio-economic and political context*



**Provided by:**

**Resul Karaca**

**Supervisor:**

**Prof. Horman Chitonge**

**Centre for African Studies**

**University of Cape Town**

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

## **ABSTRACT**

The analysis of the African Development Bank's infrastructure investments in Somalia as a Multilateral Development Bank was the main focus of this study. The rationale behind AfDB investments in Somalia, which is unstable politically and economically - and faces terrorism as a threat - was examined. To be able to assess this rationale, the framework for infrastructure development theory was used because it assesses the relationship between infrastructure investments and economic development in general by looking at the contributions of various infrastructure investments. In this study, AfDB investments in Somalia are evaluated within this framework. This theory contends that infrastructure investments, as an input factor, contribute to economic development by lowering unemployment and poverty. To gather the data and draw the appropriate conclusions, semi-structured interviews with NGOs, individuals who are involved in AfDB Somali fund, and Somali officials who oversee these investments were conducted. Additionally, secondary data was used to supplement interviews, the primary data source, and to determine investment statistics. In the case of Somalia, information about the most recent status of these investments as well as information about the issues encountered in the investment environment were revealed, in addition to the context for justifying infrastructure investments.

This study concluded that AfDB is attempting to use its infrastructure investments to increase the legitimacy of government institutions in Somalia to counteract terrorist groups. Although AfDB has been very successful in water and sanitation and capacity-building projects, the size of current investments makes it impossible for the energy investments and road infrastructure program to be as successful. Therefore, increasing AfDB's investment volume is of great importance. In its current state, this volume of investment militates against the goals of reducing the legitimacy of terrorist organizations and increasing the visibility of public power nationwide. AfDB should also continue to assist Somalia in achieving the Heavily Indebted Poor Countries (HIPC) completion point, which is crucial for increasing its infrastructure spending. Thus, this study adds new knowledge about why AfDB, a regional multilateral development bank, continues to make investments in a nation with unfavorable political and economic conditions.

## Keywords:

AfDB, Somalia, Infrastructure, Somalia Infrastructure Fund, Multilateral Development Banks, water and sanitation, Road Infrastructure Program

## ACKNOWLEDGMENTS

For his encouragement and tolerance, I would like to thank my supervisor, Prof. Horman Chitonge. Thanks to his various contributions during the writing process, I was able to complete this thesis. He has consistently offered insightful criticism that has improved my work.

I also want to express my profound appreciation to the Turkish Ministry of National Education for giving me the chance to pursue an MPhil in African Studies at the University of Cape Town and for providing me with a variety of financial and moral supports during my academic career.

## Table of Contents

|  |    |
|--|----|
| ABSTRACT.....  | 1  |
| Keywords: .....  | 2  |
| ACKNOWLEDGMENTS .....  | 2  |
| LIST OF TABLES.....  | 3  |
| LIST OF GRAPHS .....   | 4  |
| LIST OF ACRONYMS.....  | 4  |
| CHAPTER 1 .....  | 1  |
| 1.    INTRODUCTION AND METHODOLOGY.....                          | 1  |
| 1.2.    Introduction.....  | 1  |
| 1.3.    Problem Statement .....                                  | 2  |
| 1.4.    Background of AfDB-Somalia relations.....                | 2  |
| 1.5.    Aims and objectives of the study .....                   | 4  |
| 1.6.    Research Questions .....                                 | 4  |
| 1.7.    The Rationale of the Study.....                          | 5  |
| 1.8.    Methodology .....  | 5  |
| 1.9.    Research Ethics.....                                     | 6  |
| 1.10.   Structure of the Thesis.....                             | 7  |
| 1.10.1  Outline of the paper.....                                | 7  |
| 1.11.   Limitations of the Study.....                            | 8  |
| CHAPTER 2 .....  | 9  |
| 3.1    LITERATURE REVIEW AND THEORETICAL FRAMEWORK .....         | 9  |
| 3.2.    Introduction.....  | 9  |
| 3.3.    Literature Review .....                                  | 9  |
| 3.4.    Theoretical Framework .....                              | 18 |
| 3.4.1  Infrastructure Development and MDBs.....                  | 18 |
| 3.4.2  Operations of MDBs.....                                   | 22 |
| 3.4.3  MDBs and recruiting PPPs in infrastructure processes..... | 24 |

|   |           |
|---|-----------|
| 3.5. Conclusion .....   | 26        |
| CHAPTER 3 .....   | 27        |
| 2.1. AN OVERVIEW OF AFDB, SOMALIA, AND THEIR ECONOMIC RELATIONS .....   | 27        |
| 2.2. Introduction.....  | 27        |
| 2.3. Historical Background of AfDB and its Investments in Africa.....   | 28        |
| <b>Graph 1: ADF Recipient Countries and their categories.....</b>   | <b>30</b> |
| <b>Table 1: Distribution of Voting Powers.....</b>  | <b>31</b> |
| <b>Table 2: The Bank Group portfolio distribution by region, as of 31 December 2021.....</b>  | <b>33</b> |
| 2.4. A Brief Historical Background of Somalia .....   | 35        |
| 2.5. Somalia Infrastructure Fund (SIF).....   | 38        |
| 2.6. Conclusion .....   | 39        |
| CHAPTER 4 .....   | 41        |
| 4.1. AfDB’s INFRASTRUCTURE INVESTMENTS IN SOMALIA: ANALYSIS OF OUPUTS AND OUTCOMES  | 41        |
| 4.2. Introduction.....  | 41        |
| Bank Group’s Pillars 1 and 2 Performances .....   | 41        |
| <b>Table 3: Bank Group’s Portfolio Performance.....</b>   | <b>42</b> |
| 4.3. Somalia Infrastructure Fund’s Outputs and Outcomes .....   | 49        |
| Graph 2: SIF Paid in and Shortfall Capital .....  | 50        |
| Table 4: Paid in the capital of SIF.....  | 51        |
| 4.4. Conclusion .....   | 54        |
| CHAPTER 5 .....   | 55        |
| 5. FINDINGS AND CONCLUSION .....  | 55        |
| 5.1. Introduction.....  | 55        |
| 5.2. Findings .....   | 57        |
| 5.2.1. It is crucial that AfDB employees run their operations from Somalia in order to combat<br>corruption, and to guarantee a more wholesome progression of infrastructure projects. ....   | 58        |
| 5.2.2. In terms of overall performance, AfDB is doing well with projects related to water and<br>sanitation and Pillar 2, but it has not yet reached the same level with the Road Infrastructure Program<br>and the energy sector. .... | 59        |
| 5.3. Discussion .....   | 60        |
| 5.4. Contribution of the Study.....   | 62        |
| 5.5. Conclusion .....   | 62        |
| 5.6. Recommendations for further study.....   | 63        |
| Annex 1: Research Questions .....   | 64        |
| Annex 2: Interviews .....   | 65        |
| References .....  | 65        |

## LIST OF TABLES

Table 1: Distribution of Voting Powers

Table 2: The Bank Group portfolio distribution by region, as of 31 December 2021

Table 3: Bank Group's Portfolio Performance

Table 4: Paid in the capital of SIF.

## **LIST OF GRAPHS**

Graph 1: ADF Recipient Countries

Graph 2: SIF Paid in and Shortfall Capital

## **LIST OF ACRONYMS**

|      |   |
|------|---|
| ADF  | African Development Fund                  |
| AfDB | African Development Bank Group            |
| ALSF | African Legal Assistance Fund             |
| BRI  | Belt and Road Initiative                  |
| CB   | Country Brief                             |
| DMU  | Debt Management Unit                      |
| FCAS | Fragile and Conflict-Affected States      |
| FGS  | Federal Government of Somalia             |
| FMS  | Federal Member States                     |
| FSF  | Fragile Stage Facility                    |
| GDP  | Gross Domestic Product                    |
| GIF  | Global Infrastructure Facility            |
| GEF  | Global Environment Facility               |
| HIPC | Heavily Indebted Poor Countries           |
| ICT  | Information, and communication technology |
| IFC  | International Finance Corporation         |
| IDP  | Internally Displaced Communities          |
| IIAG | Ibrahim Index of African Governance       |

|                       |   |
|-----------------------|---|
| IMF                   | International Monetary Fund                               |
| MDB                   | Multilateral Development Bank                             |
| MPWRH                 | Ministry of Public Works, Rehabilitation, and Housing     |
| MoEWR                 | Ministry of Energy and Water Resources                    |
| MOPIED<br>Development | The Federal Ministry of Planning, Investment and Economic |
| NDP                   | National Development Plan                                 |
| NGO                   | non-governmental organization                             |
| NTF                   | Nigerian Trust Fund                                       |
| PFA                   | Public Financial Administration                           |
| PIU                   | Project Implementation Unit                               |
| PPF                   | Project Preparation Facility                              |
| PSF                   | Private Sector Credit Enhancement Facility                |
| PPP                   | Public-private partnership                                |
| RMC                   | Regional Member Country                                   |
| SDG                   | Sustainable Development Goal                              |
| SDRF                  | Somalia Development and Reconstruction Facility           |
| SIF                   | Somalia Infrastructure Fund                               |
| SOE                   | State-owned enterprise                                    |
| UA                    | Unit of Account   |
| WSS                   | Water supply and sanitation                               |

## CHAPTER 1

### 1. INTRODUCTION AND METHODOLOGY

#### 1.2. Introduction

The objectives of most Multilateral Development Banks (MDBs) appear to have some commonalities. Investing in sustaining and promoting sustainable economic development within member states is one of these points. Meanwhile, encouraging regional cooperation, contributing to economic integration, and supporting trade within the region or between member countries with investments, are among the areas that MDBs jointly target (Engen and Prizzon, 2018). These organizations were set up to help low-income and middle-income countries by providing financial assistance on a concessional basis. At the same time, credible low-income countries profit from these institutions' preferential financial assistance by utilizing grants (Nelson, 2010).

The principal goal of AfDB, which was created in 1963, is to encourage the sustained social and economic development of its regional member countries (RMCs) and so lessen poverty. The Bank Group achieves this goal by finding and investing the necessary funding for RMCs investment, as well as providing policy advice and technical assistance to aid development (AfDB, 2013a). The realization of the Sustainable Development Goals, which were set in 2015 and on which a multinational consensus was reached, is among AfDB's missions and strategies (AfDB, n.d.). The African Development Bank (AfDB), the African Development Fund (ADF), and the Nigerian Trust Fund (NTF) are the three entities that constitute AfDB. Although AfDB's rating from leading credit rating agencies maintains its positive outlook, AfDB is still largely underfunded. Ninety-four percent of the funds from 81 nations are callable (unpaid) capital. (Itaman, 2021). It is a fact that AfDB still aids nations on the continent with dim financial prospects notwithstanding its financial challenges. In this manner, focus of this study was seeking to interrogate the rationale for why AfDB continues to invest in infrastructure in Somalia, despite its clear political and economic risks. The reasons why AfDB, as a development bank, wants to continue its infrastructure investments by taking the risks of financial loss for a country where civil war continues are discussed. It also examined Somalia's expectations regarding these investments, as the intended beneficiary of AfDB infrastructure investments. AfDB's continued investments appear to be motivated primarily by the need to legitimize governmental organizations and to improve the standing of Federal Government of Somalia (FGS) Federal Member States (FMS) among

Somalis. This is done to stop terrorist organizations' activities and their attempts to control the Somali people.

### **1.3. Problem Statement**

So far, AfDB's investments have been discussed in terms of its contribution to economic knowledge and policy in Africa (AfDB, 2002), its impact on employment in Africa (Simpasa et al.,2015), its contribution to the development of the continent, and what advantages the Bank has over other Multilateral Development Banks (Runde, 2019). But the details of this financing in Somalia have hardly been explored. Investment conditions are unstable and unpredictable in Somalia due to ongoing political and economic turmoil. Despite this, AfDB continues to fund Somalia's development, while disregarding the dangers of financial loss, security threats, and political unrest. As a result of this instability, there is a risk of currency inconvertibility, asset nationalization, political violence etc. Political upheaval can also interfere with business operations and result in losses in the long run. Following the discussion of the previously mentioned topics, this study concentrated on the elements that help AfDB justify taking investment risks in its capacity as a development bank. Meanwhile, the goal of this study was to investigate why AfDB continues to invest in infrastructure in Somalia, despite obvious political and economic dangers.

This research highlighted why AfDB came up with a strategy that makes corporate sense to invest in a potentially struggling economy with high risk like Somalia. Along the same line, the research investigated the complicated results that Somalia's economy has experienced as it becomes more involved in the infrastructure projects undertaken by AfDB. As part of this research, it is also examined how AfDB's infrastructure investments impacted Somalia from the latter's view, as well as from the Somalian perspective. The analysis concluded that AfDB's continued support appears to be primarily motivated by the need to enhance the status of FGS-FMSs among Somalis and legitimize government institutions. By doing this, terrorist groups' actions and attempts to rule the Somali people against their will are halted.

### **1.4. Background of AfDB-Somalia relations**

After the onset of civil conflict in Somalia in early 1991, AfDB halted its operations in the country. Before the civil war, AfDB authorized 23 loans and two grants totaling 149 million Units of Account (UA), of which Somalia received 54 percent. Before the civil war started, eleven projects were in various phases of implementation, while 12 projects had been finished. In 1996, the loan of UA67,21 million that had not been utilized was terminated. In 1992, the

Bank authorized a UA 3,2 million emergency funding package for Somalia to be utilized for water supply, education, health, and agricultural expenses. However, implementation issues occurred due to security concerns, and the unallocated US\$1.6 million was canceled in 1997. In January 2005, AfDB authorized a half-million dollars in emergency humanitarian funding for the tsunami victims of December 2004. Somalia received this funding in 2005 in two installments. Since October 1990, Somalia has been subject to AfDB sanctions, and as of 2009, its loan repayment obligation to AfDB has reached 51,1 million UA. Due to the impasse in the country's economy as well as its political climate, Somalia was unable to make use of the regular resources offered by AfDB. Despite this, AfDB extended its support to Somalia under the auspices of capacity building and technical assistance as part of the Fragile Stage Facility (FSF) (Brief, A.E., 2010). Regarding this matter, a grant of two million United States dollars was provided to Somalia in November 2009 in order to offer financial support and technical help to the Public Financial Administration (PFA) (AfDB, 2009). In subsequent years, the Bank has extended its grant assistance to Somalia (AfDB, 2011; AfDB, 2017).

AfDB began leading the rebuilding and development of infrastructure in Somalia at the request of the Federal Government in 2016. The Bank established the multi-partner Somalia Infrastructure Fund (SIF) within the Somalia Development and Reconstruction Facility (SDRF) in response to this leadership. SIF has been prepared by considering the priority investment areas determined by Somalia and the reports published by various sectors. The plans and intentions of other development partners were also considered when determining the route for the fund. The identified blueprint and industry reports are built to provide several recommendations to the Federal Government of Somalia (FGS) and the Federal Member States (FMS). The SIF aims to facilitate the coordination and information sharing of these governments with their development partners, carry out projects promptly, and facilitate the expenditure of resources for these projects (AfDB, 2013a).

With assistance from AfDB, foreign commercial banks, and development initiatives, the Somali government is attempting to carry out major investment projects. These external financial infusions, which support AfDB's 2030 and 2063 objectives, are crucial for the prosperity and stability of the continent of Africa. (Horvat, et al., 2021). The role of foreign investors has once again emerged in the delays in Somalia's payment of the loans it previously received from AfDB. The resumption of full engagement between the two sides was made possible by the UK and the European Union assuming the US\$123 million debt (AfDB, 2020). AfDB aims to combat the economic vulnerabilities emerging in Somalia and to ensure the development of basic

infrastructure. In addition, supporting the development of critical skills that are crucial for the country and building the institutional capacity to create these skills are among AfDB's goals (AfDB, 2020).

### **1.5. Aims and objectives of the study**

The primary goal of this study was to research the rationale and justification behind AfDB's infrastructure investments in Somalia's economic and political realms between 2016 - 2021. The rationale for adopting this chronological range is that Bank Group operations in Somalia ceased shortly after the onset of the civil war in early 1991. Prior to 2012, the country's conditions severely constrained AfDB's capacity for operations. Due to the civil war and sanctions of AfDB, the number of investments or aid after 2012 is also modest, (AfDB, 2013c) and it appears hard to obtain details on where this funding was utilized in Somalia. Considering the time limits of this research, it was deemed more prudent to select this chronological range.

This study's main goal was to investigate the factors that led to AfDB's continued support of Somalia's infrastructure as a development bank. The study investigated the significance of investments made considering Somalia's political and economic situation. Finding outcomes and outputs of AfDB's investments in Somalia served as the study's sub-objective, and based on these findings, some conclusions about the investments were made. In addition, based on the interviews, the perspectives of those who are officially involved in Somalia's infrastructure investments were shared. The gathering of information about the provision of AfDB's investments in Somalia was also an objective of this research. The reports are used to determine what percentage of the investments have been finished, as well as the long-term goals for those investments. The opinions of the Somali side regarding AfDB's financial investments in infrastructure constituted the study's end aim. The primary method for collecting this data consisted of conducting interviews. On the Somalian side, it is intended to get a sense of how the goals and objectives of AfDB's investments are seen by those involved.

### **1.6. Research Questions**

The following query is what this study focuses on:

How is the infrastructure development funding by AfDB in Somalia justified given the risky economic and political scenarios in that country?

The sub-questions are as follows:

- What are the tangible deliverables of AfDB investments in Somalia?

- What are the Somali perceptions of AfDB infrastructure development investment and what is this based on, and why?

### **1.7. The Rationale of the Study**

Following the central government's dissolution in 1991, Somalia was cited as an example of a 'failed state' for decades. Having accepted federalism in 2012, five separate federal states have been formed with the central government in the country, although the situation of the Republic of Somaliland remains unclear. Therefore, considering the close relationship between investment, political stability, and security (Rosecrance and Thompson, 2003), AfDB's investments in this country involve significant risks. Because AfDB had not been able to get the repayment of the debts it had incurred before, it had blacklisted Somalia, and even stopped lending to this country for a while. It is crucial that this investigation looks into the reasons why AfDB decided to invest, despite the dangers involved and what benefits might result for AfDB. Given that Somalia was declared a failed state in 1991, it made it a fragile and precarious destination for investment due to the high levels of real and perceived economic and political risks. This study, therefore, seeks to investigate the rationale behind AfDB decision to invest in Somalia's infrastructure projects against such a background. Not only the number of MDBs, but also their infrastructure investments are increasing all over the world, and the financial volume of investments is increasing. In this respect, this study is very important in terms of understanding the infrastructure investment reflexes of AfDB as a continental MDB, providing access to the background of these reflexes, and understanding the reasons for its investments in fragile countries such as Somalia. The study involved a range of tools to analyse the investment projects AfDB has undertaken in Somalia as itemized both in the aims and objectives, as well the methodology sections. These are complemented by the literature review, which shows what has already been undertaken, and the gaps that exist. It is precisely the gaps, or more specifically, the alternative narratives and analysis of AfDB projects and approaches that have not been engaged with that have formed the core of this study.

### **1.8. Methodology**

This study employs semi-structured interviews as its primary data source. In qualitative research, this interview method commonly is used to collect the opinions, attitudes, and experiences of participants on a certain topic. In addition, this interview approach facilitates the development and modification of idea practices and the generation of new concepts. This method can also be utilized for data collecting and informal evaluation (Harvey-Jordan, S. and

Long, 2001). Interviewees included representatives from AfDB, officials from the Somali government, and employees of non-governmental organizations (NGOs). Due to funding and time constraints for this study, interviews for this project were conducted online. Applications such as Microsoft Teams, Zoom, and Skype were employed.

To support the qualitative data gathered from interviews, this study also employed secondary data for discourse analysis, including official documents, reports, case studies, academic journal articles, speeches, and other essential literature. This secondary data provided evidence for the perceptions and expectations of the Somali side regarding AfDB's infrastructure investments.

Reports and data prepared by AfDB for Somalia, the data provided by the Somali government and its stakeholders, and data reports prepared by the United Nations, World Bank, and IMF, where necessary, are included in the study. The data contained AfDB's investments in Somalia between 2016 and 2021, as gleaned from AfDB's publications. These statistics also accommodated specific information on the percentage of these investments that have been completed, the jobs generated throughout the investment process, the outputs realized or not realized following the investments, and the outcomes. These figures helped us comprehend the number of infrastructure investments AfDB has made to date and, in turn, help in our comprehension of its endeavors to make investments in the dangerous environment in Somalia. Additionally, the most recent AfDB reports on Somalia are used to determine AfDB's new investment plans, previously unattainable infrastructure investment targets, and the reasons for this. With the help of this data, a more thorough conceptual framework for AfDB's infrastructure investment initiatives was developed, and conclusions were reached on the link and coordination between AfDB's investment regime and Somalia, the study's target country.

## **1.9. Research Ethics**

As stated previously, semi-structured interviews were the primary data source for this study. The participants were informed about the technique and aims of the research, as well as the intention to use the data acquired from the interviews before the interviews took place. Each participant was made aware that the interviews were recorded, and they were told that the recording would only be used for this research. Since all the interviews were carried out digitally, each of the participants requested to provide their approval for the consent form either verbally or over e-mail. There was no pressure on the participants to answer questions they did not wish to, and they had the option to leave the interview at any moment.

In this study the information I have gathered was disclosed in a 'relationship of trust' and all participants were informed that it would not be divulged without their permission. I have used anonymous data, even though you can see the titles of the

identifiers, it is almost impossible to link participants to their data. The University of Cape Town's ethical code has been carefully studied. Furthermore, this study adhered to the rules and procedures established by the University of Cape Town, which include the necessary ethical standards and norms.

## **1.10. Structure of the Thesis**

The first part of this work, which is planned to consist of five parts, was devoted to the introduction. In the second part, information was given about the historical background. Chapter 3 discusses the existing literature and conceptual issues. In Chapter 4, a discussion and analysis took place. Finally, Chapter 5 was the conclusion.

### **1.10.1 Outline of the paper**

#### Chapter 1: Introduction

The first chapter of this study was devoted to MDBs generally, the brief history of AfDB in particular, Somalia's relations with the Bank, and the details of the study's main scheme.

#### Chapter 2: An Overview of AfDB, Somalia, and their economic relations

Along with AfDB's economic activities Chapter 2 contains a brief history of Somalia. The specifics of the relations between AfDB and Somalia were also covered in this section.

#### Chapter 3: Theoretical Framework and Literature Review

There is a substantial amount of literature on MDBs, and their economic impacts included in the third chapter. A description of the continent's infrastructure stock was provided, with a focus on Somalia, and the contributions of various infrastructure components to the continent's and Somalia's economic development were discussed. Furthermore, MDBs and infrastructure development theory were used to discuss how infrastructure affects economic development.

#### Chapter 4: AfDB's infrastructure investments: Analysis of Outputs and Outcomes

The focus of Section 4 has been information on AfDB's infrastructure investments since 2016. In this section, there are also the outputs and outcomes of these investments and interviews with Somali officials about them.

#### Chapter 5: Findings and Conclusion

The final section includes some findings based on the data used to support this thesis, along with the conclusions drawn from these findings.

### **1.11. Limitations of the Study**

The unwillingness of officials from AfDB and the Somali government to participate in interviews was one of the limitations placed on this study. Due to the limited amount of time available, it was not possible to conduct the desired number of interviews, and as a result, there is a possibility that there are restrictions placed on the scope of the information that can be obtained from the parties involved in the subject of this study. However, the fact that the carefully selected key informants either worked or are working in AfDB or Somalia institutions, increased the value of the information provided by these people and contributed to the credibility of this study. Moreover, neither the Somali government nor independent researchers have done much work on AfDB's investments in Somalia. This has made it necessary to rely heavily on the information provided by AfDB. Nevertheless, to prevent these limitations from affecting the credibility of this thesis, the infrastructure investments reported by AfDB were verified with the interviews conducted. Additionally, interviews and the research design relied in part on self-reported data, which may contain bias or erroneous information in participants' recall. Additionally, because I was the main researcher, certain aspects of the study may have been impacted by my personal prejudices. My prior expertise and experience may have influenced my choice of research questions, data analysis, or even topic selection before I began writing my study. Although I have tried to reduce any potential bias in the dissertation, it is crucial to bear this in mind when reading this study.

## **CHAPTER 2**

### **3.1 LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **3.2. Introduction**

This part of the research included sections on the literature review and theoretical framework. The empirical and theoretical studies of MDBs, specifically AfDB, and their investment histories, especially in Sub-Saharan Africa, are addressed in the literature review. The connection between Somalia, and multilateral development banks from the past to the present, is also assessed in the literature review part. Somalia's present is guided by the discovery of the country's historical ties to MDBs. AfDB, one of this study's primary themes, served as a second pillar of comparison. The actions of this bank on the continent are compared to those of other MDBs, as AfDB's efforts in Somalia are explored at length in the following chapter. Consequently, they are not elaborated upon here.

A brief tour of the history of market makers shaping the state is presented in the Theoretical Framework section of the research. The significance of PPPs and market-based implementations for MDBs are discussed here. In terms of theory integrity, addressing these concerns is significant for this research. This study demonstrates that AfDB intends to transition the Somali government to a market-based economy and grow PPPs through subsidies and loans. To substantiate this assertion, it is the aim of this section to conduct an in-depth examination of the terms on which the theoretical framework focuses.

#### **3.3. Literature Review**

Multilateral banks help countries' economic and social development mainly in the form of loans and grants. These grants and loans can be policy-based or project-based. Infrastructure projects

such as highway construction, power plants, port facilities, and dams are included in the project loans. In policy-based loans, the borrowing government will inevitably make some concessions (Mosley et al., 1995). In return for the loan, requests such as the privatization of some industries, reforms in agriculture, electricity, or economic policies may be made. Policy-based loans can also provide budgetary support to governments of countries that need this financial crutch. However, to maintain this support, this government must set a policy in line with the wishes of the credit institution. We can cite the International Monetary Fund (IMF) as a typical example of such support (Nelson, 2010).

Diamond (1957) discussed the earliest interpretations of Multilateral Development Banks' (MDB) governance styles. Other studies have focused on the way these entities are managed and have made comparisons with other MDBs (Woods, 1999). In his study, Rodrik (1996) focuses on the advantages of the IMF, World Bank, and multilateral institutions when investing in infrastructure in terms of gaining knowledge about investment environments. Rodrik states that this information is an opportunity to monitor government policies in borrowing countries. Claiming that multilateral agencies are less politicized than governments, he argues that this allows them to invest regardless of changes in government policies.

The infrastructure deficit in Africa is enormous, and there are obstacles in the way of gaining access to adequate financing to close the gap. Innovative partnerships and financing options are needed to bridge this gap and to help accelerate development. These partnerships need to be made especially in energy, information, and communication technology (ICT), water supply and sanitation (WSS), and transportation, all seen as the primary agents promoting development and regional cooperation (Onye et al., 2020). Based on these driving forces, AfDB created Africa's Infrastructure Development Index (AIDI) to examine infrastructure developments in African economies. In 2018, AfDB became a partner in the infrastructure economy project established to support emerging markets by joining the World Bank, which is the trustee of GIF, and other investment banks from Europe, Asia, and America (Lin, Yifu, and Monga, 2017).

Industrialization is the way to end poverty in Africa and provide employment to the approximately 12 million young people who join the workforce each year. One of the most important factors delaying industrialization is the inadequacy of infrastructure stock, which is vital for products such as energy, water, and transportation, which will bring companies together with advantages in different industries (AfDB, 2018).

As a multilateral entity, AfDB was not established by wealthy donor governments like some other MDBs, but entirely by the initiatives of the countries in the region. The establishment of the bank and the ideals of Pan-Africanism are compatible with each other, and in line with these

ideals, membership in the bank was limited to the countries of the region at the beginning. This limited membership requirement deprived AfDB of wealthy donors and brought with it financial difficulties. AfDB could not gain the trust of international capital with the capital it had obtained only from member contributions, and this pushed the bank to take a step away from autonomy (White, 1972).

In 1973, AfDB member states established the African Development Fund to build a larger and more effective bank. This fund was created with US\$82.6 million in grants from 13 non-regional governments, and it was decided to include non-regional countries only in the soft-lending system. Non-regional countries were also included in the hard-lending window as the bank reached the limits of its credit capacity in the late 1970s. However, members and donors could not agree on the final terms of this agreement, and it was not until 1982 that non-regional countries could become members of AfDB (Sanford, 2019; English, Philip, and Mule, 1996).

Onuegbu and Eze (2016) in their study “African Development Bank (AfDB) and Africa’s economic development prospects in the 21st century” found that AfDB began to see economic development as an element that contributes to the welfare of the continent, along with economic growth going forward. It was emphasized that AfDB is a leading actor on the continent, not only for infrastructure but also for economic development. By employing the case-study methodology, Nyadera et al. (2016) drew conclusions on AfDB's contribution to the growth of the continent. The study, which claimed there is a global crisis regarding multilateral structures, listed the advantages of AfDB over other multilateral banks operating in the African continent. In Easterly’s (2006) book, one of the reasons for the failure of other Western-sourced multilateral banks in the continent was cited as the desire of these institutions to integrate 'Western' values into Africa, together with its worldview on concomitant technology and financial institutions. Therefore, AfDB has evolved into a workable structure and platform that can assist African nations with their unique and applicable problems and issues (Nyadera et al. 2016).

The focus of the literature on infrastructure investments in Somalia is the functioning of water and sanitation systems in the country. The current literature appears not to be comprehensive enough to address the complex issues of the infrastructure investments made by AfDB in Somalia (Jama, 2018; Mourad, 2022; Mafuta, Zuwarimwe, and Mwale, 2021). However, a 2019 study of Infrastructure and Cities for Economic Development (ICED), information on the country’s infrastructure systems, donors, and banks funding the investments argued that there was robust coverage of the issues (ICED, 2019).

Somalia’s infrastructure, human capital, and economy were severely damaged by the civil war that lasted for nearly 30 years, and some infrastructure stocks were destroyed. This heavy destruction needs restoration and reconstruction. Somalia has been in the lowest rank since 2016 in the Infrastructure Development Index obtained by AfDB by comparing all infrastructure stocks of African countries. However, the country’s score rose from 3.36 in 2016 to 4.53 in 2020. The length of the main roads in the country is just over 4 000 km, and about 3 000 km of these roads are paved. Most of the paved roads are in disrepair due to neglect or war, and the total length of the secondary roads is approximately 7,310 km (AfDB, 2020).

One of the sectors that contribute significantly to the country’s economic indicators is information and communication technology. Nearly half of the population owns a mobile phone. Payments can be made securely via mobile phones, and there are seven mobile-landline operators. One of the most challenging industries in the nation is energy. Only one-third of the

population can access electricity, which is managed only by private sector initiatives, and the unit price of energy is five times more expensive than the neighboring country, Kenya. The statistics from 2019 showed that only about 52 percent of the population had access to a source of clean water, while only 38 percent of the population had access to sanitary services. The most important reasons for the lack of access to clean and safe water can be listed as insufficient financial resources, lack of political and legal framework, and weak institutional and human capacity (AfDB, 2020).

Research into AfDB's investments in Somalia was generally conducted by AfDB or the Somali government (Outlook, A.E., 2021, Owani, n.d.). Reports on the contributions made because of these investments were published by the Bank (AfDB, 2020b). However, some gaps and issues still need to be addressed, particularly regarding the potential political and economic risks underpinning the Somali context.

Literature on Somalia's political and economic history indicates that some gaps in the analysis of AfDB funding include aspects such as security, political, and social dynamics, especially for the Somali people. Based on these major issues that are characteristic of Somalia's fragility, current efforts to resuscitate the Somali economy may have influenced AfDB into deciding to invest in Somalia's infrastructure projects.

However, the important thing is to identify some conceptual and practical gaps that need more robust analysis based on some defining categories. This research seeks to close a significant gap in the literature by concentrating exclusively on AfDB's infrastructure investments in Somalia. AfDB's sustained support, and Somalia's expectations and aims for these investments, among other topics, were the focus of this research, which was helpful to address the conceptual framework gap in the body of literature on these matters. Furthermore, it may be argued that some of the literature seems not to have addressed topics such as how the Government of Somalia and the Bank agreed on infrastructure investments, how AfDB was convinced to enter the risky investment environment, and information on upcoming investment prospects and plans in this country. To fill the previously mentioned gaps, this study has attempted to understand the perspectives of both the Somali side and AfDB on infrastructure projects.

Easterly discusses the negative impact that MDBs have had on African countries. He suggests that one of the reasons why Africans were unable to achieve their millennium development goals is the fact that these objectives were established by multinational institutions with their roots in the West. It was as if these organizations expected that African countries would

immediately recognize the monetary framework that they had built up, expecting that African countries would intrinsically recognize Western values. Easterly does not exclude the possibility that inadequate institutional structure, ineffective administration, and a low-income level are also to blame for the failure to attain these goals alongside these institutions (Easterly, 2009).

The increase in basic distrust towards non-continental multinational institutions has led countries in the continent to turn to institutions within the continent in search of financial sources. Because of this, AfDB has developed into a dependable platform that nations on the continent may turn to, especially when confronted with challenges such as debt traps and politically conditional aid. In this regard, AfDB makes use of alternative financing methodologies and comparative technical advantages over other MDBs to capitalize on its strengths and to differentiate itself from other MDBs (Nyadera, et al., 2022).

As the foremost multilateral development agency on the African continent, AfDB has a competitive advantage over the financial support and loans provided by Western nations or China. Being present in all 55 African nations through its 41 offices gives AfDB a local presence that is lacking in other international organizations. It focuses on topics like education, health, infrastructure, the environment, and the management of natural resources (Runde, Erol, and Sundar, 2019).

Surveys indicate that governments throughout Africa view AfDB as a more intimate partner to them. They choose AfDB for several reasons, including the fact that it is geographically closer to Africa, that it seeks solutions to the continent's problems that are unique to Africa, that it shares the development goals and aspirations of African governments, and that it does not abandon African governments when they are confronted with challenges (Woods and Martin, 2012).

In other words, AfDB is trusted to act as an impartial mediator when dealing with donors and representing Africa's interests in international forums (Nyadera, et al., 2022). AfDB is in a better position than other multilateral institutions to give loans to African countries, and to grasp the difficulties that are facing the African continent. Additionally, in comparison to other MDBs, the credibility of AfDB is bolstered by the fact that it is an African institution (Babb, 2013).

The structural adjustment loans offered by AfDB are comparable to those offered by the IMF and the World Bank, according to Babb (2009). This is due to AfDB's partnership with these

two non-African banks in co-financing loan projects. In addition, both financial institutions have educated AfDB employees on the structural adjustment loan execution and compliance monitoring processes (English, E.P. and Mule, 1996). Deductions of finances in health, nutrition, and family planning are necessary for structural adjustment loans (Cliff, 1991). Coburn, Restivo, and Shandra (2015) looked at the impact of these deductions in AfDB's structural adjustment loans in sub-Saharan Africa. Between 1990 and 2005, countries in Sub-Saharan Africa that received structural adjustment loans from AfDB had higher maternal mortality rates than those that did not. (Coburn, Restivo, and Shandra 2015).

Sommer et al. (2019) also conducted a more comprehensive analysis of the effects of AfDB loans on maternal mortality in Sub-Saharan Africa. Bank structural adjustment loans in the health sector were linked to higher rates of maternal mortality in research, including 33 African nations between 1990 and 2010. Critically, a reduction in maternal mortality was attributed to AfDB's financing for improvements in reproductive health (Sommer et al., 2019).

Pandolfelli and Shandra (2013), who performed research on infant mortality in countries that received structural adjustment loans in sub-Saharan Africa, arrived at a similar conclusion. Using generalized least squares random effects regression, and two-step Heckman models, the child mortality rate in 35 sub-Saharan African nations was examined across four distinct years (1990, 1995, 2000, 2005). The study indicated that Sub-Saharan African nations that received structural adjustment loans from AfDB - contingent upon economic reforms that included cutbacks - had higher child mortality rates than those that did not (Pandolfelli and Shandra, 2013).

Furthermore, it has been determined that structural adjustment initiatives have negative impacts on child and maternal health, weaken quality health services, and make it harder to get inexpensive health care. In addition, these initiatives had detrimental effects on income and food, which are socioeconomic determinants of health (Thomson, Kentikelenis, and Stubbs, 2017).

Some scholars have researched the effects of AfDB development funding on employment in Africa during a 25-year period beginning in 1990. Data acquired from secondary sources, audit reports, and initiatives completed by AfDB are all centered on funding for the public and private sectors. Research on 51 projects in 26 countries demonstrates the diverse consequences of development aid. It has been noticed that development efforts that help productive sectors generate fewer jobs than those that focus on social sectors. However, the research also contained

a few outliers. For instance, support for small enterprises or microfinance institutions for small enterprises or microfinance institutions has been proven to provide greater employment returns than aid for the health, education, public sector, or other sectors. It has been discovered that the implied job impact generated by AfDB initiatives, particularly between the years 2000 and 2010, is bigger than the employment effect that may be achieved by aid-induced economic development. According to the research, this might be due to the movement of development aid from productive industries to other sectors during this period (Simpasa, Shimeles, and Salami, 2015).

Using observation and survey techniques, Mohamed, Isak, and Roble (2019) evaluated the communications, finance, transport, commerce, and industrial sectors in Somalia, particularly in Mogadishu. The obstacles experienced and the importance these sectors play in the economy are also discussed in the study, which examines the developments and current state of each of these areas separately. In the article, the areas in which various business sectors contribute to the restoration of the Somali economy are enumerated: provision of products and services, job creation, contribution to rebuilding, peacebuilding, and recovery, increasing and facilitating trade, and government income source. It was additionally stated in the article that the business sector is encountering difficulties due to a lack of a strong legal and regulatory framework, the existence of monopolies in some industries, operating in a difficult environment, and the high cost of doing business (Mohamed, Isak, and Roble, 2019).

Whether increased foreign direct investment (FDI) in Somalia's agriculture sector increased yields was the subject of Muhamed Nur's (2020) study. Is there any empirical evidence of a relationship between net FDI inflows and agricultural production, and what impact does FDI have on Somalia's agriculture? The study found that more foreign investment, capital investment, and knowledge transfer will improve agricultural output in Somalia. It did this by using secondary and quantitative data for the years 1970 to 2020. The nation has a high capacity for taking in new knowledge, and its rich terrain and average annual precipitation may both be effectively used for irrigation. (Nur, 2020).

Dursun and İsmail (2020) examined how aid to Somalia affects economic growth between 1985 and 2017 using the autoregressive distributed lag (ARDL) method. While the same aid was proved to have a positive short-term impact, it has been discovered that long-term aid to Somalia had a detrimental influence on economic growth. This study did not contain assessments of the efficacy of aid; however, attention was brought to past studies on this issue. Emphasis was given to the significance of a stable policy environment in order to make foreign

aid more effective. The statistics between 1985 and 2017 demonstrate that the flow of foreign aid continues to expand, but according to the data of this research, it does not help economic growth (Dursun and İsmail, 2020).

A significant size of Somalia-related research focuses on water, sanitation, and hygiene. In 2020, Mafuta, Zuwarimwe, and Mwale conducted a study in the Somalian area of Jariban using a questionnaire. In this area, 57.5% of the populace has reliable access to water, as verified by a survey. Just 10.8 percent of those without a stable water supply reported treating the water they drank before consumption. According to the data, just 26.9% of the population has access to basic sanitation (Mafuta, Zuwarimwe, and Mwale, 2021).

Mourad (2022) analyzed the water situation in Somalia through the lens of structural issues and discovered that help to the water sector through emergency action plans had a detrimental effect on the long-term viability of this sector. In addition, he suggested that such help led to corruption. Mourad claimed that this sector is poorly managed, emphasizing that a significant portion of the Somalian water sector is comprised of PPPs. Noting that Somalia has institutional, environmental, and socio-economic problems, Mourad outlines what must be done to resolve the issues in the water sector: transparency among various stakeholders and trust between national organizations and foreign partners, as well as the government and the local population (Mourad, 2022).

Jama (2018) employed qualitative methodologies in his thesis on the water sector in Garowe, Puntland. According to him, PPPs have played an essential role in supplying water to the city, but the city of Garowe still does not have a stable and affordable water supply. In the research, which calls attention to the lack of coordination among the institutions dealing with the water sector in Puntland, it is underlined that the tasks and responsibilities between public entities are not appropriately divided. The paper contends that this lack of coordination and fragmented feeling of responsibility leads to low-quality quality water delivery and overpricing (Jama, 2018).

ICED (2019) provided the most in-depth study to date on the specifics of Somalia's infrastructure. In the context of the UK Department for International Development's research on the infrastructure of Fragile and Conflict-Affected States (FCAS), the study was compiled using donor experiences and case studies. The report's main purpose is to offer actionable advice for improving FCASs' underlying infrastructure. Improving infrastructure in unstable nations like Somalia requires thorough contextual analysis that considers conflict analysis and

early community engagement. Several infrastructure initiatives on the local level in Somalia have failed due to a lack of proper contextual understanding and community engagement. The paper, which looked at the donor-infrastructure connection from several angles, stressed the need for donors to have the expertise to monitor infrastructure projects for managerial fit and engineering soundness (ICED, 2019).

It is clear from the section of this research project devoted to the examination of the relevant literature that there is a paucity of previous research, reports, and scholarly papers on infrastructure studies in Somalia. Only a small percentage of these studies concentrate on the investments made in this nation by multilateral development banks. There is not a single piece of research or academic study that focuses only on AfDB's infrastructure investments in Somalia. There is a void that must be filled, and the only focus of this thesis was on AfDB's investments in Somalia's infrastructure. At this juncture, the significance of this thesis lies in the fact that it attempts to comprehend infrastructure investments of AfDB, which is possibly the most important financial institution on the continent. AfDB and the Somali side both profit from the revelation of the interruptions that occurred throughout the process of making these investments, and the knowledge may play a role in the planning of future investments. In keeping with the problems posed by this research, the efficacy of AfDB's investments might be improved by soliciting the feedback of the Somali citizens who are intended to be the beneficiaries of these investments.

### **3.4. Theoretical Framework**

#### **3.4.1 Infrastructure Development and MDBs**

This study employed an infrastructure development theoretical framework to conduct its analysis. This framework is based on a very complex network including the interests, objectives, and methods of several international organizations or actors included in infrastructure development and the funding necessary to achieve it. It draws insights from Dimitar Anguelov (2020) among others. Examples of the actors include MDBs, government agencies, bilateral aid organizations, financiers, and contractors. To understand the ways in which the interests of these actors converge, it is necessary to look at how the state is mediated in using and securing financial power before the markets. It is also important to consider the larger contextual structures and the infrastructure that is influenced by geopolitical factors and multi-scale economies (Anguelov, 2020).

Infrastructure development theory holds that investments in infrastructure services have multiple benefits, significantly lowering unemployment, generating new job opportunities, raising incomes, and boosting the economy in general. These infrastructure investments typically concentrate on significant investments crucial to communications, energy, water, and sanitation systems, as well as some other economic activities. Making the necessary infrastructure investments for efficient and sufficient economic activity is not enough, according to this theory. Furthermore, management and policy initiatives that will deliver infrastructure services for use by citizens and workplaces are crucial (Kumo, 2012).

According to the theory of infrastructure development, it promotes growth through lower production costs, higher output from private inputs, and capital contributions. These effects are especially noticeable when infrastructure asset stocks are scarce (Agénor, 2010). This theory postulates that because infrastructure investments promote inclusive growth, they will either - directly or indirectly - lower poverty. This assumption has been made for several reasons. The first of these is that there will be more economic activity, and resultantly, more job opportunities brought on by infrastructure improvements. Another is that lower production costs will result from developments in production connections and better transportation infrastructure. The theory also makes the following additional assumptions: infrastructure investments will boost overall production capacity, will improve access to key production facilities, and will improve links to markets and other economic activities (ADB, 2012). Additionally, experimental data demonstrates that infrastructure investments have more significant and long-term benefits when combined with other stimulating measures. For instance, infrastructure services like the building of rural roads, water and sanitation systems, irrigation systems, and electricity supply are more effective at reducing poverty when combined with strong health and education services (ADB, 2012).

The employment of Infrastructure Development Theory for this thesis is one of the tools that helps to understand the outcomes and outputs of AfDB's infrastructure investments and what these investments mean for Somalia. The approach of this theory that infrastructure investments will have a positive impact on the economy in general has been very helpful in assessing the impact of AfDB's investments in Somalia on the economic parameters in the country. A market-based approach, PPPs, and 'bankable' projects within the framework of the theory form part of the infrastructure relations between Somalia and AfDB. In this sense, this theory has contributed to understanding the meaning of the above concepts in terms of AfDB-Somali relations.

Infrastructure investments came into existence in the post-1980 neo-liberal world with more privatization, marketing, and financialization (O'Neill, 2010). In the post-2008 global economic climate, infrastructure development and funding took the top spot on the list of governments' development priorities. Infrastructure provision has been a contentious sector for international investments since it appears to contain many logics, practices, or interests. Neoliberal and state-centered strategies battle for funding for infrastructure. These two very different methods of financing infrastructure show how geopolitics and the implications and links of development are structured reciprocally. (Slater, 1993).

The link between infrastructure investment and output growth was the subject of research started by Aschauer in 1989. He discovered that the slow growth of public capital accumulation also reduced the productivity of the private sector in the United States in the 1970s. Studies carried out in the years that followed proved the significance of public capital investments in the industrial process. Public goods should be considered a component of production in addition to labor and private capital, according to Aschauer. Examples include water and sewer systems, roads, and bridges. To boost productivity, he argues that countries should raise their infrastructure spending on water and sewer systems, roads, bridges, etc. (Aschauer, 1989). Aligning with Aschauer, the infrastructure development theory claims that investments in electricity, water, transportation, and communication networks will result in economic growth and boost social welfare (Baldwin, J.R., and Dixon, 2008).

Considering the economic and social importance of infrastructure projects, which are capital-intensive and costly, the interest of governments in the regulation of these projects is not surprising (Sawant, 2010). Also, the involvement of MDBs in the process reduces the risks taken by private equity infrastructure projects. MDBs provide operational assistance to review and improve the project. A balanced risk distribution between the investors and the government is allowed and the oversight of the project partners in practice is provided through MDBs. In addition, MDBs provide political assistance to help resolve infrastructure project disputes between firms and host governments (Jandhyala, 2016).

Somalia, which is financially constrained in infrastructure, has submitted applications to multilateral development banks like AfDB. Meanwhile, these banks have introduced the public-private partnership (PPP) model, which is intended to produce a market-based strategy for the financing of infrastructure. The strategy strives to guarantee that governance is carried out in accordance with market standards, in addition to attracting the private sector. New actors engaging in infrastructure investments present new and nuanced issues that sometimes tend to

undermine the market-based strategy. For example, China is creating a huge new window to understand infrastructure investment on a global scale, an example of which includes the Belt and Road Initiative (BRI) as well as presenting its state-owned enterprises (SOEs) in opposition to the traditional state-capitalist understanding (Anguelov, 2020).

The policy model MDBs use for infrastructure financing is PPPs, which interacts with, and activates, concepts such as the value of public money, risk management, transparency, and efficiency of services (Birch, Kean, and Siemiatycki, 2016). The rationale behind this political model is market rationality, created through financial interests, and the success of this model is linked to the generation of initiatives that are “bankable” and provide private investors with market returns. All this political context also generates discourse on development since the absence of financial markets in economically underdeveloped nations restricts project funding and hurts growth. In this way, MDBs in countries with weak economies have tried to create infrastructure debt markets on a national and supranational scale, as well as creating the conditions for project financing (Anguelov, 2020).

Because MDBs want low-income countries to embrace market-based policies, they aim to direct these nations’ infrastructure investment plans. This theoretical framework was chosen since this study’s objective is to assess AfDB’s infrastructure investment agreements with Somalia as a low-income nation, and the existing political system from the standpoint of a market-based approach. The capital market presents several severe barriers to Somalia’s capacity to obtain infrastructure investment, and these barriers are forcing the nation into the arms of MDBs. This study’s evaluation of AfDB’s integration of Somalia and market-based approaches is one of its main objectives.

The idea that increasing infrastructure has a substantial positive influence on the rate of return on capital, as well as production costs and the productivity of private inputs, is a popular argument. These significant effects occur frequently when there are inadequate supplies of infrastructure - as in Somalia (Agénor, 2010). Moreover, research has shown that infrastructure may indirectly affect growth through various channels, notably by influencing the results of health-related issues. It has been discovered, for instance, that having access to clean water and adequate sanitation may enhance health conditions, which in turn has a positive effect on productivity (Wagstaff, 2004). Within the context of the theory of infrastructure development, these insights were helpful to us in this study in reaching some findings for Somalia, which has a limited amount of infrastructure stocks. The contribution of AfDB's investments to the economy of the country was evaluated, under the presumption that increasing

the total volume of infrastructure investments has a positive effect on the economy of the country (this is especially true in countries with low infrastructure stocks, such as Somalia). To provide credence to this presumption, we might point out that Yoshino discovered that low-quality public infrastructure had a detrimental effect on exports in sub-Saharan African countries. Rwandan coffee growers receive just one-fifth of the market price for their crop when it is put onto ships at Mombasa. The remaining 80% is spent on inefficient transportation between Rwanda and Kenya, which includes the expense of poor roads and bureaucracy (Yoshino, 2008).

### **3.4.2 Operations of MDBs**

In recent years, governments have increasingly relied on the private sector to create public services and infrastructure. (Birch, K. and Siemiatycki, 2016). For instance, the provincial government of Ontario, Canada, signed a deal with a group of businesses to pay for the planning, building, and seeding expenses of public hospitals. In the USA, the maintenance, operations, and toll collection rights of Indiana State Toll Road were transferred to a private company for 75 years. From 1986 to 2021, Turkey signed 257 public-private partnership projects with a total cost of more than 170 billion dollars in public infrastructures of great importance such as power plants, bridges, hospitals, and airports (Ayhan, and Yılmaz, 2022). Each of the above cases illustrates the relationships between market and state players and the restructuring of the state by market and market forces. The history of the reorganization of the state by market forces is complex and multidimensional (O'Connor, 2017). It's possible to interpret some of this history as a reaction to the financial crisis of the 1970s. Later, throughout the following decades, this financial crisis was aggravated by the response of the public and lawmakers to public spending, which led to calls for tax cuts and a public investment crisis (Kitson, M., and Michie, 2000).

As governments struggle to fund their operations, initiatives to cut public spending and services are being made in tandem with the expansion of austerity measures around the world. (Kitson, Martin, and Tyler, 2011). Therefore, governments worldwide have resorted to the private sector to overcome these financial challenges and to continue their operations. The transition to the private sector has afforded governments a one-of-a-kind chance to tap new sources of financing while improving investment efficiency and accountability. In a broad sense, this reorganization of the state may be characterized as a process of marketization, as market pressures compel the transformation of governmental institutions, services, and businesses (Birch, K. and Siemiatycki, 2016).

In accordance with this background, and taking budgetary limits and debt circumstances into account, MDBs have formalized a market-based framework for infrastructure provision in developing nations. This market-based understanding was also promoted by MDBs as a crucial element for economic development. This knowledge encompasses several legal regimes in which global investors seek greater profits from infrastructure investments with financial intermediaries enabling this. These efforts aim to create a market-based infrastructure provisioning conditions in underdeveloped nations. Additionally, by providing development aid, these ventures are catching the interest of Western nation-states (Anguelov, 2020).

In poor nations, MDBs have long pushed for market reforms. A stronger focus on governance and institution-building followed the global finance shocks of the 1980s, some of which were caused by the widespread adoption of economic liberalization policies. This also opened the way for the move from policies based on the Washington Consensus to the Post-Washington Consensus (Sheppard and Leitner, 2010). This post-Washington Consensus definition of "good governance" places the market at its center. According to this viewpoint, states have a limited function in capitalist markets, which consists of creating and implementing market regulatory norms. MDBs have recently shifted their focus to market expansion as a major growth and development driver. This strategy focuses on enhancing market rationality to promote growth and development "on, through, and around the state" (Carroll, 2012, p 380). In this view, PPP is the most important policy paradigm for infrastructure funding, and it mobilizes debates on risk management, the value and efficiency of public funds, and service delivery transparency (Birch, K. and Siemiatycki, 2016).

This policy framework is driven both by the financial interests and logic that support it, which in turn reinforces its market rationality. This framework will be successful if it can develop both financially sound and "bankable" projects. It is envisaged that these projects will have returns in the market for private investors. In addition, development discourses are used as a shield by this framework to legitimize the intervention (Anguelov, 2020, p 11).

According to this interpretation, emerging nations do not have capital markets that are sufficiently deep, which makes it difficult to finance projects, which in turn impedes economic expansion and development. Because of this, MDBs first established regulatory requirements for funding projects in developing nations. In addition, these organizations have made efforts to provide the required finance structure at both the supranational and national scales in order to broaden both the capital market and the infrastructure loan market (Anguelov, 2020). Establishing locally controlled infrastructure funds helps to achieve this goal partially.

Moreover, global capital can be deployed indirectly through these funds, which are established to aid in the development and funding of projects (Clark, 2017).

Importantly, these institutional and legal changes are being supported by using public monies as leverage to subsidize private investments. The discourse over insufficient public finances became the pillar of global neoliberal policy after the 2008 economic crisis. These discourses were also employed to defend new localized financial instruments as a method of accomplishing the objectives of development policy (Anguelov, Leitner, and Sheppard 2018). Government-backed loans are utilized to expand “bankable” projects with the help of these infrastructure funds, which pool public and private funding. These sorts of initiatives have recently expanded the hunger of multilateral development banks, and the funding allotted to them has been raised. The primary objective here is to engage public financing to some degree in order to attract significantly more private investments (Woetzel et al., 2016).

### **3.4.3 MDBs and recruiting PPPs in infrastructure processes.**

The 2015 International Conference on Financing for Development, attended by ten multilateral development institutions in Addis Ababa including AfDB and the IMF, underscored the gravity of the issue. In the joint statement of the banks attending the conference, it was stressed that billions of dollars are needed to execute the 2030 sustainable goal development agenda. It was also noted that official assistance flows would not come close to meeting this cost. To attain Sustainable Development Goals, the Addis Ababa summit emphasized the need for a financial structure that relies on greater resources, especially from the private sector. To address this demand, it was suggested that both current and new partnerships - including institutional investors - should be forged in order to mobilize development finance (IMF, 2016).

MDBs are strong advocates for infrastructure that is both sustainable and resilient, and they consider these qualities to be among the most important components in reaching the SDGs. As a result, multilateral development banks have disseminated market-based standards for the funding of sustainable development goals by public and private entities (AAAA, 2015). In 2016, in the wake of the meeting held in Addis Ababa, multilateral development banks launched the Global Infrastructure Forum. The purpose of this meeting was to promote more coherence and coordination among new infrastructure projects, development organizations, the business sector, UN agencies and public institutions, international and national development banks, and business sector development financiers. In the framework of this event, MDBs reviewed policy

objectives, the requirement to improve capacity for project finance, and the necessity of channeling funds to focus on private sector investment. (GIF, 2017).

At the meeting of the banks that took place a year later, MDBs brought up the necessity of the policy and governance framework that is required to create a financially hospitable environment. Within this framework, the increase of PPPs, the expansion of the private sector and finance through the attraction of long-term institutional investors to infrastructure investments, securitization, mobilization, and catalyzation of private finance were all included (Anguelov, 2020).

Several academics have looked at the phenomenon of PPPs sprouting up all over the world. For instance, Miraftab contends that PPPs are a "Trojan horse" for growth because they make it easier for the market to enter the supply of public goods like infrastructure. Many academics' discussions on PPPs, according to her, are "mechanical" or limited to discussing technical aspects of contracts, in addition to the advantages and disadvantages of such contracts, rather than issues pertaining to equity and social justice (Miraftab, 2004). In this regard, the research conducted by several other academics offers a correction, as these researchers focus explicitly on PPPs as drivers of fragmenting governance and unequal growth (Birch, K. and Siemiatycki, 2016).

Hearne, for example, investigates how new contractual arrangements relating civil service performance to neoliberal systems of government are producing a schism between the fiscal and social goals of PPPs in Ireland. (Hearne, 2011). In addition, according to Siemiatycki (2011), infrastructure breakdown has uneven geographical causes and consequences. He believes that while some unbundled infrastructures, such as rail infrastructure built over roads, are more appealing to private capital, other kinds, such as regional public transport networks, are problematic due to the geographical fragmentation of management and institutional jurisdiction. PPPs are a crystal-clear illustration of mixed neoliberalism, according to Haughton and McManus (2012), as uncontrolled markets arise in a diverse and varied manner in many dimensions and locations.

In his analysis of the International Finance Corporation (IFC), the private sector arm of the World Bank, Carroll (2012), focuses on the contention that "deep marketization" has gained importance as a result of new development policies. These new policies are distinguished by the shifting patterns of accumulation characteristics of late capitalism, and the integration of institutional interests with these patterns. Both of these aspects contribute to the definition of

this new politics. It turns out that major material interests in late-stage capitalism, as well as the ideological interests that underlie these material interests, are well compatible with deep marketization. These interests are contributing to the establishment of new and more profound patterns of accumulation, which political geographers refer to as "spatial fixes" (Harvey, 2006, p 108).

In a climate where capital is thirsty for returns and resources, these spatial fixes are in particularly high demand due to the intense competition for them. And it is becoming increasingly difficult to obtain similar returns and resources in the industrialized world, where governments are generally clamoring for answers to longstanding issues of underdevelopment, infrastructure, and service supply. According to Carroll (2012), deep marketization strategies, such as PPPs, new equity investments, and financial intermediaries boosting industries other than big scales, are aimed towards less developed but typically fast-growing countries for these material goals. Carroll further underlines that deep marketization supports not just the monetary goals, but also the ideological objectives and legitimate interests of development agencies such as the World Bank. He also draws attention to the fact that the way to achieve these interests is closely related to the "good governance" agendas that can be put into effect on and through the state (Carroll, 2012).

Infrastructure expenditure becomes an autonomous external variable that, depending on its timing and magnitude, can create significant positive or negative economic consequences. Moreover, these infrastructure investment decisions are increasingly being made beyond the purview of government, and frequently, include the admission of new parties and organizations into a city's governing framework (Okuda, 1993).

The complicated exchange of information and debates that takes place between the state treasury, local governments, and public services within the setting of politics and bureaucracy is not the only factor that goes into determining the amount of money a city spends on its infrastructure. More than that, this determination is due to global and local funding, which may be accomplished through investments in privatized infrastructure, which can attract investors, assure predictable cash flow, and offer profits over the long term (O'Neill et al., 2009).

### **3.5. Conclusion**

Somalia's relationship with multilateral banks, which began with the SAPs, has had several breaking points. This section includes academic research on the disruption of the country's production functions by multilateral development banks (MDBs) and the institutional harm

caused by the interventions. Somalia continues to engage closely with multilateral development banks and receives support through the Heavily Indebted Poor Countries (HIPC) project, despite its continuing civil conflict. It is crucial that these supports are utilized effectively to eliminate poverty and to promote economic and financial growth. At this time, it is also crucial to consider if help will accompany long-term development objectives. Currently, AfDB's financial and economic advice can assist Somalia's long-term development ambitions. As a multilateral partner from the continent who may be easier to trust and empathize with, AfDB's commitment to Somalia in this process must be meticulously organized in all areas. The research on MDBs also indicates that it is crucial for this study to analyze these organizations' development plans. MDBs place significant emphasis on bringing the government closer to a market-based approach and implementing PPPs to assure infrastructure investments. The fact that it involves loans paid to "bankable" projects or grants does not alter the overall conception of infrastructure supply held by MDBs. These organizations appear to be the sole means for emerging or undeveloped nations to have access to the funds required for infrastructure. This study benefited by examining and evaluating AfDB's help to Somalia from this theoretical standpoint. AfDB's assistance is examined within the specified theoretical framework.

## **CHAPTER 3**

### **2.1. AN OVERVIEW OF AFDB, SOMALIA, AND THEIR ECONOMIC RELATIONS**

#### **2.2. Introduction**

This chapter tried to take a closer look at the history of AfDB's activities in the continent. After a brief history of AfDB, information on the financial resources of the institution and the use of

these resources are given. The rest of this section included brief notes on Somalia's political history and economic data. At the end of the chapter, the focus was on the stages and reasons for creating AfDB's funding for Somali infrastructure.

### **2.3. Historical Background of AfDB and its Investments in Africa**

AfDB is made up of two subsidiaries and a distinct parent organization. The parent organization is the African Development Bank (AfDB), which is the continent's top provider of development financing. The Nigerian Trust Fund (NTF) and the African Development Fund (ADF) are two more organizations connected to the Bank. On August 4, 1963, 23 newly independent African States signed a document laying the foundations for the Bank in Sudan. But it took another year before AfDB was formally established. It was officially created on September 10, 1964, after the agreement was signed by 20 member governments. These 20 countries that signed the agreement became partners of 65 percent of the initial capital stock of the Bank, which was 250 million dollars. The Board of Governors had its inaugural meeting in Lagos, Nigeria, between November 4 and 7, 1964, with finance ministers making up the bulk of its membership. In 1965, its headquarters was opened in Abidjan, Ivory Coast. Only African nations were permitted to become shareholders in AfDB, which began operations in July 1966 with 10 employees. For nearly 19 years, the Bank carried out its operations with the capital of countries in the African continent. Due to a need for additional funding, AfDB began extending capital to nations outside of the continent for the first time in 1982. (AfDB, 2013a; Strand, 2001).

The founding states of AfDB feared that permitting non-regional donor governments to join would threaten the ownership and administration of the organization. Additionally, newly independent African nations believed that membership by non-continental nations would jeopardize their independence. The finances remained low since AfDB at that time lacked a membership with advanced capital. The lone exception was South Africa, whose membership was prohibited owing to its apartheid policies until 1995 (Delikanli, Dimitrov, and Agolli, 2018).

By 1970, AfDB members who saw the need for a stronger organization with larger financial resources, had begun talking about allowing non-regional nations to join. In order to direct donor nations' concessional funding toward the continent, ADF was established in 1973. Thirteen non-regional members, primarily from Japan and Canada, contributed funding totaling US\$82.6 million to its establishment. Despite the contentious discussions on voting power

among the African countries, ADF divided its members' votes equally between regional and non-regional members. (Delikanli, Dimitrov, and Agolli, 2018).

The purpose of the establishment of ADF was determined to provide concessional loans, grants, and guarantees to low-income regional member countries. It was also agreed to provide technical assistance to support programs that reduce poverty and promote economic growth. Decisions on the overall operations of the fund are made by the 6-member board of directors elected by non-African members. Following AfDB's mission, ADF's main objective is to reduce poverty in Africa and is funded by contributions from participating countries (Nhlapo, 2020).

Paid-up capital, which constitutes one of AfDB capital stocks, is the name given to the amount to be paid based on the capital increase decision within the period determined by the decision of the Board of Governors. The other capital pillar, callable capital, is the payment made to meet the obligations arising from previously borrowed funds to be included in the capital resources if AfDB deems it necessary. However, there has been no call for AfDB's callable capital to date. Approximately 180.64 billion Units of Account (UA) (USD- 253.04 billion) were AfDB's registered capital as at the end of 2021. While six percent of this capital was paid up, the remaining 94 percent remained as callable. AfDB provides borrowers with a tempting and varied selection of financial product choices, enabling them to customize their financing needs to their unique situations. With a variety of financial solutions, it attempts to encourage the growth of the member nations on the continent, and this support mainly consists of loans, guarantees, trade finance, equity, and risk management products. AfDB not only provides this support, but also does not neglect to provide technical support to the countries to which it gives grant funds (AfDB, 2021).

Category A: ADF resources are accessible to countries that do not fulfill the credit standards for non-concessional funding, and whose revenue falls below the operating limitations. In parallel, nations whose revenue exceeds the operating limitations - but does not fulfill the standards for non-concessional funding - can use ADF resources under specified financial conditions. While these nations with incomes beyond the operating limitations are classified as "gap countries," they must fulfill the same financial requirements as "blend countries" to access ADF assistance. For ADF-15 term (2020-2022), gap nations with a high debt burden, or in danger of accumulating a high debt burden, received a grant of 100 percent. Gap countries with a low or moderate risk of becoming overburdened with debt, were granted a 100 percent loan (AfDB, n.d.).

Category B: Countries judged eligible for non-concessional financial resources under the scope of ADF, but whose revenue falls below the operating limit (The International Development Association operational cut-off for more than two consecutive years), get a combination of ADF and ADB resources (AfDB, n.d.).

Category C: Lastly, ADB resources are only made available to nations deemed credible for non-concessional financing, and whose revenue exceeds operating limits (AfDB, n.d.).

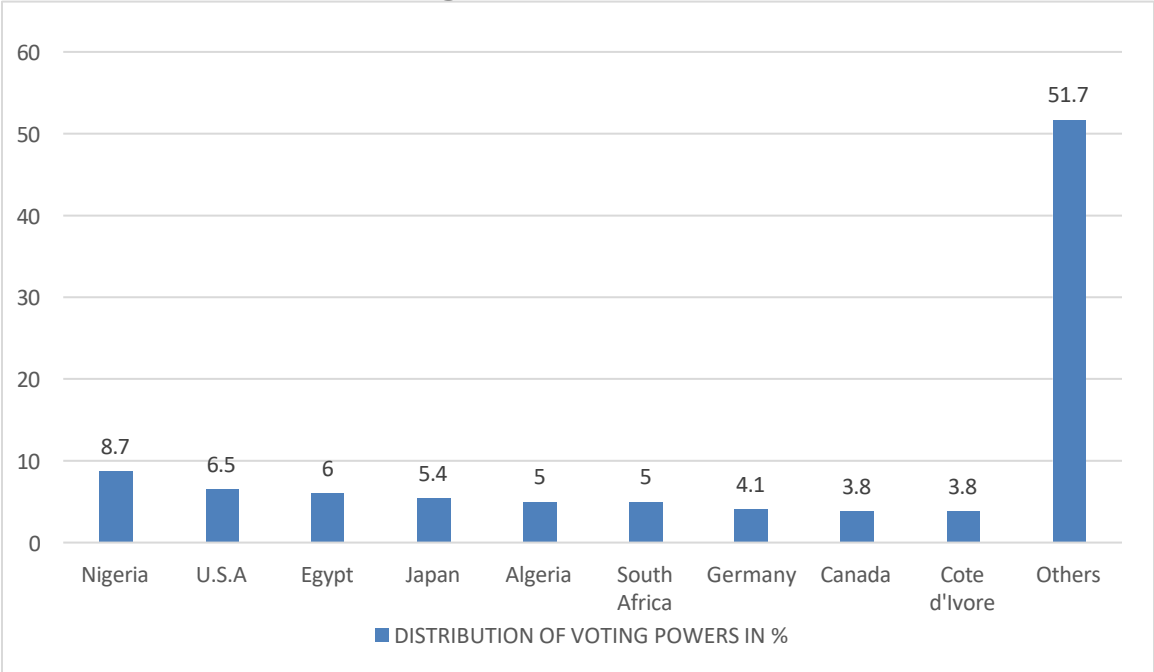
**Graph 1: ADF Recipient Countries and their categories**



Source: AfDB

The Bank has recently made significant efforts to diversify its sources of funding, foster resilience, and lessen Africa’s vulnerability. To support private sector projects in the member countries of the region, non-sovereign loans were first provided. Financially dependable businesses were given guarantees, and multinational initiatives that aided in regional integration were given help. Concessional sovereign loans are used by ADF window, to avert instability and conflicts in low-income countries and to promote economic growth. Certain low-income states, like Somalia, get access to 21 percent of the budget for regional operations through this window. It supports the Project Preparation Facility (PPF), Private Sector Credit Enhancement Facility (PSF), and other entities that fall under the umbrella to support project preparations, feasibility studies, and risk management (AfDB, 2022b).

**Table 1: Distribution of Voting Powers**



\*Source: AfDB 2022

As of September 2022, 60% of AfDB’s shareholders are from within the continent, while 40% are from outside. Meanwhile, the percentage of non-continental nations with voting power is roughly 41%, and the USA has the biggest voting potential among them with a 6.5 percent share. Aligning with AfDB’s policies to preserve the sovereign status of African countries for the institution, the intracontinental countries have a voting capacity of more than 58 percent, with Nigeria having the highest voting potential in this category at 8.7 percent (AfDB, 2022c).

Each AfDB member nation has an equal basic voting right, plus an additional number of votes according to their paid-in share capital. Board decisions are often made by open debate and consensus rather than the use of voting powers, and no country has veto authority. To be placed on the agendas of the Board of Governors and Board of Directors, AfDB Articles of Agreement stipulate a two-thirds majority of votes. AfDB voting criteria are intended to allow regional member nations to tailor AfDB’s aid to their interests and needs, as opposed to those of non-regional donor nations. Non-regional nations are also required to collaborate with regional members to influence AfDB’s decisions (Lessambo, 2015).

To better link its strategy with the Sustainable Development Goals, AfDB created the “High 5 Goals” in 2016. One of the first of these 5 goals ‘Light Up and Power Africa’ program intends to deliver appropriate and cheap energy systems to the continent, as well as universal access to electricity, with an emphasis on clean and renewable energy by 2025. The other goal ‘Feed Africa’ seeks to combat poverty and malnutrition while also transforming the continent into a net food exporter. With its Industrialize Africa dedication, the Bank hopes to quadruple the continent's industrial GDP by 2025. The AfDB regards the private sector as the primary actor in attaining this goal and wants to provide it with the tools it needs to succeed. Through the AfDB's ‘Integrate Africa’ aim, regional integrations will be strengthened to bring about economic change. The Bank encourages commerce and people migration as a means of achieving this goal. ‘Improve the Quality of Life for the People of Africa’ encompasses a multitude of domains. This is the Bank’s last High 5 Goal centers on problems including expanding employment prospects, improving health systems, ensuring that everyone has access to clean water, and education (Runde, 2019).

By starting to reach its High 5 goals, AfDB has managed to provide electricity to 16 million people so far and has provided food security to approximately 70 million people by developing agricultural technologies. Within the scope of non-sovereign operations, 9 million people have access to finance through loans provided to private companies, improvements have been made granting 55 million people access to transportation services, and 31 million people now have to water and sanitation (Itaman 2021, p 42). Despite AfDB’s financing pool from 81 countries, it is still a fact that it is largely underfinanced. This situation, which is not the case for other MDBs, is due to the inability of some African countries to fully finance their shares. Another justification given is AfDB managerial structure, which favors borrowing nations (Itaman, 2021).

The bank group approved a Unit of Account (UA) 4.5 billion financing in 2021, with West Africa receiving the largest portion with UA 1,287 million. They were followed by East Africa (UA 1, 019 million), Southern Africa (UA 832 million), Central Africa (UA 673 million), and North Africa (UA 630 million). East Africa, which includes Somalia, received 23% of AfDB loan approvals in 2021. The largest percentage among other regions, 38% of approvals in the region were for multi-sectoral operations (AfDB, 2021d).

**Table 2: The Bank Group portfolio distribution by region, as of 31 December 2021**

| Region          | Amount<br>(UA <sup>1</sup> millions) | Percent |
|-----------------|--------------------------------------|---------|
| Central Africa  | 4,567                                | 10.18   |
| East Africa     | 10,171                               | 24.1    |
| North Africa    | 5,987                                | 14.2    |
| Southern Africa | 8,209                                | 19.4    |
| West Africa     | 11,467                               | 27.1    |
| Multiregional   | 1,835                                | 4.3     |
| Grand Total     | 42,235                               | 100.0   |

\*Source: AfDB 2022

In the table above, the distribution of AfDB’s asset portfolio, which reached UA42.2 billion by the end of 2021, can be seen by region. The largest share in the portfolio was West Africa with 27.1 percent, while the contribution of this region was UA 11,467 million. This region was followed by East Africa with UA 10.171 million, with a contribution rate of 24.1 percent to the portfolio (AfDB, 2021e).

Insufficient infrastructure is costing Africa dearly, and therefore, one of AfDB’s most important objectives is to close the gaps in Africa's infrastructure needs. The Bank attaches importance to multi-purpose irrigation infrastructure investments and supports the development of irrigation

<sup>1</sup> When reporting financial data, the Bank employs a Unit of Account (UA) that is pegged to the value of one Special Drawing Right (SDR) held by the International Monetary Fund. Currently, the IMF calculates the value of the SDR every day in U.S. dollars. As of February 2023, per UA equals 1,34847 USD.

systems to increase agricultural productivity, support energy production, and help prevent droughts (Veit, 2010). Cooperation with cross-border basins is also encouraged, and such advances support regional integration, private sector initiatives, and governance in fragile countries. The immaturity of water and sanitation infrastructure imposes an additional cost on Africa at the rate of 5 percent of the Gross Domestic Product (GDP). High transportation costs also place an additional 75 percent on goods in Africa, and nearly 30 countries are now grappling with persistent power outages. Addressing these issues could contribute about 2 percent to Africa's GDP, according to AfDB's estimates. As mentioned before, Africa needs approximately 100 billion dollars to meet its annual infrastructure needs, and the investments made only meet half of this amount (AfDB, 2013b).

One of the reasons why investors have hesitations about investing in Africa, although it offers profitable opportunities, is that the investment environment on the continent contains risks. Investors feel themselves in an insecure environment in three different ways, as these risks bring some uncertainties with them. The first of these is macroeconomic instability, excessive budget deficits, double-digit inflation, and large external deficits that limit the continent's ability to attract domestic and foreign capital (Nwankwo, 2000; Anyanwu, 2006). The second risk is political instability. Wars, religious and ethnic conflicts, and frequent military interventions cause investors to perceive the continent as unstable. The last risk is the problems experienced in political transparency. Frequent shifts in government and policy changes make it difficult for investors to evaluate certain aspects of government's policies, and they also impair transparency in macroeconomic policy (Anyanwu, 2006).

AfDB's overall strategy to understand stresses the value of physical, social, and economic integration, generating opportunities, and promoting participation to boost productivity and competitiveness. Its mission is also reflected by highlighting the critical role that infrastructure investments play in fostering long-term economic transformation. AfDB dedicates a sizeable portion of its new commitments to enhancing logistics and transportation networks, providing for the rising demand for energy, strengthening water resource management, and boosting broadband internet access. All of these are anticipated to help cities manage urban growth and improve their transportation, water, sanitation, and waste management systems (AfDB, 2013b).

In addition to physical infrastructure, the Bank promotes institutional, political, and regulatory reforms to boost the sustainability of infrastructure investments and stimulate private sector engagement. It aims to connect with rural communities, low-income families, and micro, small,

and medium-sized businesses, boost the proportion of locally skilled workers, and share knowledge with regional businesses. By assisting local organizations and governments, AfDB aims to guarantee that infrastructure projects are inclusive and integrated. Additionally, it is envisioned that this will guarantee the projects' sustainability and compliance with global environmental and social norms. Additionally, it has been asserted that the previously mentioned steps will improve the bankability of infrastructure projects, increasing the financing of local initiatives. It is also intended to enhance trade between nations on the continent via these measures, which are also stated in AfDB's Regional Integration Framework (AfDB, 2013b).

AfDB has assumed a leading role in comprehending the issues confronting the continent because of the African identity it reflects, and thus, has gained recognition as a more reliable development organization. These elements have also strengthened the idea that loan distribution may be more favorable compared to other development banks functioning in the continent (Babb, 2009).

AfDB was giving concessional loans at low-interest rates and the repayment periods were very long, and many governments were late with these loan repayments and subscription fees (Coburn, Restivo, and Shandra, 2015). These difficulties have compelled AfDB to lend mostly to member states at an interest rate close to that in commercial markets. (Nyadera et al., 2022).

#### **2.4. A Brief Historical Background of Somalia**

The Indian Ocean in the east and the Red Sea in the north make up Somalia's 3,300 km of coastline, which makes it the longest in all of Africa. The country is considered to be ethnically and culturally homogeneous, adopting the Somali language consisting of several dialects, and the faith of Islam, which is practiced by almost the entire country. The tribal structure maintains its strong place in Somali society and nomadism continues despite the ravages of drought. The northern part of the country can be categorized by those who were once subject to British colonial influence, and the southern part by those who were subject to Italian. Prior to the adoption of the Somali alphabet, English and Italian were the official languages in use in

government institutions. Following the introduction of the Somali alphabet in 1973, literacy rates in governmental organizations and educational institutions started to rise. (Abdulla, 2006).

Roughly 15 million people are living in the Federal Republic of Somalia, which occupies a territory of about 638,000 square kilometers. Somalia's borders are shared by the Indian Ocean, Kenya, Ethiopia, and Djibouti. Somaliland, to the northeast, declared its independence following the toppling of the Mohammed Siad Barre regime in Somalia in 1991. The nation has five federal states in addition to Somaliland: Galmudug, Puntland, Jubaland, Hirshabelle, and Southwest State (Balthasar, 2014).

Although tribalism is common, the Somali community in the Horn of Africa also exhibits an ethnic nationalism, which is why many individuals are strongly drawn to the concept of a Somali nation-state. The creation of Somaliland and, to a lesser extent, Puntland, however, resulted in the emergence of new identity forms that went beyond ethnic nationalism. Additionally, although some Islamists push for the creation of a worldwide or regional caliphate, others insist on a local governmental structure based on Islam and Sharia, a view that has acquired more favor from the public (Bertelsmann Stiftung, 2020).

After the central government disintegrated in 1991, a civil war broke out, which influenced many facets of Somalian life and destroyed the country's infrastructure. (Jama, A.A. and Mourad, 2019; Mourad 2020). The world community was enlisted to assist the (Federal Member States (FMS) in trying to address the issue of infrastructure that had nearly crumbled following several years of civil conflict (Mourad, 2022). FMS did not, however, significantly enhance the Somali people's standard of living (Balthasar, 2014). This was due to the fact that there were still no clearly established rules or common obligations between institutions. In addition, there was a lack of consensus on problem-solving and institutional collaboration, institutional transparency was reduced, and strong competition erupted among the FMS to attract funds to their regions (Jama, A.A. and Mourad, 2019; Mourad 2020).

Besides the civil war, Somalia has had several horrific catastrophes. Numerous Somalis perished in the cholera pandemic of 2000 because of poor access to safe water. Thousands of residents fled to Kenya in 2006 owing to drought, famine, and violence. In the same year, approximately 260,000 Somalis lost their lives due to the famine (Jama, A.A. and Mourad, 2019; Mourad 2020).

Somalia has advanced admirably in a few ways since the creation of the Provisional Constitution in 2012. Along with the establishment of numerous sector legislation and

institutions, macroeconomic stability was also largely preserved. The ninth National Development Plan (NDP9), a policy document for reducing poverty, was also created. However, it appears that Somalia still faces plenty of difficulties. Approximately 69 percent of Somalia's population, according to World Bank figures, subsists on less than US\$1.90 per day. About three-quarters of the population living in rural areas, the internally displaced communities (IDPs), the urban center of Mogadishu, and nomadic communities are considered poor. Nine out of ten homes lack access to power, education, water, and sanitary facilities, demonstrating that poverty extends beyond a simple lack of money. While nomadic communities suffer relatively more from this level of poverty, the population in the city is relatively better off (World Bank, 2022a).

It should be added that there is also a limitation in the scope of Somalia's infrastructure. The fact of the matter is that in 2016, an all-weather road was within two kilometers of just 32% of rural households, while only 35% of the overall population had access to power two years later, in 2018. Despite this negative picture of the country's infrastructure, fiber network usage, and mobile coverage in internet access has increased significantly (Herrera Dappe, and Lebrand, 2021).

Access to more advanced water supplies is another issue that the Somali population faces. These water sources are inaccessible to more than 50% of the population, which increases the spread of water-borne illnesses. The renewable water resources in Somalia greatly outnumber those that are currently being consumed by the population. Rather than experiencing a water crisis, Somalia, in Mourad's opinion, is having issues with its water policy (Mourad, 2020). Additionally, this contributes to a nationwide water shortage issue. Because of these factors, it does not seem improbable that a better management system can solve Somalia's water difficulties (Mourad, 2022).

Somalia's low productivity and under-skilled workforce are caused by the lack of educational opportunities in the nation. Due to this, there is a labor shortage in key positions, necessitating the importation of labor from surrounding countries, despite the high unemployment rates in the nation. Even well-known public organizations, like the Central Bank of Somalia, reported having trouble hiring people with the right technical and professional abilities. It is anticipated that it will take a long time to develop the human capital the economy needs, given the low literacy rate and the general level of education. The need for job creation in relation to the previously mentioned issue cannot be overstated, especially for young people, who make up most of the population according to the statistics (UNFPA, n.d.). Failure to create jobs for this young population also risks strengthening the drivers that fuel conflict (Wilson, 2016).

In Somalia, most commercial activities are focused on immediate financial gains. The economy is heavily dependent on imports, and consumption is the primary driver of growth. International trade networks are typically controlled by a business cartel with strong ties to the political and military elite. However, a healthy economy in Somalia depends on foreign trade. Basic consumables, building supplies, petrol, and electronics are largely supplied from Ethiopia and Kenya, two nearby nations. The main import is sugar, which is followed by the moderate stimulant *Khat*. The largest exports are a select group of goods that include live animals, charcoal leather, and hides. The trading of livestock to Yemen, Saudi Arabia, the United Arab Emirates, and Oman makes up a significant portion of export earnings. The Somali diaspora is an additional factor that significantly contributes to economic growth, it should be emphasized here (ICED, 2019).

### **2.5. Somalia Infrastructure Fund (SIF)**

The building and development of infrastructure, which is essential for Somalia, and the reconstruction of institutions can be named as the main drivers behind the creation of the Multi-Partner Somalia Infrastructure Fund (SIF) in 2016 by AfDB. One of the objectives of SIF is also to connect the Somali economy with the “Strategy for Addressing Fragility and Building Resilience in Africa” developed by AfDB for fragile economies. Assuring Somalia’s long-term economic recovery, fostering national peace, and aiding in state-building are three additional goals of the fund. The fund’s main priorities include infrastructure development and improvement, as well as related skill development and institutional capacity building. The fund intends to advance ICT (information and communications technology), transportation, electricity, water supply, and sanitation (ICED, 2019). The SIF is one of the financing windows as part of the Somali New Deal Compact which was endorsed in Brussels in 2013. The World Bank Multi Partner Fund and the United Nations Multi-Partner Trust Fund are the other two funds that SIF has joined under the auspices of the Somali Development and Reconstruction Facility (SDRF). SIF was established as part of AfDB’s Transitional Support Facility on October 3, 2016, and is managed and overseen by a unit in the Eastern Africa Regional Center in Kenya. The personnel in charge of this unit are responsible for ensuring that infrastructure projects are effectively planned, constructed, and completed, as well as for any subsequent follow-ups (AfDB, 2016).

In implementing the SIF, AfDB faces many challenges. Based on the opinions of donor organizations and others in the development sector – except for AfDB – through interviews, along with additional observations from ICED, we can list them as follows:

- The length of time between the initiation of the infrastructure project and its implementation. This problem is exacerbated given the limited funds and the magnitude of the lack of infrastructure. In addition, project prioritization becomes difficult when the interests of the FGS and the ministries involved in infrastructure projects do not coincide.
- Internal pressures for donors to pay and commit. Many donors have reservations about funding the SIF because construction needs to start before the pledged funds can be withdrawn, which can take a year or more.
- Non-traditional donors want to step in when a project is bankable. The problem here is that donors want to step in even though SIF has the commitment to finance this project and there is an agreement with FGS.
- Foreign contractors are not willing to operate due to the difficulty of implementing AfDB's international tender procedures. AfDB used UN agencies as intermediaries for the implementation of some small-scale infrastructure projects. This brought some inflow of funds through the SIF but did little in favor of donors.
- Absence of AfDB in Somalia (ICED, 2019).
- Infrastructure money distributed through multilateral organizations like SIF would likely move slowly and take a long time to pay off. It would be simple to assume that this is the result of poor SIF management, yet difficulties in FCAS make delays inevitable. A portion of this is attributable to the challenges in establishing investor trust because bilateral donors need to show some progress on the ground in order to continue funding. And this ultimately results in under-capitalization and the development of initiatives that make it challenging to provide a track record (ICED, 2019).

## **2.6. Conclusion**

AfDB, which has been carrying out its financial activities on the continent since 1964, is trying to carry out loan or grant support activities to member countries in many different fields. Somalia, whose infrastructure was destroyed by two decades of civil war and turmoil, is trying to get its share of this support. Although the SIF created in this context struggles with insufficient funding, it is still an important infrastructure finance source for

Somalia. The statistics given in Chapter 4 regarding the infrastructure investments (water and sanitation, roads, energy, capacity building) made within this scope provide information on the financial support that AfDB has been trying to provide since 2016 and the concrete outputs of this support.

## **CHAPTER 4**

### **4.1. AfDB's INFRASTRUCTURE INVESTMENTS IN SOMALIA: ANALYSIS OF OUTPUTS AND OUTCOMES**

#### **4.2. Introduction**

In this chapter, detailed information about the outcome and outputs of AfDB's infrastructure investments in Somalia will be given, and the outcome and outputs of SIF will also be in this section. Evaluations of Pillar 1 and Pillar 2 will be made separately in terms of subject integrity. In addition, interviews about the research will be included in the relevant sections and the content will be enriched. The information contained in this section is of utmost importance for the findings and discussions that this research will reach and include in the last section.

#### **Bank Group's Pillars 1 and 2 Performances**

Reducing Somalia's vulnerability and fostering long-term economic resilience are the main objectives of AfDB initiatives. To accomplish these objectives, these initiatives tried to build the institutional capabilities, infrastructure, and prerequisite competencies. AfDB's investments are supported by two crucial strategic pillars. The first step is to reconstruct the critical infrastructure stockpile to diversify livelihoods and to boost socio-economic resilience. The second is the development of institutional capacity and skills to expand employment opportunities and to enhance governance (Key Informant 1, 2022). These pillars are in line with the eighth (2017-2019) and ninth (2020-2024) national development plans for Somalia. These two pillars are also connected to AfDB's High 5s, extended Strategy for Addressing Fragility and Building Resilience in Africa (2014-2021), and Ten-Year Strategies (AfDB, 2021a).

AfDB sees strengthening the infrastructure through Pillars 1 and 2 as one of the ways to ensure FGS and FMS's legitimacy. Despite the continuing security risks, AfDB attributes the reason for continuing investments to these efforts to provide legitimacy. It is thought that witnessing and benefiting from infrastructure items will play an important role in increasing public confidence. Drawing attention to the factor of security expenses reducing the volume of investments, AfDB underlines its determination and the realization of the significance of continuing investments despite this (Key Informant 1, 2022).

AfDB’s assistance has focused on improving transportation and water systems, expanding access to clean water, and bolstering the reliability and sustainability of natural resource management under Pillar 1. The second pillar has focused on bolstering corporate support in project planning, management, and financial governance through AfDB’s assistance. The training of competent workers to plan, construct, and keep up infrastructure projects has also been encouraged. As Somalia was predicted to hold general elections in February 2021, AfDB’s infrastructure support, originally scheduled to run from 2017 to 2020, was extended until December 2021. Also, it was chosen to use the existing Country Brief (CB) pillars for the CB expansion since they were still consistent with Somalia’s development objectives. (Key informant 1, 2022, AfDB, 2021a).

**Table 3: Bank Group’s Portfolio Performance**

| <b>Bank Group’s Portfolio Performance</b> | <b>November 2023</b> |
|---|----------------------|
| Number of projects                        | 17                   |
| Total Commitment (US\$ Million)           | 219.64               |
| Agriculture (%)                           | 27                   |
| Transport (%)                             | 45                   |
| Multi-sector (%)                          | 11                   |
| Water and sanitation (%)                  | 10                   |
| Power sector (%)                          | 4                    |
| Social Sector (%)                         | 3                    |

\*Source: AfDB (2023)

Somalia’s portfolio of AfDB, as of November 2023, consists of 17 separate activities and is valued at roughly US\$219.64 million. Forty-five of AfDB’s projects are in the transportation sector, while the other 27 percent are in agriculture, 10 percent in water and sanitation, 11 percent in multiple industries, four percent in the energy sector and, 3 percent in the social sector (2023).

Due to the emergence of humanitarian crises, investments necessary under Pillar 1 have encountered obstacles. In addition, the usage of SIF resources slowed owing to political changes in the Gulf nations (Somalia's most important allies). In addition, the 2017 drought necessitated the reallocation of Bank resources to disaster response programs. Hence, the Bank approved a grant of UA 27.6 million to offer emergency aid to individuals impacted by drought, storms, floods, and locusts. As of March 2021, five of AfDB's 32 targeted outputs in Pillar 1 for 2017-2021 had been realized, eight had been partially realized, and 19 were still to be realized. Throughout this timeframe, five of the 15 intended outcomes were fully achieved, one was halfway completed, and as of March 2021, eight had not yet been realized (AfDB, 2021a).

Despite all the issues with terrorism and natural disasters, the importance of ongoing infrastructure investments within the purview of Pillar 1 was strikingly stressed by a key informant. The person stated that it is crucial to consider the importance of infrastructure projects for new settlements that are cleared of terrorist groups. For newly established communities freed of terrorist groups, infrastructure projects were critical. Moreover, the informant said it was impossible to deny the role that multilateral banks have played in creating infrastructure in these newly liberated areas, as well as in new settlements for those compelled to migrate within their own country due to issues such as drought and conflict. Furthermore, key informant 4 stated that: "a significant part of the government's funding comes from grants. Creating additional resources is very important for Somalia, so AfDB's support is needed to help the liberated and newly settled areas for housing and food, etc." (Key informant 4).

However, when it comes to the transportation projects planned by the Bank between 2017-2021, only one of the 11 outputs foreseen was partially successful (the preliminary and detailed design of the Lowyaddo-Borama Road was done). One of the major reasons these outputs failed was that resources had to be reallocated. The Road Infrastructure program, which was approved in 2019, also slowed down due to the inability to sign a co-financing agreement with the European Union. For this reason, none of the four anticipated outcomes could be finalized as of April 2021. Other planned projects could not be approved due to funding constraints. (AfDB, 2021a).

One of AfDB's most successful sectors has been the water and sanitation initiatives. Five of the 15 targeted outcomes were fully realized, seven were partially realized, and three were not. The Bank has constructed 53 water supply and sanitation systems for riparian communities, meeting its goals in full. Boreholes at 26 important locations in the countryside of Somalia have been properly restored and made operational. These boreholes exceeded AfDB's objectives by 30

percent. There was a total of three water projects established for FGS, Jubaland, and South-West. By exceeding the completion rate by 168%, 42 employees received training in water resource management, monitoring, and maintenance. Eighty-six of the 100 intended water committees were trained in the operation and maintenance of basic water and sanitation systems. Six of the anticipated outcomes within the scope of the planned initiatives were totally met and one was just partially met. An estimated 606,000 people now have access to water and sanitation because of the initiatives, which is 143% of the entire goal. This statistic comprises around 90, 000 households and nearly 53, 000 thousand people in rural regions. It is anticipated that the prevalence of water-borne infections will decrease significantly because of this achievement. (AfDB, 2021a).

In connection with the outcomes mentioned above, key informant 7 also gave information about the water project in Kismayo. He mentioned the importance of water and sanitation provided by AfDB: “The water project in Kismayo is expected to be completed by the end of this year. People are migrating from other countries to refugee camps in Gardo, Galkayo, and Dolowe. Thanks to the water and sanitation provided by AfDB, these people can survive and are protected from diseases” (Key Informants 7, 2023).

According to some informants, PPPs exist to make water accessible and affordable for everyone, to do away with monopolies, and to attract more investment in this field because Somalia is one of the most expensive countries in the world to access drinking water (Key informants 7, 9, 2023). Additionally, AfDB’s dealings with PPPs help to significantly lower the risks associated with its investment portfolio. The Somalian government's institutional, technical, and capacity shortcomings force the hiring of PPPs (Key Informants 9, 11).

Key informant 2 explained why multilateral banks started using PPPs: “The security problems in Somalia forced MDBs to be careful in their investments in this country. To share their security risks, these banks started making their investments through PPPs.” (Key Informant 2, 2023). There were a lot of interviewees that claimed that MDBs’ investments in Somalia were motivated by a desire to profit from the nation's abundant natural resources (Key Informants 2, 4, 10, 11, 6, 2023). One of them succinctly put it this way: "There is no free lunch for anyone." (Key informant 11, 2023). One informant emphasized oil resources: “Somalia's natural resources are still untouched. The oil resources discovered in Somalia whet every investor's appetite for future investments,” (Key informants 10, 2023). But at the same time, some of them believe that AfDB and MDBs’ contribute to enhancing economic, and social welfare in Somalia (Key Informants 2, 6, 7, 8, 9, 10, 11, 2023). Another informant has mentioned the strategic

location of Somalia, which is crucial for nearby landlocked nations, and explains MDBs' interest in the nation overall. “The entire region will benefit from Somalia's (improved) infrastructure and (it) solving its security problems. MDBs seek to seize this opportunity as they are aware of the existence of untapped natural resources”. (Key Informants, 6, 2023).

When it comes to the energy sector, which covers the least amount of space in AfDB's investment portfolio shape, the targeted 4 outputs could not be achieved due to financial constraints. An approved project could not be effective because the Project Implementation Unit (PIU) has not been established yet. In addition, the only outcome foreseen for the sector has not been achieved. The four outcomes and four outputs targeted in the agricultural sector could not be achieved because of the delays experienced in the drought and climate change adaptation programs. These drought and climate change adaptation programs have suffered severe delays due to the COVID-19 pandemic and staffing changes in implementing agencies. (AfDB, 2021a).

Under Pillar 2, which aims to improve management and create jobs via the development of institutional capacity, 22 outcomes have been fully realized and three have been partially realized. As of April 2021, seven of these outputs have failed. Again, as of April 2021, within the scope of this Pillar, 9 objectives have been fully realized, four goals have been partially achieved, and three outcomes have been unsuccessful. There were three planned initiatives related to bolstering institutional capacity; two are now underway, and a third has been given the green light. The Ministry of Public Works, Regional Statistics Department, and Federal Statistics Office institutional capacities were also bolstered in this context (AfDB, 2021a).

Many participants also highlighted the importance of investments in government institutions. According to them, there is a direct correlation between infrastructure, state building, and peace, as some key informants have particularly emphasized (Key informants 1, 2022, 2, 11, 2023). The lack of trust in government institutions in Somalia increases the credibility of militant groups. This is especially dangerous for younger generations. One of the points that AfDB particularly emphasizes is increasing the legitimacy of government institutions by supporting them and re-strengthening the bonds of citizens with these institutions (Key informant 1, 2022).

Delays in the increased funding of the Road Infrastructure Program impacted the achievement of the desired objectives in public works. This is because the extra funds were supposed to be utilized to improve infrastructure and other infrastructure-related elements. Steps were taken to strengthen the statistical capability of FGS and some states, and as a result, key outcomes were

achieved. Training in statistical concepts and methods was provided to 80 employees of the FGS Ministry of Planning, Puntland, and the Southwest States (AfDB, 2021a).

AfDB has set up a Local Area Network (LAN) connecting the Statistical Departments in FGS and these states to Web-based Servers. Twenty-two new government employees were hired, and eight pieces of public works legislation were assessed by the FGS Ministry of Public Works, Rehabilitation, and Housing (MPWRH). The building permit issuing processes under the Ministry's laws were examined, and 100 workers, most of whom were young, received training in infrastructure development and management. (AfDB, 2021a).

In the framework of institutional capacity building, five outcomes were fully realized, three were partially realized, and one was not realized in AfDB's initial and later extended plans. One of the most significant results was that FGS, Puntland, and South-West state statistics departments began providing pertinent statistical data to inform government policy. These departments of statistics initiated the production of a consumer price index based on the globally approved methodology and shared this data with other stakeholders, including AfDB. (AfDB, 2021a). One of the interviewees, who had benefited from AfDB's capacity building abroad program, was happy to state: "International education programs within the scope of AfDB's capacity building have completely changed my life. As a newly graduated university student, I went abroad to specialize in data analysis and when I returned, I worked in the same field for a while at the ministry" (Key informant 10, 2023).

While there is one proposed project for AfDB's economic and financial governance of Somalia, four projects have been approved and three are underway. Seven outputs listed in the original and extended plans were entirely successful. Support for economic and financial governance boosted the ability of public debt management, mobilized internal revenues, and improved the budget formulation process. Thirty members of the internal and general audit personnel received specialized auditing training. In addition, the bank funded six budget seminars on procurement procedures and regulations for infrastructure-related ministries, as well as the Public Financial Management training of 355 government personnel (AfDB, 2021a).

Through its assistance for Somalia's economic and financial governance, AfDB has played a crucial role in the country's debt settlement and achievement of HIPC debt reduction requirements. In addition, AfDB assisted with the consistency and standardization of Somalia's external debt data, as well as the formation of the Debt Management Unit (DMU) under the Ministry of Finance. Five revenue offices have been built in the country, and the construction

of a tax education institution and a financial police center were completed in December 2019. (AfDB, 2021a).

AfDB's capacity building projects and the establishment of FGS and FMS offices make it possible for government organizations to operate efficiently. "We are very grateful to associate with AfDB. Offices for the FGS and FMSs have been built and I am working in one of them. We are very grateful to AfDB for capacity building investments," (Key informant 7, 2023).

The Bank organized a workshop in December last year to initiate the construction of the National Capacity Building Strategy in Somalia. At the workshop, ways to create a strong framework for pooling resources and improving institutions were discussed. The importance of establishing a solid and efficient government system was emphasized in the workshop, which offered ideas on ways to eliminate capacity deficiencies within the government. The workshop, attended by government officials and development partners, also focused on the institutional structures of the projects, government concerns, and definitions of roles and responsibilities. In its presentation on Somalia's specific needs and challenges facing the country, the Bank emphasized the goal of a comprehensive capacity-building framework (AfDB, 2024).

Despite all these capacity-building investments, the interview participants of this research are deeply aware of the capacity and management problems of the Somali government and institutions in this regard. According to them, the biggest concerns with Somalia's infrastructure supply are management and administration issues, poor government, a lack of institutional capacity, and incompetent management (Key Informants, 5, 8, 9, 10, 11). "Somalia continues to strengthen its institutions for public projects. The Somali government had an infrastructure project that was very poorly managed and executed. And then the UN organization took it over," (Key informant 5, 2023).

Another key informant also agreed on insufficient capacity building: "The Somali government cannot cope with its massive infrastructure projects. The capacity of Somali institutions is insufficient. Secondly, we know that there are some security problems in the country -mostly in the southern part of Somalia - that the government has not been able to solve so far. Third, in addition to the capital question, there is also the corruption issue, and the government is not good at quelling corruption, and they have no commitments in that regard" (Key informant 11, 2023).

The staff of MDBs in charge of Somalia, however, are not fully aware of the situation because they cannot conduct business from Somalia due to security concerns. This leaves them open to

being misled. Although well-intentioned, MDB employees are disconnected from the local realities, and some of the Somalians they work with take advantage of this fact. “Because of this disconnection, poorly executed infrastructure projects fail to produce the desired results and waste money. If it's a loan project, the Somali government owes money for bad infrastructure development that will not last for long” (Key informant 8, 2023). Key informant 10 gave an example of how security problems affect infrastructure investments: “I live in the South-West state. A road was planned to be built from here to Mogadishu. However, it was canceled due to security issues. Now cars take other roads to reach Mogadishu. And that investment was transferred to another state that is in better condition than this state,” (Key informant 11, 2023).

Meanwhile, as a continuation of Pillar 2 investments, four results envisioned under AfDB’s initial and enlarged plans for economic and financial governance have been achieved. There was one partially successful outcome from the enlarged plans and two that were complete failures. Domestic income grew because of renovation and repair work done to revenue offices, which improved the working environment of these offices. In 2017, income as a proportion of GDP was only 1.9%; by 2019, that figure had risen to 3.9%. AfDB’s assistance to the Debt Management Unit has resulted in the reconciliation of all the debts owed to multilateral organizations and the Paris Club, as well as 98% of the obligations owed to organizations outside of the Paris Club. (AfDB, 2021a).

All participants agreed that there is a security issue in the country and that infrastructure projects were crucial to addressing it. However, officials from Somalia's Ministries attributed the delay in project implementation to bureaucratic procedures, a lack of capacity building (Key informants, 3, 4, 7,8,10,11, 2023), and corruption (Key informants 5, 6, 8, 2023). Additionally, government institutions' efforts to combat corruption fall short. AfDB facilitates travel, and lowers living expenses and business costs, but transfers very little money to the Somali side. “As unemployment helps terrorist organizations like Al-Shabab, AfDB’s infrastructure investments are essential to avoid security problems. However, Somalia's laws and regulations are insufficient to build projects.” (Key Informant 11, 2023).

To lessen the impact of corruption on the funding sent for infrastructure, MDBs began collaborating with outside organizations, but in recent years, government institutions have made significant advancements in the fight against corruption. In a sense, corruption can be considered “normal” because Somalia is a newly established, developing nation with all of the attendant problems in terms of procedure. Nonetheless, it is felt that corruption will lessen over

time as institutions and their workers become more experienced. Key informant 6 continues: “If MDBs hadn't experimented with investments made through governmental institutions, these institutions wouldn't have had these experiences and would lack knowledge of these procedures. Furthermore, delays brought on by these agencies' lack of experience in the nation and regional expertise are one of the drawbacks of projects carried out by third-party organizations,” (Key Informant 6, 2023).

Most of the interview participants were unaware of the market-based approach, or what it literally entails, and AfDB’s policy of supporting “bankable” projects – probably due to the complexity of the theoretical content of these issues. Even after I explained these terms and AfDB’s policies on this issue, I did not receive satisfactory answers. Those who were already aware of the market-based theory and “bankable” projects had two objections to these approaches. First, the market-based approach is not considered viable, as most of the investments in Somalia are grants. Second, the volume of investments is very low compared to other countries and there is not enough data for Somalia to talk about market-based approaches (Key Informants 1, 2022, 9, 11, 2023).

### **4.3. Somalia Infrastructure Fund’s Outputs and Outcomes**

It was inevitable that SIF would get off to a sluggish start due to implementation challenges and delays. AfDB itself alluded to the inadequacy of project implementation, monitoring, and evaluation capabilities for its activities in Somalia, highlighting the overall issues and stressing the lack of involvement with key stakeholders. But AfDB was able to conclude that its activities in Somalia were, overall, "satisfactory". (AfDB, 2020b)

Similarly, to SIF operations, its projects had trouble adhering to the timeline, as the schedule was met by changing goals. Due to budget limits and COVID-related issues, the execution of several projects was delayed. A study commissioned by AfDB to get an independent review of SIF has emphasized recent developments, such as the acceleration of payouts. Nevertheless, it was also highlighted that project-implementing units and third-party implementing agencies need further information on AfDB’s policies and processes. It was determined that the primary cause of the issue was the difficulty AfDB’s project teams had in gaining access to Somalia and project locations. In the study, this deficiency has been cited as one of the major issues (AfDB, 2022c).

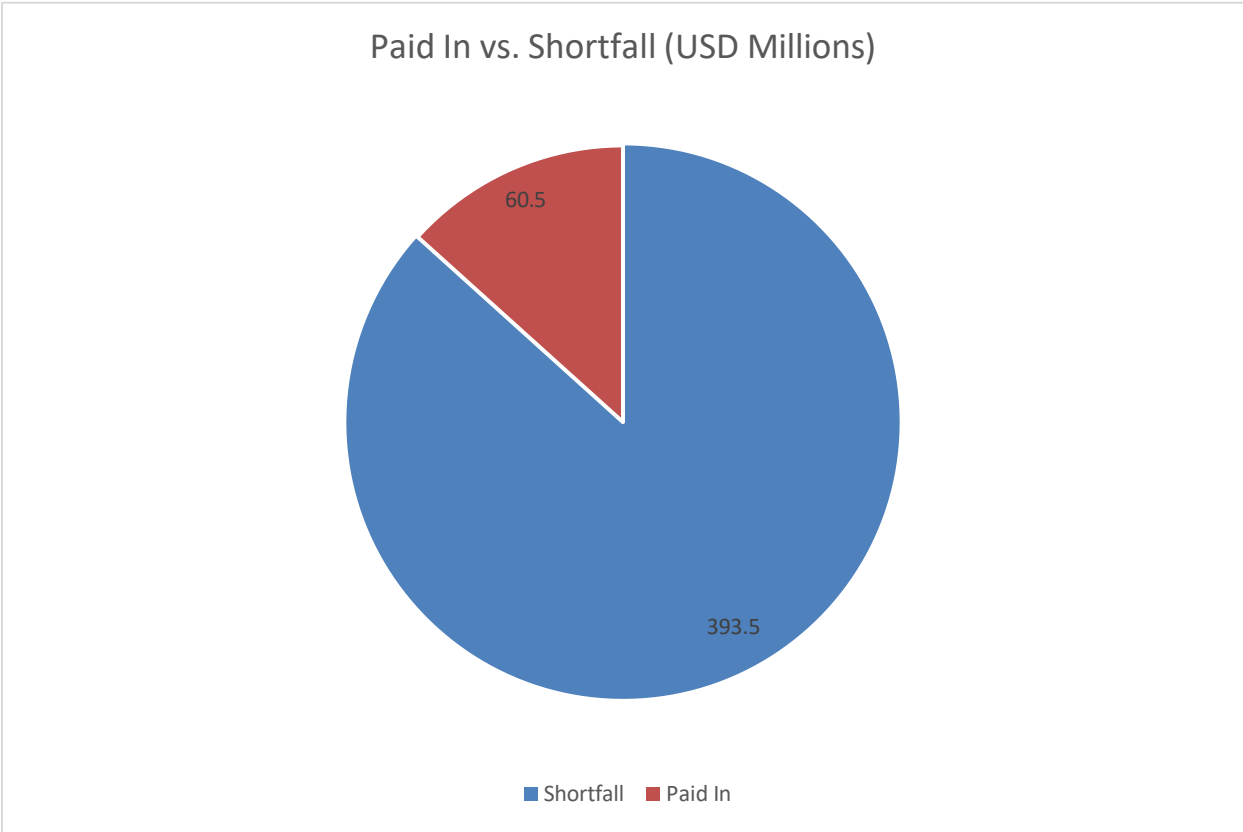
Of the 17 operations currently conducted by the Bank in Somalia, eight are within the framework of SIF, totaling US\$137.11 million. One of these operations is the second phase of Economic and Financial Governance Institutional Support, totaling US\$7.42 million. Another is the ongoing project for the Kismayo-Baidoa Urban Water and Sanitation supply, with a total amount of US\$21.21 million. The Road Infrastructure Program is the costliest of these projects, with a total amount of US\$56.5 million. The second most invested project is Loyada/Lowyaddo-Borama Road Phase 1 (US\$41.74). This project, approved in March 2023, plans to eliminate the problems in the transportation connection between Djibouti and Somalia and thus help regional integration. The project aims to expand trade relations in the region, make trade safer, and alleviate the fragility of the Horn of Africa by reducing travel time and costs. (AfDB, 2023).

As of November 2023, AfDB had 17 ongoing activities in Somalia totaling US\$219.64 million. The transportation sector owned 45 percent of its portfolio, followed by the agriculture industry with 27 percent and multi-sectors with 11 percent. Whereas the committed amount for water and sanitation included 10 percent of the portfolio, the social sector comprised three percent, and the energy sector contributed four percent. Eight of AfDB's 17 activities are executed under the auspices of SIF, with a total commitment value of US\$137.11 million. (AfDB, 2023).

However, as of March 2021, just one of these projects had been finished, while two of the current projects were not operable owing to budgetary restrictions. The fund was only able to attain 13 percent of its initial goal, given the funding it got from four different sources, a substantial portion of which was AfDB's cash (84%). The total sum contributed to the fund from these sources was US\$60.5 million, which fell significantly short of the US\$454 million goal. Due to difficulties reconciling AfDB's legislation with EU's sanctions guidelines, EU's pledge of US\$48.1 million has not yet been fulfilled. Supporting the project pipeline, the fund's fundraising performance to date falls far short of expectations. This circumstance contradicts the fund's guiding document, which assigns a "moderate" risk rating to the process of raising money (AfDB, 2022c).

One of the biggest obstacles for SIF is the reluctance of contributors to endorse and to adhere to this fund, resulting in a significant proportion of SIF's funds still being outstanding at US\$393.5 million.

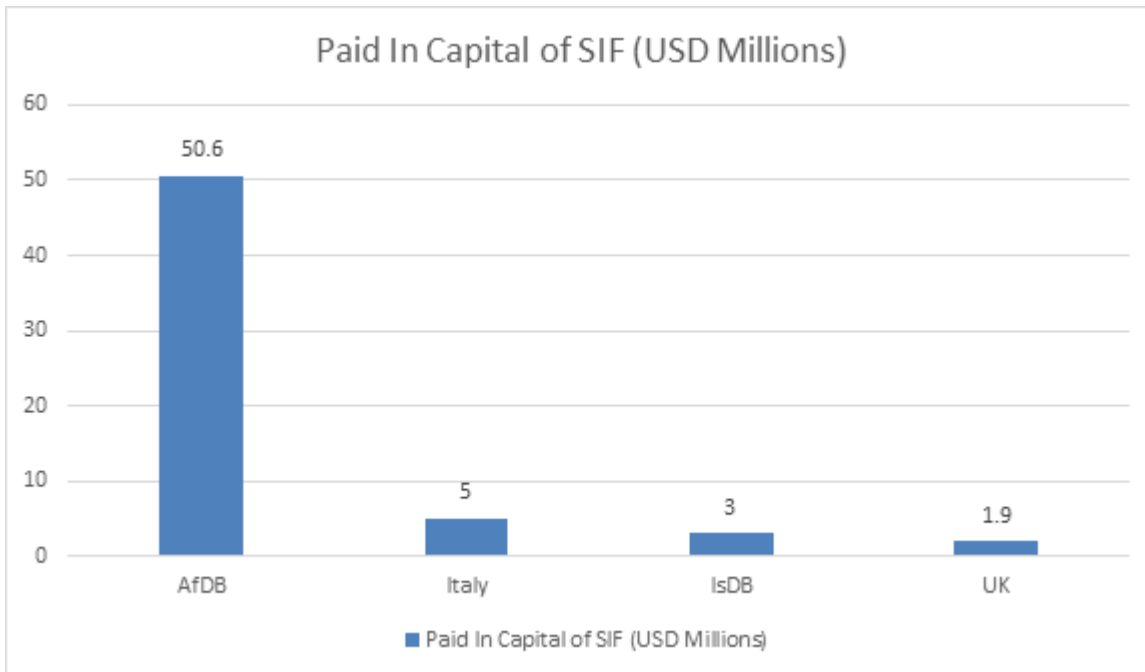
**Graph 2: SIF Paid in and Shortfall Capital**



Source: AfDB (2022)

Donors to SIF pledged their commitment to bolstering the fund's assets. AfDB was at the forefront of these donors, so it was decided to use AfDB's funding options to support or co-finance SIF projects. For the time being, the bank has committed US\$50.6 million to the completion of five projects and two studies (AfDB, n.d.).

**Table 4: Paid in the capital of SIF.**



\*Source: AfDB (2022)

The direction in which SIF is going is in line with AfDB’s overarching strategy. From the total value of the five active SIF projects, 84 percent (for three projects) is invested in infrastructure, while the remaining 16 percent (for two projects) is distributed among Social Sector and Multi-Sector initiatives, with a primary emphasis on strengthening the capacity and analytical support. The general composition is reflective of the policy that was outlined in the Framework Paper that was used to form SIF. SIF's general makeup conforms to the guidelines outlined in the Framework Document. Most SIF-funded activities, according to the document, will involve investments in physical infrastructure. These funds will be used to improve infrastructure in the areas of energy production, transportation, water treatment, and information and communication technology (ICT) (AfDB, 2022c).

Although SIF has been instrumental in getting the Transportation and Water sectors off the ground, it has been unable to expand its reach into other sectors. Until there is a significant increase in financing, SIF will not be able to have a significant positive effect on Pillar I. Just three projects have been given enough money to carry forward under the first pillar; two of them attempt to increase the Somalian population's access to clean water and sanitary facilities. While the findings are certainly helpful, they fall far short of meeting the needs of the people of Somalia. Road development is the third major infrastructure project being undertaken, although

it has not been going as smoothly as predicted. At root, this was due to issues in establishing common ground with the project's main financial backer (the European Union) on how best to structure the work. (AfDB, 2022c).

Second, there is an unsolved issue at a higher level about financial conditionalities. As a result, not a single proposed civil work project has been carried out, except for two high- priority pipeline road plans that are presently being funded and performed by others. None of SIF's other major efforts in the other industries have been implemented either. As an illustration, SIF's inability to immediately initiate an endeavor to bring power to Somalia meant it missed a vital opportunity to synergize with "Light and Power Africa," one of AfDB's primary five priorities for Africa. Divergent viewpoints exist regarding Pillar II. There has been quantifiable and verifiable progress with the Ministry of Finance, but public works agencies have met several impediments that have hindered the implementation of the project (AfDB, 2022c).

While Somalia's score on the Ibrahim Index of African Governance (IIAG) grew by more than five points throughout the period, the most significant indicators tell us hardly anything. Notwithstanding the fact that SIF's activities cannot be directly correlated with changes in IIAG ratings (because of their lesser scale and scope), they may have contributed to the evolution. Similarly, other significant national indices, such as the Transparency International corruption index rankings, have either declined or remained unchanged over time. In the assessment, none of these changes in national indices are seen as definitive indicators of SIF success or failure. In general, the findings are inconclusive, and neither AfDB Task Managers nor the consultants have been able to visit the target institutions to confirm or refute any potential improvements (AfDB, 2022c).

#### 4.4. Conclusion

For nations like Somalia with weak institutions and political and economic vulnerabilities, infrastructure investments always carry some risk. However, AfDB's decision to continue its investments might be motivated by its understanding of Somalia's potential for rapid economic growth. One of the main goals of AfDB is to weaken the influence of terrorist organizations while strengthening government institutions through the support provided to them. Interviews with representatives of the official authorities led us to conclude that AfDB's infrastructure investments in Somalia are intended to promote sustainable economic growth. AfDB's programs aim to, among other things, to increase employment, to guarantee that everyone has access to necessities, and to meet the needs of communities that have welcomed refugees.

There are currently 17 projects in Somalia worth a combined total of more than US\$219.64 million, the majority of AfDB's financing comes from ADF, and these are given as grants. It is observed that water and sanitation and capacity-building projects are more prone to success than others in terms of turning investments into projects and generating output from these projects. The Road Infrastructure Program's lack of funding and lack of operational capacity resulted in only one of the 10 outputs being successful. In the energy sector, for which the lowest investment financing has already been allocated, success has not been achieved in any output.

One of the biggest obstacles to all infrastructure investments in Somalia is the security problem. The security problems and infrastructure investments are negatively linked to each other. It seems appropriate to assume a correlation where one of the ways to reduce the security problems is to increase investment in infrastructure. By improving the legitimacy, accountability, transparency, and operational capability of governmental institutions, terrorist organizations won't be able to recruit more people, especially jobless young people, to their ranks.

Somalia's HIPC completion point will be one of the most important milestones in meeting infrastructure projects with new sources of financing, or in sustaining projects that face insufficient funding. Gaining the trust of international financial institutions and other investors and reintegrating Somalia with these structures is of great importance for the coming years. AfDB also needs to make Mogadishu the center of its operations to oversee its investments more easily, to monitor project progress, to reduce project costs, and to eliminate potential corruption problems.

## CHAPTER 5

*“Somalia is currently a small child and doesn't know how to walk yet, the Bank holds Somalia's hand until she learns to walk” (Key informant 9, 2023).*

### 5. FINDINGS AND CONCLUSION

#### 5.1. Introduction

This study's main goal was to investigate the rationale behind the infrastructure investments made by AfDB as an MDB for the development of Somalia. Infrastructure Development Theory was used to understand and deepen this research's radar. With this study, it was hoped to clarify the circumstances surrounding AfDB's investments in a nation with a volatile political and economic landscape while taking all economic, financial, and security risks into account. This study set out to accomplish this by posing several questions, the first of which was: In view of the country's uncertain economic and political prospects, how is AfDB's Somali infrastructure fund justified? To analyze the practical outcomes of AfDB's efforts in Somalia, the first sub-question was designed to identify specific deliverables of AfDB. The purpose of the second sub-question was to learn about the viewpoints of those who were considering investing in Somalia through AfDB. Finding out the views, ideas, and perspectives of the official people dealing with the investments made by AfDB in Somalia was the goal of the second sub-question.

By offering a systematic lens through which to examine and evaluate the major variables impacting infrastructure growth and its consequences, the Infrastructure Development Theory was used as a conceptual framework to increase the scope and depth of this study. By utilizing this theory, the research can place its findings in the context of well-established theoretical viewpoints, so advancing a more thorough comprehension of the topic.

Interviews were used to gather information for the study's main objective and first question, which was to determine why AfDB continues to make investments. Considering all the risks, boosting the credibility of government institutions in the face of terrorist organizations is one of the most crucial justifications for AfDB's investment. AfDB wants to avoid the next generation falling into the hands of terrorist organizations. In addition, AfDB wants to use its

infrastructure investments to help Somalia's economy grow, while also addressing the problems of poverty, unemployment, and instability. The fact that AfDB is aware of Somalia's geopolitical significance and natural resources is one of the most significant factors in this. AfDB's reports were primarily used to determine the tangible results of investments, one of the answers to sub-objectives and other research questions. These show that despite having

completed very significant projects in the areas of capacity building and water and sanitation, the African Development Bank was unable to have the same success with its investments in roads and energy. The views of the Somali government representatives regarding these investments were a separate sub-question. Many comments on this topic were made during the interviews, and most of them centered on how AfDB's investments were successful and how well received it was. However, it was stated that AfDB's staff's presence in Nairobi for security reasons made the projects take longer than usual and contributed to corruption.

The purpose of this last chapter is to try to answer the above questions. Comments on what AfDB's infrastructure investments have brought to Somalia are included in this section. A summary of the study is presented in this section, and at the end of this section, this study provides recommendations for future work to make MDBs and AfDB's investments in Somali infrastructure more effective.

## **5.2. Findings**

**The Bank continues to invest in infrastructure despite Somalia's bleak economic and political outlook because it wants to boost the credibility of FGS and FMSs against terrorist organizations. Additionally, infrastructure investments are anticipated to help Somalia's fragile political and economic system by supporting small businesses, lowering poverty levels, facilitating trade, generating new jobs, and promoting stability in the area.**

The study's first, and most significant, conclusion relates to the explanation for AfDB's continued infrastructure investments, despite Somalia's precarious socio-political and economic situation. This study has sought to understand why AfDB, an MDB, kept making investments in a nation where it had previously experienced difficulties making investments and receiving repayments, as well as experiencing obvious issues with its economic and political performance. As can be deduced from the independently published infrastructure investment reports of AfDB, the government of Somalia, and the interviews made in this study, AfDB is striving to increase the legitimacy of Somali government institutions through infrastructure investments. This is to reduce the effectiveness of terrorist organizations in the country, and to get Somalia to an HIPC completion point. The debt relief process of Somalia, which has engaged with international credit institutions since 2013, continues. It is planned to start taking loans for infrastructure and economic development following the HIPC completion milestone, which will likely be accomplished in the latter quarter of 2023. Overall, AfDB attaches importance to infrastructure investments to contribute to the peace process in the continent, and to support African governments in this regard. In this context, AfDB's infrastructure investments in Somalia aim to increase security, reliability, transparency, and accountability.

**5.2.1. It is crucial that AfDB employees run their operations from Somalia to combat corruption, and to guarantee a more wholesome progression of infrastructure projects.**

One of the most significant assertions made during the interviews was that due to security issues, other MDBs preferred to make their investments in Somalia through AfDB. For security reasons, however, AfDB prefers to keep its personnel in Nairobi rather than Mogadishu. This increases the likelihood of corruption and makes it simpler to exploit AfDB employees. The fact that the projects cannot be closely monitored is yet another drawback of the absence of AfDB personnel in Somalia. Due to this scenario, AfDB's projects take longer to complete and use more capital.

**5.2.2. In terms of overall performance, AfDB is doing well with projects related to water and sanitation and Pillar 2, but it has not yet reached the same level with the Road Infrastructure Program and the energy sector.**

The completion rate of AfDB's water and sanitation projects is significantly higher than that of the other projects, as can be seen from the statistics in Chapter 4. Additionally, the water and sanitation systems installed by AfDB in the immigrant camps are crucial for the residents to carry on with their daily lives. Comparing investments made within the purview of Pillar 2 to the Energy and Road Infrastructure Program, these investments have also been quite successful. The administrative capabilities of the central government are significantly improved by investments in capacity building, which also serves as a critical foundation for future infrastructure investments.

Aligned with the principles of Infrastructure Development Theory, AfDB's investments in Somalia primarily focused on the energy, water, and sanitation sectors. These investment projects led to the creation of numerous job opportunities, contributing to a reduction in the country's unemployment rate, as evidenced by the outcomes of these initiatives. Furthermore, in line with the theory, the investments enabled access to water and sanitation services for hundreds of thousands of people, while the construction of new roads facilitated trade and improved connectivity for the population. The theory also emphasizes that investments alone are insufficient; effective management and policy initiatives are crucial. This comprehensive approach, which integrated both infrastructural development and institutional strengthening, has enabled Somalia to better manage its infrastructure, enhance service delivery, and facilitate continued economic growth in the years to come.

**5.2.3. Somali holds a positive perception of AfDB in general**

Infrastructure investments have a major influence on Somalia's view of the AfDB. Most interviewees who discussed the volume of infrastructure investment made by the AfDB expressed dissatisfaction with it. Although, incidentally, they were grateful for the investments, the main issue was the challenges posed by their execution. The respondents did not downplay the significance of the Bank's contribution to boosting Somalia's economic standing. Somalia is expected to benefit from new financial, development, and vision opportunities brought about by the AfDB. While some respondents pointed out that Somalia lacked sufficient capacity to promote itself internationally, it was also mentioned that the AfDB may make up for Somalia's shortcomings in this area. Given that several participants questioned the Bank's infrastructure investments owing to the possibilities of exploiting Somalia's natural resources, we may conclude that the Somali side is quite pleased with the Bank's eagerness to invest. They are seeing the economic and social results of these

investments, particularly in water and sanitation and capacity building, and are sure that the country's prosperity and economic progress will benefit from their continued implementation.

### **5.3. Discussion**

The direct correlation between infrastructure investments and economic growth, which is viewed as an input factor, is emphasized by infrastructure development theory, as has been previously mentioned. This theory holds that investments in infrastructure lower the costs of

production, transportation, and energy, facilitate the transfer of technologies, boost employment, and lessen poverty. It would be appropriate to discuss the overall contribution of AfDB's infrastructure investments to Somalia's economic development in this setting. Inputs for capacity building, water and sanitation, and road infrastructure pave the way for Somalia's economy to recover. This theory holds that governance is one of the infrastructure's most significant contributions to economic growth. With its capacity-building investments, AfDB in this regard makes sizeable investments to raise the potential and effectiveness of governance.

It is possible to say that AfDB and other MDBs are looking for ways to give credit again to Somalia, where they stopped lending during the civil war, and had problems with repayments. From the point of view of "there is no free lunch for anyone", it would be naive to say that Somalia's untouched natural resources do not whet the appetite of these banks. But at the same time, it would be unfair not to say that AfDB has not shied away from sacrifices for Somalia.

AfDB has granted infrastructure support to Somalia for many years. It should be noted that this support aligns with AfDB's mission, which focuses on reducing poverty for Africans, enhancing their quality of life, and mobilizing resources for social and economic advancement. Despite the challenges in assessing AfDB's direct impact on the economic and social growth of Somalia, and its infrastructure investment, one can get an idea of the contribution of these investments by looking at their volume in general, and by interviewing their counterparts. Thus, we can say that AfDB's investments in water and sanitation, human and capacity building are not only progressing successfully, but also playing a significant part in enhancing Somalis' quality of life. Capacity building investments not only contribute to the legitimacy and project execution capacity of the FGS and FMS, but also play a significant part in lowering the legitimacy of terrorist organizations. The same cannot be said for the road infrastructure and energy sector. Projects in the energy sector, which is currently AfDB's lowest priority, have not made as significant progress. Although the Road Infrastructure Program is partially in a better state, problems with funding hinder progress. AfDB's support to Somalia in reaching the HIPC completion point will contribute significantly to the re-acceleration and financing of these sectors.

One of the most important steps in tackling corruption and making AfDB's projects move faster could be the deployment and recruitment of AfDB staff in Mogadishu. In Somalia, where security and other expenses must be added to investment, the cost of corruption makes it tough for the projects to flourish. It is logical, therefore, that being close to the project area will

contribute not only to combating corruption, but also to closer monitoring, better reporting, transparency, and accountability.

#### **5.4. Contribution of the Study**

Although there are many studies on the operations of AfDB or other MDBs in Africa, the literature on the presence of MDBs in Somalia is scarce. Therefore, this study has tried to understand the outputs of AfDB's infrastructure investments in Somalia and their social and economic impact. As a result, we hope this study has contributed to the literature on the outputs of AfDB's Somalia infrastructure investments. We have also looked at the problems experienced in the investment process, AfDB - Somali relations from various external perspectives, and the internal, domestic viewpoint of the Somalis themselves.

#### **5.5. Conclusion**

Investing in and working toward the development of a country where a civil war has not yet been resolved, where there is a lack of political and economic stability, where there is a persistent terrorist threat, and where there are inadequate institutional capabilities, entails accepting from the outset that there will be extremely challenging circumstances.

Nevertheless, AfDB continues to invest continuously in Somalia, despite all the risks it has taken. As can be inferred from the interviews, one of the most crucial justifications for this, is as much as possible, to strengthen the legitimacy of the FGS and the FMS in Somalia against political terror. In this way, it is hoped that the next generation of Somalis will not be susceptible to the populist ideology of extremism. Furthermore, by enhancing these institutions' ability to undertake projects, the door for further infrastructure investment opens. AfDB implements infrastructure projects with a principled perspective as part of the actions taken for the development of Africa, with the goals of enhancing Somalia's workforce potential, facilitating trade, and reducing poverty. Additionally, Somalia's geopolitical location and energy resources are significant indicators of the country's potential growth in the coming years. AfDB is not unaware of Somalia's potential, which is a key factor in the continued investment.

However, it would be unfair to AfDB if we did not mention the contributions it has made to the country before questioning its intentions. Moreover, the beneficiaries of the investments, as well as the numbers, show that AfDB is a very important provider for Somalia in the fields of water, sanitation, and capacity building. In addition, with its capacity-building support, AfDB is an important nurturer of Somalia's newly established political order, and the public's sense of

trust in this order. AfDB is one of the institutions that Somalia can rely on for its reintegration into the international financial network. Therefore, it is of great importance that the trust between the FGS and the FMSs and AfDB is not damaged, and that grants and loans based on transparency and accountability are maintained. One of the most important steps in establishing this trust would be AfDB's making Mogadishu its operations center for Somalia. Moreover, AfDB has the potential to be an intermediary in any political crisis between the FGS and the FMS. Critically, it has the respect of these authorities. In addition, convincing international credit institutions or countries that have close relations with Somalia for the Road Infrastructure Program and Energy investments will contribute to the elimination of an important infrastructure deficiency. At this point, it is essential that AfDB's support to Somalia be sustained in reaching the HIPC completion point. As one of the key informants mentioned, the economic and social contribution of a paved and illuminated road to the entire settlement of safety and economic activities centered around the road is enormous. In this respect, it is very important for AfDB to increase its share of energy investment, which is one percent, to higher levels, and to guide Somalia's natural resources to the most suitable application in the country's best interests. Political authorities should not be unaware of the virginity of the country's resources, and the dependence of landlocked countries around Somalia-on-Somalia transport routes and ports. Somalia's geostrategic location and natural resources appear as an important economic potential for the country if it would be able to resolve its internal conflicts. Therefore, political authorities must take legal steps to prevent the exploitation of natural resources, but at the same time, to ensure that they are used effectively in favor of all citizens.

## **5.6. Recommendations for further study**

This study suggests that research that discusses the contributions of grants and loans to Somalia by other MDBs such as the IMF and the World Bank could be important. In this way, it may be possible to make comparisons between different MDBs in Somalia and to discuss their contributions.

### **Annex 1: Research Questions**

1. As a country where the civil war continues, infrastructure investment in Somalia does not seem to be a very profitable investment. Despite this, what is the main motivation behind AfDB's continuation of these investments?
2. What is the goal that AfDB wants to achieve with these investments?
3. In your opinion, how satisfied was the bank with the investments made so far, considering AfDB's infrastructure investment motivations?

4. We are aware that the bank follows a market-based approach when adopting a public-private partnership policy and places a premium on projects that are "bankable." Could you provide any insight on AfDB's infrastructure initiatives in Somalia from this point of view?
5. Do you think AfDB's infrastructure investments have helped alleviate security problems in Somalia? How?
6. Is it true that some multilateral banks did not / do not want to continue their operational activities in Somalia? What do you think about these banks wanting to run their operations through AfDB?
7. What are the difficulties encountered while investing in infrastructure in Somalia?
8. What obstacles do the Bank, the government, and the private sector face in the current Somali investment environment? What sort of efforts are being made to overcome these obstacles?

## **Annex 2: Interviews**

Key informant 1 (2022). Interview with Somalia Infrastructure Fund Representative. On 11 September 2022. Microsoft Teams

Key informant 2 (2023). Interview with former AfDB worker and Somalia country advisor. On 11 March 2023. Microsoft Teams.

Key informant 3 (2023). Interview with the government official. (MOPIED worker). On 12 March 2023. Microsoft Teams.

Key informant 4 (2023). Interview with the government official. (MPWRH worker). On 20 March 2023. Microsoft Teams.

Key informant 5 (2023). Interview with NGO and former MOPIED worker in Somalia. On 21 March 2023. Microsoft Teams.

Key informant 6 (2023). Interview with the government official. (MPWRH Road Infrastructure Program Coordinator). On 22 March 2023. Microsoft Teams.

Key informant 7 (2023). Interview with the government official (MoEWR worker). On 24 March 2023. Microsoft Teams.

Key informant 8 (2023). Interview with a former government official. (MPWRH worker). On 25 March 2023. Microsoft Teams.

Key informant 9 (2023). Interview with AfDB official. (IOM worker). On 27 March 2023. Microsoft Teams.

Key informant 10 (2023). Interview with a former government official. (MPWRH worker). On 30 March 2023. Microsoft Teams.

Key informant 11 (2023). Interview with the government official. (MOPIED worker). On 7 April 2023. Microsoft Teams.

## **References**

Abdulla, A. D., 1996. "Somalia's reconstruction: an opportunity to create a responsive information infrastructure. *The International Information & Library Review*, 28(1), pp. 39-57.

AfDB, 2002. *The Contribution of African Development Bank to Economic Knowledge and Policy in Africa*, Abidjan: African Development Bank.

AfDB, 2013a. *“AFDB in Brief 2013”*, Abidjan: African Development Bank Group.

AfDB, 2013b. *“At the center of Africa’s transformation, strategy for 2013-2022”*. Abidjan: African Development Bank.

AfDB, 2013c. *Somalia Addendum to Country Brief 2013-2015*. Abidjan: African Development Bank.

AfDB, 2016. *“Somali Infrastructure Fund (SIF) Project Pipeline”*, Abidjan: African Development Bank.

AfDB, 2017. *“AfDB signs US\$ 78 million grant agreements with Governments of Somalia and South Sudan to strengthen drought resilience and address chronic hunger and malnutrition”*. [Online] Available at: <https://www.afdb.org/pt/news-and-events/afdb-signs-us-78-million-grant-agreements-with-governments-of-somalia-and-south-sudan-to-strengthen-drought-resilience-and-address-chronic-hunger-and-malnutrition-17220> [Accessed 10 02 2023].

AfDB, 2018. *African Economic Outlook 2018, “Africa’s infrastructure: Great Potential but little impact on inclusive growth”*, 63: African Development Bank Group.

AfDB, 2020. *“Developing Africa’s workforce for the future.”*, Abidjan, Cote d’Ivoire: s.n.

AfDB, 2020. *“Country Brief 2017-2020 update and extension to December 2021; country portfolio performance review; and country financing parameters”*, Abidjan: African Development Bank (African Development Fund).

AfDB, 2020a. *“New dawn for Somalia: Arrears owed to the African Development Bank Group cleared”*. [Online] Available at: <https://www.afdb.org/en/news-and-events/press-releases/new-dawn-somalia-arrears-owed-african-development-bank-group-cl> [Accessed 01 10 2022].

AfDB, 2021a. *“Federal Government of Somalia combined 2017-2021 country brief completion report and 2020 country portfolio performance review”*, Abidjan: East Africa Regional Development And Business Delivery Office (RDGE).

AfDB, 2021b. *African Economic Outlook “From debt resolution to growth: The road ahead for Africa.”*, Abidjan: AfDB.

AfDB, 2021c. *Multi-Partner Somalia Infrastructure Fund, “Mid-year progress report January-June 2021”*, Abidjan: African Development Bank.

AfDB, 2021d. *Regional portfolio and approvals*. [Online] Available at: <https://www.afdb.org/en/annual-report-and-financial-report-2021/regional-portfolio-and-approvals> [Accessed 10 1 2023].

AfDB, 2022a. *“Bank Group’s Strategy For Addressing Fragility And Building Resilience In Africa 2022-2026”*. Abidjan: AfDB Transition States Coordination Office.

AfDB, 2022b. *AfDB - Statement of subscription and voting powers as at 30 September 2022*. [Online] Available at: <https://www.afdb.org/en/documents/afdb-statement-subscription-and-voting-powers->

30-september-2022

[Accessed 1 11 2022].

AfDB, 2022c. *Multi-Partner Somalia Infrastructure Fund, Independent Review*, Abidjan: African Development Bank.

AfDB, 2022d. *Multi-Partner Somalia Infrastructure Fund, Mid-Year Progress Report, January - June*, Abidjan: African Development Bank.

AfDB, 2023. *Multipartner SOMALIA INFRASTRUCTURE FUND MID-YEAR PROGRESS REPORT JANUARY-JUNE 2023*, Abidjan: AfDB.

AfDB, 2023. *Somalia: African Development Bank Group approves \$13.3 million grant to help improve domestic revenue mobilisation and public expenditure management*. [Online]

Available at: <https://www.afdb.org/en/news-and-events/press-releases/somalia-african-development-bank-group-approves-133-million-grant-help-improve-domestic-revenue-mobilisation-and-public-expenditure-management-64772>

[Accessed 3 4 2024].

AfDB, 2024. *African Development Bank launches design of Country Development Strategy for Somalia*. [Online]

Available at: <https://www.afdb.org/en/news-and-events/african-development-bank-launches-design-country-development-strategy-somalia-68336>

[Accessed 3 4 2024].

AfDB, n.d. "Mission&Strategy". [Online]

Available at: <https://www.afdb.org/en/about/mission-strategy>

[Accessed 1 10 2022].

AfDB, n.d. *Eligibility and Country classification*. [Online]

Available at: <https://adf.afdb.org/adf/eligibility/>

[Accessed 23 03 2023].

African Development Bank, 2011. "AfDB Humanitarian Assistance to Somalia". [Online]

Available at: <https://www.afdb.org/en/news-and-events/afdb-humanitarian-assistance-to-somalia-7663>

[Accessed 10 02 2023].

Agénor, P.-R., 2010. "A theory of infrastructure-led development.". *Journal of Economic Dynamics and Control*, 34(5), pp. 932-950.

Anguelov, D., 2020. "Banking 'development': the geopolitical–economy of infrastructure financing.". *Area Development and Policy*, 6(3), pp. 271-295.

Anguelov, D. H. L. a. E. S., 2018. "Engineering the financialization of urban entrepreneurialism: The JESSICA urban development initiative in the European Union.". *International Journal of Urban and Regional Research*, 42(4), pp. 573-593.

Aschauer, D., 1989. "Is public expenditure productive?". *Journal of Monetary Economics*, pp. 177-200.

Asian Development Bank, 2021. *Infrastructure for supporting inclusive growth and poverty reduction in Asia*. Mandaluyong: Asian Development Bank.

- Ayhan, B. a. Y. Ü., 2022. "Turkey's public-private partnership experience: a political economy perspective." *Southeast European and Black Sea Studies*, pp. 1-24.
- Babb, S., 2009. *Behind the Development Banks: Washington Politics, World Poverty, and the Wealth of Nations*. Chicago: University of Chicago Press.
- Balthasar, D., 2014. Somalia's federal agenda: From fragility to fragmentation?. *European Union Institute for Security Studies (EUISS)*.
- Bertelsmann Stiftung, 2020. *Bertelsmann Stiftung's Transformation Index 2020 Country Report—Somalia*, Gütersloh: Bertelsmann Stiftung.
- Bincof, M. O., 2020. "The Effect of Public Sector Reform on Good Governance in Somalia." *Public Policy and Administration Research*, 10(9), pp. 69-77.
- Birch, K. a. M. S., 2016. "Neoliberalism and the geographies of marketization: The entangling of state and markets." *Progress in human geography*, 40(2), pp. 177-198.
- Carroll, T., 2012. "Working on, through and around the state: The deep marketisation of development in the Asia-Pacific." *Journal of Contemporary Asia*, 42(3), pp. 378-404.
- Clark, G. L., 2017. "Financial intermediation, infrastructure investment and regional growth." *Area Development and Policy*, 2(3), pp. 217-236.
- Cliff, J. L., 1991. "The war on women in Mozambique: Health consequences of south African destabilization economic crisis and structural readjustment." In: M. Turshen, ed. *Women and Health in Africa*. Trenton: Africa World Press, pp. 15-33.
- Coburn, C. M. R. a. J. M. S., 2015. "The African Development Bank and women's health: A cross-national analysis of structural adjustment and maternal mortality." *Social science research*, Volume 51, pp. 307-321.
- Dappe, M. H. a. M. S. M. L., 2021. "Infrastructure and Structural Change in the Horn of Africa." *Policy Research Working Papers*.
- Diamond, W., 1957. *Development Banks*. Baltimore: Johns Hopkins Press.
- Dixon, J. R. B. a. J., 2008. "Infrastructure Capital: What is it? Where is it? How Much of it is There.?" *Where is it. Canadian Productivity Review Research Paper*, Issue 16.
- Dursun, G. a. İ. O., 2020. The Impact of Foreign Aid On Economic Growth: Empirical Evidence From Somalia Using ARDL Approach. In: Ş. K. S. B. E. Akgül, ed. *ECONOMIC ISSUES II*. Baku: İqtisad Universiteti" Publishing, pp. 163-179.
- Easterly, W., 2006. *The white man's burden: why the West's efforts to aid the rest have done so much ill and so little good*. New York: Penguin Press.
- Emeagwali, G., 2011. "The neo-liberal agenda and the IMF/World Bank structural adjustment programs with reference to Africa." *Critical perspectives on neoliberal globalization, development and education in Africa and Asia.*, pp. 1-13.
- Engen, L. a. A. P., 2018. *"A guide to multilateral development banks."* London: Overseas Development Institute.
- English, E. a. M. H., 1996. *The African Development Bank*. 1 ed. Boulder: Lynne Rienner Publishers.

- English, E. P. a. H. M. M., 1996. *The African Development Bank*. Boulder: Lynne Rienner Publishers.
- Fatehi-Sedeh, K. a. M. H. S., 1989. "The association between political instability and flow of foreign direct investment.". *Management international review*, pp. 4-13.
- Fedderke, J. a. R. G., 2008. "Infrastructure development and economic growth in South Africa: A review of the accumulated evidence.". *Policy paper*, p. 3.
- Fedderke, J. D. K. R. a. L., 2001. "Indicators of Political Liberty, Property Rights and Political Instability in South Africa". *International Review of Law and Economics*, pp. 103-134.
- Gertler, P. J. (., 2016. "Road Quality, Local Economic Activity, and Welfare: Evidence from Indonesia's Highways.". *CEGA Working Papers*, pp. 1-40.
- Harvey, D., 2006. *Spaces of global capitalism*. London: Verso.
- Harvey-Jordan, S. a. S. L., 2001. "The process and the pitfalls of semi-structured interviews.". *Community Practitioner*, 74(6), p. 219.
- Haughton, G. a. P. M., 2012. "Neoliberal experiments with urban infrastructure: the Cross City Tunnel, Sydney.". *International journal of urban and regional research*, 36(1), pp. 90-105.
- Hearne, R., 2011. *Public private partnerships in Ireland: Failed experiment or the way forward for the state*. Manchester: Manchester University Press.
- Horvat, T., 2021. "Impacts of investments in infrastructure projects on emerging markets' growth: the case of East African countries.". *Economic Research-Ekonomska Istraživanja*, pp. 2135-2161.
- ICED, 2019. *Case Studies: Delivering Inclusive Growth Through Infrastructure Programming in Fragile and Conflict Affected State/Situation, Somalia - Building infrastructure in a 'failed state'*, Washington: Infrastructure and Cities for Economic Development Facility.
- IMF, 2002. *The Enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the Achievement of Long-Term External Debt Sustainability*. [Online]  
Available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/The-Enhanced-Heavily-Indebted-Poor-Countries-HIPC-Initiative-and-the-Achievement-of-Long-PP196>  
[Accessed 10 1 2023].
- IMF, 2011. *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation and Proposals for the Future of the HIPC Initiative*, Washington: IMF.
- IMF, 2016. *Delivering on the 2030 Agenda*. [Online]  
Available at: <https://www.imf.org/en/News/Articles/2016/10/09/pr16455-Delivering-on-the-2030-Agenda>  
[Accessed 10 1 2023].
- IMF, 2020. *Enhanced Heavily - Indebted Poor Countries (Hipc) Initiative—Preliminary Document*, Washington: International Monetary Fund.
- Itaman, R. E., 2021. "The AfDB and its Origins of Financing Development in Africa: Locating Money Finance within Industrial Policy". *CODESRIA BULLETIN*, pp. 41-45.
- Jama, A. A., 2018. *Assessing the Institutional Setups and the Impacts of Shared Responsibilities in Poor Water Services: A Case Study of Garowe, Somalia*. MS thesis: s.n.

- Jandhyala, S., 2016. *"International Organizations and Political Risk—The case of multilateral development banks in infrastructure projects."* Washington.
- Jibril, H., 2017. *Structural Adjustment Programs: Dependency and Poverty in Somalia and Rwanda*, St Andrews: The St Andrews Economist.
- Kiger, M. E. a. L. V., 2020. "Thematic analysis of qualitative data: AMEE Guide No. 131." *Medical teacher*, pp. 846-854.
- Kitson, M. R. M. a. P. T., 2011. "The geographies of austerity." *Cambridge journal of regions, economy and society*, 4(3), pp. 289-302.
- Kumo, W. L., 2012. *Infrastructure Investment and Economic Growth in South Africa: A Granger Causality Analysis*. Tunis: African Development Bank Development Research Department.
- Lessambo, F. 2., 2015. The African Development Bank. In: *International financial institutions and their challenges: A global guide for Future Methods*. New York: Palgrave Macmillan, pp. 123-130.
- Lin, J. Y. a. C. M., 2017. *"Beating the odds."* NJ: Princeton University Press.
- Mafuta, W. J. Z. a. M. M., 2021. "WASH financial and social investment dynamics in a Conflict-Arid district of Jariban in Somalia." *Sustainability*, Volume 13.9.
- Mafuta, W. Z. J. a. M. M., 2021. Universal WASH coverage: what it takes for fragile states. Case of Jariban district in Somalia. *Plos One*, 16(2), pp. 1-11.
- Mingst, K., 1990. *Politics and the AfDB*. Lexington: The University Press of Kentucky.
- MirafTAB, F., 2004. "Public-private partnerships: The trojan horse of neoliberal development?" *Journal of planning education and research*, 24(1), pp. 89-101.
- Mohamed, M. I. N. a. R. D., 2019. Private sector developments in Somalia: Analysis on some major sectors. *International Journal of Economics, Commerce and Management*, 7(12), pp. 938-951.
- Moneke, N., 2020. "Can big push infrastructure unlock development? evidence from Ethiopia." *STEG Theme*, pp. 14-15.
- Mosley, P. J. H. a. J. F. T. V. 1. P. P., 1995. *Aid and power: The World Bank and policy-based lending*. London and New York: Psychology Press.
- Mourad, K. A., 2020. "A water compact for sustainable water management." *Sustainability*, 12(18).
- Mourad, K. A., 2022. "Post-conflict development, reviewing the water sector in Somalia." *Environment, Development and Sustainability*, pp. 1-25.
- Nelson, R. M., 2010. *"Multilateral development banks: Overview and issues for congress."* Havertown: Diane Publishing Co.
- Nhlapo, N., 2020. *The role of international financial institutions in Africa's development: how the failures of the World Bank and the International Monetary Fund led to the creation of the African Development Bank*, Diss. s.l.: s.n.
- Nur, A., 2022. *The Effect of Foreign Direct Investment on Agricultural Output in Somalia: an Application of Ardl Model*, Doctoral dissertation. Nairobi: University of Nairobi.

- Nwankwo, S., 2000. Assessing the marketing environment in sub-Saharan Africa: opportunities and threats analysis. *Marketing intelligence & planning*, 18(3), pp. 144-153.
- Nyadera, I. N. e. a., 2022. "Multilateralism, developmental regionalism, and the African Development Bank." *Politics and Governance*, 10(2), pp. 82-94.
- O'Connor, J., 2017. *The fiscal crisis of the state*. First ed. Routledge.
- Okuda, H., 1993. "Japanese two step loans: the Japanese approach to development finance." *Hitotsubashi Journal of Economics*, pp. 67-85.
- O'Neill, P. C. G. D. A. a. M. A., 2009. Infrastructure investment and the management of risk. In: *Managing Financial Risks: From Global to Local*. Oxford: Oxford University Press, pp. 163-188.
- O'NEILL, P. M., 2010. "Infrastructure financing and operation in the contemporary city." *Geographical research*, 48(1), pp. 3-12.
- Onuegbu, F. C. a. R. C. E., 2016. "AFRICAN DEVELOPMENT BANK {AFDB} AND AFRICA'S ECONOMIC DEVELOPMENT PROSPECTS IN THE 21ST CENTURY." *International Journal of Research in Arts and Social Sciences*, 9(1), pp. 239-264.
- Onye, K. U. O. O. A. a. A. F. I. 2. p. 5., 2020. "Infrastructure Development in West Africa: What Is the Role of Concessionary External Debt?" *Financing Africa's Development.*, p. 54.
- Owani, J., n.d. *"Resettlement Action Plan."*, s.l.: s.n.
- Pandolfelli, L. a. S. J., 2013. "The African development Bank, structural adjustment, and child mortality: a cross-national analysis of sub-Saharan Africa." *International Journal of Health Services*, 43(2), pp. 337-361.
- Prizzon, L. E. a. A., 2018. *"A guide to multilateral development banks."* London: Overseas Development Institute.
- Ritchie, J. J. L. a. G. E., 2003. "Designing and selecting samples." *Qualitative research methods*, pp. 77-108.
- Rodríguez, N. D. N. 4. (., 2016. "Country risk in foreign direct investment: similarities and differences with country risk in exports." *Critical Journal of Social and Juridical Sciences*, Volume 49.
- Rodrik, D., 1996. "Comment on" Why Is There Multilateral Lending?". In: B. P. Michael Bruno, ed. *Annual World Bank Conference on Development Economics*. Washington: World Bank, pp. 196-202.
- Rosecrance, R. a. P. T., 2003. "Trade, foreign investment, and security." *Annual Review of Political Science*, Volume 6.1, pp. 377-398.
- Runde, D. E. Y. a. S. R., 2019. *"The new missing middle in development finance."* Washington: Center for Strategic and International Studies (CSIS).
- Runde, D. F., 2019. *"The role of the AfDB and the future of Africa."* Washington: Centre for Strategic Studies.
- Sala-i-Martin, X. D. G. a. M., 2004. Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach." *American Economic Review*, pp. 813-835.
- Sanford, J. E., 1982. *U.S. Foreign Policy and Multilateral Development Banks*. Boulder: Westview Press.

- Sawant, R. J., 2010. "The economics of large-scale infrastructure FDI: The case of project finance." *Journal of International Business Studies*, 41(6), pp. 1036-1055.
- Sheppard, E. a. H. L., 2010. "Quo vadis neoliberalism? The remaking of global capitalist governance after the Washington Consensus." *Geoforum*, 41(2), pp. 185-194.
- Siemiatycki, M., 2011. "Urban transportation public-private partnerships: drivers of uneven development?" *Environment and planning A*, 43(7), pp. 1707-1722.
- Simpasa, A. A. S. a. A. O. S., 2015. "Employment effects of multilateral development bank support: The case of the African development bank.", Abidjan: African Development Bank.
- Slater, D., 1993. "The geopolitical imagination and the enframing of development theory." *Transactions of the Institute of British Geographers*, pp. 419-437.
- Sommer, J. S. J. R. M. a. R. H., 2019. The African Development Bank, organized hypocrisy, and maternal mortality: a cross-national analysis of sub-Saharan Africa. *Sociology of Development*, 5(1), pp. 31-49.
- Stambøl, E. M., 2021. "Neo-colonial penalty? Travelling penal power and contingent sovereignty." *Punishment & Society*, 23(4), pp. 536-556.
- Strand, J., 2001. "Institutional design and power relations in the African Development Bank." *Journal of Asian and African Studies*, 36(2), pp. 203-223.
- Thomson, M. K. A. a. S., 2017. "Structural adjustment programmes adversely affect vulnerable populations: a systematic-narrative review of their effect on child and maternal health." *Public health reviews*, Volume 38, pp. 1-18.
- United Nations Population Fund, n.d. *World Population Dashboard*. [Online] Available at: <https://www.unfpa.org/data/world-population/SO> [Accessed 2 10 2022].
- United Nations, 1945. *United Nations Charter*. [Online] Available at: <https://www.un.org/en/about-us/un-charter/full-text> [Accessed 18 2 2023].
- United Nations, 2015. *Addis Ababa Action Agenda "Financing for development." Third international Conference on Financing for Development*. Addis Ababa, United Nations.
- Unruh, J., 2019. "Linkages Between Large-Scale Infrastructure Development and Conflict Dynamics in East Africa." *Journal of Infrastructure Development*, pp. 1-13.
- Vaismoradi M, T. H. B. T., 2013. Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & Health Sciences*, pp. 398-405.
- Veit, S. 2., 2010. Climate risk management for the energy sector in Africa: the role of the African Development Bank. In Management of weather and climate risk in the energy industry. In: A. Troccoli, ed. *Management of Weather and Climate Risk in the Energy Industry*. Dordrecht: Springer Netherlands, pp. pp. 121-135.
- Wagstaff, A., 2004. *The Millennium Development Goals for health: rising to the challenges*. Washington: World Bank Publications.

White, J., 1970. "Regional development banks: the Asian." *African and Inter-American Development Banks*. London: Overseas Development Institute.

Wilson, T., 2016. "Economic recovery in Somalia." *Bildhaan: An International Journal of Somali Studies*, 15(1), p. 9.

Woetzel, J. G. N. M. J. H. M. a. P. R., 2016. "Bridging global infrastructure gaps." New York City: McKinsey Global Institute 14.

Woods, N., 1999. "Good governance in international organizations." *Global governance*, Volume 5, pp. 39-64.

Woods, N. a. M. M., 2012. "The preferred partner? A client assessment of the African Development Bank." Abidjan: African Development Bank Group.

World Bank, 2022a. "Collection of Policy Notes for the New Somali Government: Unlocking Somalia's Potential to Stabilize, Grow and Prosper." Washington: World Bank.

World Bank, 2022b. *Somalia to Strengthen Fiscal Transparency and Inclusive Private Sector Growth with \$100 Million from World Bank*. [Online]

Available at: <https://www.worldbank.org/en/news/press-release/2022/07/27/somalia-to-strengthen-fiscal-transparency-and-inclusive-private-sector-growth-with-100-million-from-world-bank>

[Accessed 15 1 2023].

Yoshino, Y., 2008. "Domestic constraints, firm characteristics, and geographical diversification of firm-level manufacturing exports in Africa." *World Bank Policy Research Working Paper*, pp. 1-38.