

DRAFT

**SOMALI RECONSTRUCTION AND
DEVELOPMENT FRAMEWORK**

**DEEPENING PEACE
AND REDUCING POVERTY**

VOLUME II

SOUTH-CENTRAL SOMALIA

October 30, 2006

GLOSSARY OF ACRONYMS

AAME	African Adult Male Equivalent
AfDB	African Development Bank
ACP	African Caribbean Pacific States
AU	African Union
ARPCT	Alliance for the Restoration of Peace and Counter Terrorism
CAP	UN Consolidated Appeals Process
CBO	Community Based Organization
CDD	Community Driven Development
CEM	Country Economic Memorandum
CSO	Civil Society Organization
CITES	Convention on International Trade in Endangered Species
COMESA	Common Market for Eastern and Southern Africa
CSC	Civil Service Commission
CSO	Civil Society Organization
DAR	Development Assistance for Refugees
DDR	Disarmament, Demobilization and Reintegration
DLCO-EA	Desert Locust Control Organization of East Africa
EAC	East African Community
EC	European Community
EEZ	Exclusive Economic Zone
EOD	Exploded Ordnances Disposal
FAO	Food and Agriculture Organization of the United Nations
FFS	Farmer Field School
FGM	Female Genital Mutilation
FMA	Financial Management Agency
FPENS	Formal Private Education Network in Somalia
FSAU	Food Security Analysis Unit for Somalia
GAM	Global Acute Malnutrition
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GNP	Gross National Product
GMO	Genetically Modified Organism
HEA	Household Economy Analysis
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HIPC	Heavily Indebted Poor Countries
ICRC	International Committee of the Red Cross
ICU/UIC	Islamic Courts Union/Union of Islamic Courts
IDA	International Development Association
IDP	Internally Displaced Person
IFC	International Finance Corporation
IGAD	Inter-Governmental Authority for Development
ILO	International Labour Organization
IMF	International Monetary Fund
IPM	Integrated Pest Management
JNA	Joint Needs Assessment of the World Bank and United Nations
LAS	League of Arab States
LC	Letter of Credit
LED	Local Economic Development
MCH	Mother and Child Health Centre
MDG	Millennium Development Goal
MRRR	Ministry of Resettlement, Reintegration and Reconstruction
MSME	Micro, Small and Medium Enterprise
NFE	Non Formal Education
NFI	Non-Food Items

NGO	Non-Governmental Organization
NPV	Net Present Value
NRM	Natural Resource Management
NSSP	National Security and Stabilization Plan
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PA	Procurement Agent
Pfm	per family member
PPP	Purchasing Power Parity
RDP	Reconstruction and Development Programme
RBM	Result Based Management
RRA	Rahanweyn Resistance Army
RSD	Refugee Status Determination
SACB	Somali Aid Coordination Body
SAGRA	Somali Agronomists Association
SATG	Somali Agricultural Technical Group
SCIC	Supreme Council of Islamic Courts
SDR	Somali Democratic Republic
SME	Small to Medium Enterprise
SNA	Somali National Alliance
SNF	Somali National Front
SNM	Somali National Movement
SPM	Somali Patriotic Movement
SSA	Somali Salvation Alliance
SSA	Sub-Saharan Africa
SSDF	Somali Salvation Democratic Front
SSS	Somali Support Secretariat
SVA	Somalia Veterinary Association
TB	Tuberculosis
TDIM	Territorial Diagnosis and Institutional Mapping
TFA	Transitional Federal Assembly
TFC	Transitional Federal Charter
TFG	Transitional Federal Government of Somalia
TFIs	Transitional Federal Institutions
TFP	Transitional Federal Parliament
TLU	Tropical Livestock Unit
TNA	Transitional National Assembly
TNG	Transitional National Government
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
UIC/ICU	Union of Islamic Courts/Islamic Courts Union
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNITAF	Unified Task Force
UNOSOM I	United Nations Operation in Somalia Phase I
UNOSOM II	United Nations Operation in Somalia Phase II
USA	United States of America
USC	United Somali Congress
WB	World Bank
WSP	War-torn Societies Project

CURRENCY EQUIVALENTS

(Exchange Rate Effective 31 March 2006)

Currency Unit	Somali Shillings (So.Sh.)
US\$ 1.00	13,400 Somali Shillings
Somali Shillings 1.00	US\$ 0.00007

PREFACE

This document, the Somali Joint Needs Assessment Synthesis Report Volume II: The Joint United Nations/World Bank Reconstruction and Development Framework for South-Central¹ Somalia, reflects the outcome of the Joint Needs Assessment (JNA) process in South-Central Somalia. The strategy outlined in this document, whilst acknowledging the fluid dynamics of the political situation in South-Central Somalia, contends that the establishment of the Transitional Federal Government (TFG) in mid-2005 presented a critical opportunity for peace and reconciliation, and that the emergence in recent months of the Union of Islamic Courts (UIC), that has brought a measure of law and order to the large areas of South-Central Somalia under its control, should not detract the international community from continuing its engagement through the JNA process in support of reconstruction and development and nation building in South-Central Somalia. Whilst continuing to promote dialogue between the TFG and emerging political forces, international support at this juncture has the potential to reinforce peace, extend the rule of law, strengthen support for the development of a broad-based inclusive government, and help thousands of people towards a more secure future, in which human rights are respected, and equitable, sustainable livelihood opportunities are accessible to all.

DOCUMENTS PREPARED FROM THE JOINT NEEDS ASSESSMENT

This is Volume II of the Reconstruction and Development Framework (RDF), which comprises the following volumes:

Volume I The RDF Synthesis Report

Volume II South-Central Somalia

Volume III Puntland

Volume IV Somaliland

Volume V Six Cluster Reports

OBJECTIVE AND STRUCTURE OF THE JNA AND THE RDF

The Joint Needs Assessment (JNA)

The objective of the JNA, which underpins this RDF, was to help Somalia begin to achieve sustained reconstruction and development and deepen the peace process. Teams of Somali and international technical experts worked together to assess needs and develop prioritized strategies, and a series of consultations were held with the Transitional Federal Government (TFG), local authorities, traditional authorities, non-governmental organizations (NGOs), women's groups, youth groups, civil society organizations, research groups, private sector business and religious leaders in South-Central Somalia. In-depth discussions were also held with key representatives from donors, international NGOs, as well as with the United Nations (UN) agencies and World Bank (WB) missions. To ensure ownership and participation of South-Central Somalia stakeholders, workshops were organized in collaboration with UN/WB to identify and discuss priority needs and proposed areas of intervention, and the JNA methodology. Finally a broad-based JNA was conducted throughout South-Central Somalia, covering the following clusters:

¹ South-Central Somalia is simply used to refer to all of Somalia south of Puntland State of Somalia and is not intended to imply any political status for this geographic area

- I Governance, Safety and the Rule of Law
- II Macroeconomic Policy Framework and Data Development
- III Infrastructure
- IV Social Services and Protection of Vulnerable Groups
- V Productive Sectors and the Environment
- VI Livelihoods and Solutions for the Displaced

with an examination also of the following cross-cutting issues:

- peace building, reconciliation and conflict prevention
- capacity building and institutional development
- gender equity and human rights

and their integration into all of the cluster reports.

Three of the cluster teams were led by the UN (Governance, Safety and Rule of Law; Social Services and Protection of Vulnerable Groups; and Livelihoods and Solutions for the Displaced) and three were led by the World Bank (Macroeconomic Policy Framework and Data Development; Productive Sectors and the Environment; and Infrastructure).

Following the priority needs assessment process, cluster reports presented and discussed with stakeholders in validation workshops in Baidoa and Beletweyn, and in Somali Aid Coordination Body (SACB) special interest fora, were, prior to finalization, subjected to a final revision, incorporating relevant comments and changes arising from the validation workshops, as well as from key review bodies: SACB working groups, donors, other UN agencies, selected expert individuals, and a peer review from within the JNA team.

Bilateral development partners and regional institutions (the African Union (AU), Inter-Governmental Authority on Development (IGAD) and the League of Arab States (LAS)) have been consulted and involved in the assessment process. The UN-WB led technical needs assessment team has worked under the guidance and support of a Coordination Support Group (CSG) consisting of the key supporting donors (EC as chair, Italy, Norway, Sweden and the UK); the TFG, IGAD, International Finance Corporation (IFC), the NGO Consortium, and the UN and WB. In addition, the Puntland authorities and the Somaliland authorities, which are not members of the CSG, also provided invaluable input into the process.

THE RECONSTRUCTION AND DEVELOPMENT FRAMEWORK (RDF)

In 2005, the TFG and the international community asked the United Nations Development Group (UNDG) and the World Bank (WB) to co-lead a post conflict needs assessment for Somalia - the JNA. *The main objective of the JNA process has been to assess needs and develop a prioritized set of reconstruction and development initiatives to support Somali-led efforts to deepen peace and reduce poverty.* The implementation of proposals resulting from this comprehensive needs assessment is expected to lay solid foundations for the establishment of an effective, participatory and transparent system of governance, and the achievement of sustainable recovery, reconstruction and development, thus reversing regression from the Millennium Development Goals (MDGs), and advancing socioeconomic development for all Somalis.

The RDF provides a pro-poor instrument for mobilizing, distributing and coordinating international recovery assistance. The RDF is founded on the outcomes of the JNA, which are accounted for in detail in the six cluster reports. These outcomes are then presented in the four synthesis reports (Vols. I-IV of the RDF) as three core pillars:

- deepening peace and strengthening institutions of governance
- investing in people
- establishing an environment for rapid poverty-reducing development

Each of the three pillars are essential components of the RDF, and profound attention in implementation to all three pillars is required, if priority needs are to be addressed and key reconstruction and development objectives achieved. For each pillar, a strategy, priority outcomes and related intervention initiatives have been carefully defined. For each of the cluster areas of intervention, implementation and absorption capacity in South-Central Somalia has been taken into account, when developing the recommended programmes of action. Detailed results-based matrices (RBMs) can be found in each of the cluster reports, which are available at [.somali-jna.](#)

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EXECUTIVE SUMMARY

Background. Instead of peace and prosperity, Somalis have experienced decades of conflict and persistent high levels of poverty. Currently, some 43 percent of Somalis live on less than US\$ 1 and 73 percent on less than US\$ 2 per day. Somalia was ranked 161 out of 163 countries in the 2001 UN Human Development Report. Only 16 percent of primary school age children in South-Central Somalia are in school and 22 percent of children die in the first five years of their life. Much of the public infrastructure was destroyed in the early 1990s, social services collapsed, livelihoods were disrupted and large numbers of people were displaced. Despite this, Somali resilience has led to civil society, NGOs, religious groups and the private sector doing an impressive job in maintaining some services such as education, health and water. Though these services fall well short of what is needed and many of them do not reach the poor, the situation would have been even worse without them. Moreover, Somali ingenuity, together with large remittances have been instrumental in creating new private sector initiatives in this uncertain situation and preventing even deeper poverty.

Despite numerous mediation attempts, conflict with widespread intermittent violence persists in the central and southern parts of Somalia to this day. In contrast, Puntland and Somaliland have managed to limit violence and have re-established basic public institutions. Following the Somali National Reconciliation Conference in 2004 a 275-member Federal Transitional Parliament was established, Abdullahi Yussuf Ahmed was elected interim President, the Transitional Federal Government (TFG) was formed with Ali Mohammed Ghedi as Prime Minister, and Parliament was finally convened in Somalia in February 2006. Impressive though these achievements are, the Somali peace agreement is founded on a delicate power-sharing formula, which itself is indicative of the reality that reconciliation, and the settlement of key divisive issues have not yet been achieved. In June 2006 there was the worst outbreak of violence in Mogadishu since 1991, and the Islamic Courts Union (ICU) now not only controls Mogadishu, but also most of South-Central Somalia. Talks between the TFG and ICU were held in Khartoum in June and September and more talks are planned.

Objective. This document – a programme for deepening peace and reducing poverty in South-Central Somalia – presents an assessment of priority needs and then outlines reconstruction and development initiatives to address these needs. It is designed to: (a) support the Somali people in their ongoing efforts to deepen peace, achieve reconciliation, peace and security in South-Central Somalia, and reduce poverty (by expanding and improving social services and by expanding economic opportunities, employment and incomes); and (b) support the international community in their efforts to help Somali society achieve this objective. These proposed reconstruction and development initiatives promote and reinforce peace building, address the causes of conflict, and are responsive to the current situation by incorporating needed capacity building and human development. Moreover, they draw on the following three key features of the Somali situation: (i) the people are remarkably resilient and resourceful and have created a vibrant and engaged private sector and civil society which can contribute much; (ii) there is a general distrust in government institutions after decades of either oppressive or non-existent government; and (iii) the experiences of Puntland and Somaliland provide a fertile source of positive experiences with regard to reconciliation, peace building, reconstruction and renewed development to draw upon.

Key needs. Drawing on existing research, the outcome of workshops held with a wide range of Somali stakeholders from all parts of the country, information gathered from selective field visits, and the results of questionnaire-based fieldwork to gather information on local perceptions of priority needs and how to best address them, this assessment identified three broad groups of needs as the highest priority:

- **Deepen peace, improve security and establish good governance;**
- **Strengthen basic social services (especially education, health and water supply); and**
- **Rebuild infrastructure, together with other actions, to sustainably expand economic opportunities, employment and incomes.**

As expected, the emphasis in and between these three key needs varied somewhat from region to region, as even within the geographic area of South-Central Somalia, different regions are at differing stages of reconciliation, peace building, recovery and reconstruction. Moreover, the different situations in South-Central Somalia, create different challenges and opportunities with regard to the current possibilities for effective implementation of sustained reconstruction and development initiatives.

In keeping with the basic objective of this Somali JNA, together with global experience with post-conflict reconstruction and development initiatives, the four core criteria for selecting proposed priority initiatives from alternatives to compiling specific initiatives under these three pillars are: (a) impact of peace building, (b) contribution to sustained equitable poverty reduction, (c) opportunity for effective implementation and capacity transfer, and (d) cost effectiveness.

The reconstruction and development framework. To respond to the three key groups of needs and pursue the basic objective of deepening peace and reducing poverty, a three-pronged Reconstruction and Development Framework (RDF) is proposed, comprising the following pillars:

(i) Deepening peace, improving security and establishing good governance through disarmament, demobilization and reintegration (DDR) and the establishment and strengthening of core public and private sector institutions (including security institutions) and conflict resolution mechanisms;

(ii) Investing in people through improved social services (especially education, health and water supply) to raise human skills, and actions to address the needs of specific vulnerable groups such as internally displaced persons (IDPs); and

(iii) Establishing a sustainable enabling environment for rapid poverty-reducing development, to expand employment and reduce poverty. This includes infrastructure, policies and actions to overcome constraints facing the livestock and agriculture sectors and to ensure protection of the environment and sustainable use of natural resources.

The **three pillars** of this strategy are all necessary to address the priority needs and sustainably deepen peace and reduce poverty. They are interlinked and interdependent: no two would be sufficient by themselves. Peace, security and good governance are foundations for success with all reconstruction and development initiatives, but sustained peace and security depends on the creation of alternative livelihoods and hence sustained poverty reducing economic growth and investments in people. In turn, the economic growth that is so necessary for sustained poverty reduction depends on investments in people, peace and security and other actions to reduce the cost of doing business.

Pillar I: Deepening peace, improving security and establishing good governance. First, this involves strengthening initiatives at all levels to achieve reconciliation and complementing this with needed constitutional review and democratization. This is most urgent and most challenging in South-Central Somalia and can draw on the experience with progress already made with reconciliation in Somaliland, and to a lesser extent Puntland. Particular problems such as land tenure and access to water that are a source of conflict and inhibit the recovery of economic activities need to be urgently addressed through transparent, participatory and widely supported dispute resolution mechanisms.

Second, in South-Central Somalia this includes the demobilization, disarmament and reintegration of combatants and the establishment of a police force. Some of the combatants can be absorbed into the new security forces while others need to have alternative livelihoods. Then, establishing the rule of law necessitates initiatives to establish well trained civilian police forces and well coordinated and accessible judicial services drawing on the strengths of the existing traditional, *shari'a* and secular systems.

Third, this necessitates the establishment of lean, efficient government institutions embodying good governance processes of transparency, accountability and participation, with extensive decentralization of services and responsibilities. In South-Central Somalia this will necessitate building institutions from scratch. Building on existing strengths, the delivery of services such as education, health and water will need to draw heavily on public-private partnerships. At all levels of government, civil society and the media will have an important role in helping to ensure accountability. Part of this building of needed government institutions will require sound, participatory and transparent public finance management that over time will attract both local and donor confidence. Also, this capacity building will need to make provision for conducting a census and establishing systems to provide basic timely data needed to develop and monitor policies. To ensure macroeconomic stability it is important that there be fiscal balance to avoid deficit financing.

Pillar II: Investing in people. As the majority of an entire generation have not received basic education and a large number of qualified Somalis have left and joined the Diaspora there is an urgent need to expand education at all levels. This involves the combined efforts of existing private sector providers plus public initiatives to address everything from training teachers, materials, rebuilding education infrastructure, reviewing curriculum and finding ways to ensure much greater gender balance by increasing the number of girls attending school. It will also be essential to find ways to provide education to the children of those following a livelihood of nomadic pastoralism (still the biggest single livelihood group in Somalia). Second, improving health indicators (such as infant and maternal mortality) and fighting common diseases calls for a range of initiatives including consolidating and expanding basic health services (training of health workers, providing additional equipment and materials, and rehabilitating/expanding facilities), improving public awareness and prevention of common diseases and the importance of balanced adequate nutrition, and improving access to safe water and sanitary services. In improving education, health and water supply services, it will be necessary to capitalize on the existing experience and strengths of private suppliers (CSOs, NGOs, religious groups and private sector) and build private-public partnerships to achieve results as quickly as possible. In addition, the special needs of internally displaced people, refugees and disadvantaged groups need to be addressed, both to avoid them becoming a future source of conflict and to involve them in recovery and renewed development, thus achieving an improvement in their social indicators and reducing the very high incidence of poverty amongst them.

Pillar III: Establishing a sustainable enabling environment for rapid poverty-reducing development. The rebuilding of infrastructure and other initiatives to reduce the cost of doing business and facilitate the recovery of key traditional productive sectors (especially livestock and agriculture) and to expand economic options and diversify livelihoods is critical for sustained employment creation and poverty reduction. During reconstruction, there will be employment opportunities created through labour intensive works programmes and community driven development initiatives, but the only long term solution to the need for expanding employment, economic opportunities and incomes is sustained and sustainable private sector development.

Key infrastructure initiatives comprising this third pillar include the rehabilitation of transport facilities (primary and secondary roads, bridges, ports and airports), expanding power generation and distribution networks, further rehabilitation of irrigation systems, and the expansion of human water supply and sanitary services. In all these areas, drawing on the energy and capacity of the

private sector will be a key to success. This pillar also includes actions to expand financial services by building on the strengths of existing *hawala* companies. To directly support livestock activities it includes the expansion of veterinary services to improve livestock health and to establish a livestock export inspection system that is accepted by destination countries. Reducing the cost of doing business naturally depends heavily on the maintenance of peace and security, but it also necessitates the establishment of a simple and stable market-friendly regulatory environment for private sector business, and a continued commitment not to have public sector enterprises re-enter productive sector activities as was the pre-civil war situation. In terms of direct support to key productive sectors to overcome impediments to their sustained expansion it includes improvements in veterinary services, agricultural services and the establishment and maintenance of a market-friendly regulatory environment and financial services. Ensuring the environmental sustainability of economic activities calls for effective licensing and regulation of fishing, plus controls on charcoal exports, the development of alternative energy options, and better rangelands management to halt deforestation.

Options in the face of ongoing uncertainty in South-Central Somalia. Ongoing uncertainties make immediate implementation of many of the elements of the RDF problematic in South-Central Somalia. Progress already made by Somaliland, and to a lesser extent Puntland, makes it possible to implement programmes to improve governance and social services there, and facilitate private sector-led economic development. These include administrative governance (especially at the district level), deepening the rule of law (policing and the judiciary), the reintegration of demobilized militia, and strengthening fiscal policy and public finance management. However, little of this can be yet be implemented in South-Central Somalia. Possible exceptions include some core capacity building components, such as policing, and capacity building for some parts of a future civil service (e.g. the Civil Service Commission, and public finance management).

More could be done now to implement components of the second pillar - investing in people through improved social services – though this too will inevitably be constrained in South-Central Somalia until ongoing uncertainties are resolved. Existing education, health and water supply services could be expanded and built upon with NGO, religious groups, and private sector partners. Community driven initiatives could help expand services and foster community dialogue by demonstrating the benefits of collaboration. Again though, this could be more cost effective in the context of improved security and basic public institutions.

Finally, some components of the third pillar - establishing an environment for rapid poverty-reducing development – could also be implemented. These include the expansion of microfinance, and building on ongoing efforts to improve livestock health. However, the resolution of land disputes, which is so important for the full recovery of crop production, especially in the Shabelle and Juba valleys requires first the foundations of reconciliation and dispute resolution mechanisms that are not yet present in South-Central Somalia. Similarly, the implementation of large infrastructure initiatives cannot be cost effective without peace and security. Indeed, attempting to implement such projects without first establishing basic peace and security risks exacerbating existing tensions. Similarly, ensuring the sustainable use of natural resources requires a collective action and the existence of institutional capacity to monitor and enforce such action.

SOMALI RECONSTRUCTION AND DEVELOPMENT FRAMEWORK

1. BACKGROUND CONTEXT

A. INTRODUCTION

1.1 Recent developments have significantly changed the political scene, highlighting the importance of establishing good governance and accelerating reconstruction and development efforts for the population at large. The formation of the Somali Transitional Federal Government (TFG) and Parliament, and the emergence of the Union of Islamic Courts (UIC), offers an opportunity to widen peace and security; to achieve further reconstruction and renewed development; in short to deepen peace and reduce poverty for the Somali people.

1.2 This RDF – **a programme for deepening peace and reducing poverty** – is designed to: (a) support the Somali people in their ongoing efforts to deepen peace, achieve reconciliation, peace and security in South-Central Somalia and reduce poverty (by expanding and improving social services and by expanding economic opportunities and incomes); and (b) support the international community in their efforts to help Somali society achieve this objective. In this it is seen as essential that proposed reconstruction and development initiatives promote and reinforce peace building, address the causes of conflict, and are responsive to the current situation by incorporating much-needed capacity building and human development. Moreover, they draw on the following three key features of the current Somali situation. First, there is a general distrust in government institutions after decades of either oppressive or non-existent governments. Second, the people are remarkably resilient and resourceful and have created a vibrant and engaged private sector and civil society. Third the experiences of Somaliland and Puntland provide a fertile source of positive experiences with regard to reconciliation, peace building, reconstruction and renewed development to draw upon.

B. POLITICAL CONTEXT AND SOCIOLOGY OF CONFLICT

1.3 Having gained independence, the former British Somaliland and UN trust territory of Somalia (formerly Italian Somaliland) united in 1960 to form the United Republic of Somalia. However, this multiparty democracy only lasted nine years before the Siad Barre regime took power for a period of 22 years. Whilst initially the Barre regime was broadly popular, for the ensuing years there was eventually a progressive deterioration, especially during the 1980s, in governance, social services, infrastructure and the economy, which led to increased domestic dissatisfaction. The regime's response to mounting opposition was to reinforce a growing system of clan-based nepotism and exaggerated centralization, which in turn eventually led to an armed rebellion. The civil war broke out in 1988, with widespread destruction especially in Hargeisa and Burco, and in 1991, the Barre regime was overthrown and central government collapsed.

1.4 Since the start of the 1990s there has been widespread and large-scale conflict and a lack of effective government in South-Central Somalia. Much of the public infrastructure was destroyed in the early 1990s, social services collapsed, livelihoods were disrupted and large numbers of people were displaced. Despite numerous failed mediation attempts, and the deployment of United Nations Operation in Somalia (UNOSOM) troops, a low-intensity state of conflict with widespread intermittent violence has persisted until the present day.

1.5 In contrast, both the northern areas of Puntland and Somaliland have managed to limit violence and have established democratic systems and institutions, and are providing some basic services, although both need strengthening in various ways. Somaliland formally declared

independence from Somalia in 1991, and has, in spite of being twice affected by civil strife (1992 and 1994-96), achieved substantial reconciliation with the involvement of traditional leaders, built democratic political and administrative institutions (a bicameral parliament, judiciary and municipal structures) and held a referendum on the constitution (May 2001), while maintaining peace, security, basic social services and an active civil society and private sector. It held local elections in December 2002, presidential elections in April 2003 and parliamentary elections in September 2005. However, Somaliland's claim to independence as a sovereign nation state, has not gained international recognition and hence remains an issue for dialogue between Somaliland and the Transitional Federal Government. Following the failure of various national reconciliation efforts, the regional state of Puntland was formed in August 1998 as an autonomous self-governing entity in the northeastern region—albeit one still wedded to the long-term goal of Somali unity. Since then it has established a Puntland parliament and local administrative institutions, improved security, and maintained some basic social services, an active civil society and growing private sector activities. While Puntland and Somaliland are more peaceful, secure and stable than South-Central Somalia, they have had some internal conflicts over the past 15 years and are still in dispute over the border regions of Sool and Sanaag, over which they both claim sovereignty.

1.6 In August 2000, a Somali National Peace Conference in Djibouti formed a Transitional National Government (TNG) but the TNG was unable to establish itself as an effective administration beyond a small area in and around Mogadishu, and its official mandate expired during the summer of 2003. Subsequently the Somali National Reconciliation Conference in Nairobi in 2004 led to the establishment of a 275-member Federal Transitional Parliament in August 2004. In October the parliament elected Abdullahi Yussuf Ahmed as the interim President of the TFG. The following month, President Abdullahi selected Ali Mohammed Ghedi as Prime Minister, who in turn obtained approval of his cabinet in January 2005 and moved the TFG from exile to South-Central Somalia. However, it was not until February 2006, following reconciliation of a Jowhar-Mogadishu cabinet divide, that the full parliament was convened in Baidoa and parliamentary committees were formed.

1.7 Impressive though these achievements are, the Somali peace agreement itself is founded on a delicate power-sharing formula, which in itself is indicative of the reality that reconciliation, and the settlement of key divisive issues (see Box 1.1. below on the Drivers of Conflict), have not yet been achieved. Divisions continue to afflict South-Central Somalia with regard to security, the location and nature of the government and the possible role of foreign peace-keeping forces. Moreover, the new Charter, while providing a basic legal context and guidance for future state structure, including the division of power and resources, remains vague on important issues such as the nature of federal units and the balance between secular law, religious law and traditional lineage-based justice systems, and has not been agreed to by Somaliland.

Box 1.1: Drivers of Conflict in Somalia

The 2004 World Bank report “Conflict in Somalia: Drivers and Dynamics” outlines major factors affecting conflict escalation and de-escalation in Somalia and provides a set of recommendations for creating a conflict-sensitive reconstruction and development framework. The following common patterns and common drivers of conflict were identified:

Clannism. Clan identities are a double-edged sword, acting both as conflict escalators and de-escalators. Nearly all armed conflicts in contemporary Somalia break out along clan lines. Yet clan identities are not the basis for conflict: it is rather their deliberate manipulation that creates and exacerbates divisions. Countering the conflictual aspect of clannism is the potential of clans to act as constructive forces and traditional conflict moderators. Clan elders use traditional laws to settle disputes in non-confrontational ways.

Governance. Governance if effective can serve as a potent conflict de-escalator, yet experience of Somalis with a repressive state under Siad Barre made them generally suspicious of centralized governance, considering it “an instrument of accumulation and domination, enriching those who control

it". After collapse when the state divided across regional lines, South-Central Somalia and the two northern regions of Somaliland and Puntland followed different routes and achieved different levels of success in governance. In South-Central regions, faction leaders created narrow geographical areas of control, for which the boundaries are shifting constantly and where their authority is repeatedly challenged. In Puntland, a regional administration has been established that provides for relative peace and law and order, but could be cracked easily. Finally, Somaliland's budding democratic institutions assure relative stability and peace.

Resources. Competition among clan groups over access to and control over resources has been a key driver of the conflict in all parts of Somalia. Clashes over crop production, animal grazing and use of water points have been most common. Negotiations over return of property and land are thus an integral part of achieving peace but could also potentially further escalate conflict. The fundamental, most chronic form of resource conflict occurs between pastoralists and agriculturalists, and is further exacerbated by water crises and environmental degradation and desertification.

Militarization. Continued proliferation of small arms from neighbouring countries has made small-scale conflict more lethal and has strengthened the militarization of society in which violence is a norm and guns an accepted form of conflict resolution. Lack of accountability creates a culture of impunity, which further exacerbates conflict. This has been most acute in South-Central Somalia, while in Puntland a general aversion to weapons is growing and large groups are voluntarily demobilizing. Somaliland has made big strides in demilitarizing its society through systematic demobilization, although disarmament lags behind and the small-arms market remains active.

Regional Disputes. Sool and Eastern Sanaag remain disputed by Puntland and Somaliland. Inhabitants of the regions are torn over their allegiance, which acts against conflict de-escalation. Mudug region remains disputed by South-Central Somalia and Puntland.

International Involvement. International actors exert both positive and negative influence on the complex Somali conflict. With external actors sometimes propping up clans who are willing to broaden their sphere of influence, Somalia has often been the battleground for divisions between its African and Arab neighbours.

Source: World Bank (2004)

1.8 The establishment of peace and security, especially in South-Central Somalia, remains a critical challenge, and will be a key precondition for achieving effective and sustainable reconstruction and development. While international assistance is needed in this process, experience from Puntland (established in 1998) and Somaliland (established in 1991) shows that peace and reconciliation can be achieved through locally driven governance institutions drawing on traditional power structures, and the involvement of civil society. Although Puntland and Somaliland are currently engaged in a dispute over the two border areas of Sool and Sanaag, the relative peace has enabled the establishment of law and order, basic political and administrative structures, fostered private commerce, business and service provision, and permitted inward investment by the Diaspora, and attracted more international development assistance. Having achieved this, Puntland and Somaliland may offer useful lessons for South-Central Somalia

1.9 While positive developments with regard to peace-building in Puntland and Somaliland are impressive, the security situation in South-Central Somalia remains unpredictably fluid and continues to give cause for concern. Two alliances struggled for the control of Mogadishu during the first half of 2006: The Union of Islamic Courts (UIC) and the self-proclaimed Alliance for the Restoration of Peace and Counter-Terrorism (ARPCT). Whilst Mogadishu has been the site of intermittent fighting over the past 15 years, the confrontation between the two alliances during June 2006 was the worst outbreak of violence in the former capital since 1991, and has seen the UIC not only take control of Mogadishu, but also extend its influence to large areas of South-Central Somalia. Subsequently, TFG and UIC talks were mediated by Sudan and the Arab League in the June and September meetings held in Khartoum, and the international community has strongly advocated further talks. The recent developments are seen as both a crisis for the TFG and an opportunity to broaden the base of government if talks can be successful in bringing the UIC into the political mainstream and achieving integration with the TFG. Notwithstanding

the frustratingly slow pace of progress in state building, the continued fighting, violence and lack of reconciliation, it is hoped that these differences can be resolved soon and the process of building government will accelerate.

1.10 A peaceful solution to the Somali conflict will have clear implications for regional stability and economic activity, given the country's strategic location on the Horn of Africa. Neighbouring countries depend on the continued flow of people and goods across borders, with Somalia. On the one hand, peace and stability will likely create a more robust and viable cooperative environment through strengthening regional bodies like the African Union (AU), IGAD, the Common Market for Eastern and Southern Africa (COMESA), the League of Arab States (LAS), and the East African Community (EAC), which can positively impact ongoing integration efforts. At the same time, positive social and economic impacts of peace will likely also include the massive return of refugees from neighbouring countries, as well as the opening up of new export markets and trading routes. By rebuilding the infrastructure in South-Central Somalia, establishing commercial banking systems; introducing effective quarantine and livestock export systems; putting in place effective measures for protecting the environment and preserving the fishery resources, a conducive environment will be created for the growth of the private sector and employment opportunities for the rapid reduction of poverty and indeed of the economic burden faced by other countries in the region resulting from the Somali crisis.

1.11 The future and prosperity of the Somali people will largely depend on the state structures currently being established, and significant thought will need to be given to the further consolidation and development of the TFG. While there have been positive developments to this end over the past two years following the adoption of the Charter, any future governance system in Somalia will have to be viewed in the context of the legacy of state failure and existing structures which emphasize the regional differences and localized power bases. It is thus important to recognize that any reconstruction and development effort needs to look for solutions that are adaptable to the Somali context. The complications for an effective path to development and prosperity are many, including the vastly different development levels and paths in different regions, structural complications due to decades of deterioration of infrastructure and access to services and income earning opportunities, the sociological impact of decades of war and insecurity on an entire generation of young people, and the fact that the TFG and the Charter present power sharing without reconciliation.

1.12 Somalia's experience of government, the perception of most Somalis that governments operate to enrich and empower clans that dominate the government hierarchy, and the years of conflict and lack of central government in South-Central Somalia, all tend to favour the establishment of a government that, whilst ensuring security and law and order for all throughout the territory, adopts a policy of minimal interference or involvement in the daily lives of its citizens. The Charter of the Somali Republic largely recognizes these constraints and conditions (see Box 2.1 below for a summary of the guiding principles of the Charter), and the reconstruction and development priorities outlined later in this document should also be viewed in this light.

1.13 Adding to this challenge is the fact that years of conflict have left a mark on significant segments of the population, for whom transparent governance structures with a government accountable to the people through democratic processes are still foreign. Adding to this, the historical experience from the previous regime means that any future Somali government should probably adopt a largely liberal attitude, aiming for the decentralization of administrative power and service provision.

Box 1.2: The Transitional Federal Charter: Summary of Guiding Principles

The Transitional Federal Charter of the Somali Republic, approved in February 2004 at the Somali National

Reconciliation Conference in Nairobi, provides a temporary legal underpinning of the Somali state. The Charter will be operational until a Federal Constitution is adopted through a popular referendum during the final year of the transitional period. The 1960 Somalia constitution and other national laws apply in respect of all matters not covered and not inconsistent with the Charter. Key guiding principles emerge from the transitional Charter and these are as follows:

Inclusive Governance: The Charter upholds democracy as the guiding principle of a future governance structure. Sovereign authority of the Somali state is invested in the people of Somalia, who might either directly or indirectly exercise their democratic right.

Decentralization: Article 11 of the Charter provides for a decentralized system of administration based on federalism. The Somali Republic is envisioned to comprise four levels of governance: 1) The Federal Government; 2) state governments (two or more, based on free will); 3) regional administrations; and 4) district administrations. The TFG shall ensure that the process of federating Somalia will take place within a period of 2½ years from the date that the Federal Constitutional Commission is established.

Resource Sharing: The Charter sets as the task of the TFG the fair and equitable appropriation and allocation of resources. Land should be used and managed in a manner which is equitable, efficient, productive and sustainable. Natural resources of the country such as the minerals, water, flora and fauna should be public property.

Power Sharing: According to Article 13 of the Charter, the TFG shall ensure that all appointments in the service of the government are based on qualifications and fair distribution among the citizens. The “4.5 formula” applies for power-sharing among major clans: 61 seats go to each of the four major clans and 31 seats go to the “minority” groups.

Gender Balance: According to Article 29, at least 12 percent of all Members of the Transitional Federal Parliament should be women. According to Article 26 of the Charter, the government promises to promote participation of women in all aspects of society.

Free Market Economy: The Charter stipulates that free enterprise should form the basis of the economic system. The government shall encourage and provide full guarantee to foreign investment, guarantee right to private property under law and protect intellectual property.

Respect for Human Rights: The Somali Republic recognizes all international human rights conventions and treaties. It guarantees equality of citizens before the law, providing for rights guaranteed under the Charter, including right to law and legal proceeding in a competent court, right to personal liberty, security, protection of family, right to freedom of information and media, right to assemble and strike, right to establish political parties and social organizations, right to properly remunerated labour, and right to political asylum and education.

Social Welfare: The Charter pledges the government will be responsible for protecting and providing public health, safe motherhood, childcare, control of communicable diseases and welfare of aged persons, persons with disabilities, orphans, widows, students, heroes who contributed and fought in defence of the country. The government shall encourage the establishment of the civil society and social development institutions for the public. The Charter further stipulates that the law shall regulate the establishment of private health centres and clinics. The government shall safeguard public morality of society, and promote social welfare of the rural population.

1.14 In order to assure conflict-sensitive and even conflict-mitigating reconstruction and development assistance, two directives stand out from previous experiences and analyses of the Somali situation (see Box 1.3 below):

- Do not build from scratch but rather capitalize on community strengths and structures already in place, reinforced by the vibrant private sector; and
- Combine broad institutional development with cross-group, community-driven approaches at the local level, for a bottom-up accountability.

1.15 Over the past 15 years, Somalis have already adopted these principles in developing or strengthening existing complex coping mechanisms, informal support systems in trade, remittances (*hawala*²) and a rich lineage-based system of governance and justice (*xeer*³). Such systems not only empower and give voice, ownership and responsibility to the communities, but

² *Hawala* is an informal money transfer system, a vital financial link between the diaspora and the homeland.

³ *Xeer* is a traditional form of governance which comprises political, economic as well as legal aspects.

they also foster cross-group cooperation for a common goal. Reinforcing this, Somali workshop participants expressed a preference for decentralization of administration and service delivery.

C. SOCIOECONOMIC PROFILE

1.16 Somalia is scoring well below average on most social and economic indicators. This section reviews population estimates, welfare and social indicators to provide a brief profile of the current human situation. It then reviews the macroeconomic environment, budgetary constraints posed by limited domestic resources, and the challenges posed by the need to build service delivery mechanisms and public sector capacity from a very modest base.

(i) Welfare: Poverty, inequality and vulnerability

1.17 **Population.** In 2006, Somalia had an estimated total population of about 7.7 million, with the under 18 population comprising 53 percent of the total. The fertility rate is high at about 6.8 births per woman, so this population is estimated to grow at 3 percent per year, and thus rise to about 8.7 million by 2010.⁴ If peace prevails this number would increase further as a result of returning refugees and Diaspora. Currently, the population is disaggregated as follows: South-Central Somalia 4.9 million, Puntland 1.1 million and Somaliland 1.7 million. Broadly, these are divided into three population categories: nomadic-pastoralist (52 percent), sedentary-rural (24 percent) and urban (24 percent). Over the last 15 years, there has been a discernible movement of populations towards towns and cities. New villages have appeared, villages have grown into towns, and towns have become cities.

⁴ The last population censuses of 1975/6 and 1985 for Somalia were never published. In the absence of census figures, efforts have been made to estimate the size of the population and its age and sex distribution, and to make projections. The most notable attempt was that made by UNDP/ UNFPA in 1997, and the figures given in that report have been generally accepted as the most reliable estimates available. Projections from those figures assume a growth rate of 3 percent per annum.

Box 1.3: Conflict-Sensitive Reconstruction and Development

Conflict-sensitive assistance to Somalis relates reconstruction and development policies, programmes and projects to their potential impact on the conflict environment and aims to ensure that interventions do not contribute to conflict escalation but instead, if possible, to conflict de-escalation. Aid will have a positive impact on social divisions if it avoids fuelling clan divisions, encourages and supports cross-clan and clan-neutral activities and partners, helps bridge groups by dismantling the zero-sum mentality of incompatible cross-group objectives, and understands the potential positive role of religion as an aspect that joins all Somalis and bridges all clans. The following operational guidelines should be considered in programme design and implementation:

Conflict-Sensitive Economic Development

Aid Flows: Donors should avoid creating aid dependency. As Somali history shows, aid dependency means weakness as it can lead to state demise and give rise to conflict once aid is withdrawn.

Project Scale: Small-scale projects should be favoured, as high-value investments are likely to attract lineage-based competition. As a rule, small-scale projects with well defined goals, developed across clan groups, are more likely to have a positive impact in a conflict environment. Infrastructure projects benefiting multiple clans could be exceptions.

Community Involvement: Donors should build on community strengths and mobilize Somalia's human resources.

Cooperative Activities: Economic activities that unite rather than divide should be supported at all times.

Inequality: Fuelling of horizontal inequalities should be avoided.

Natural Resources: Donors should focus on developing systems for fair natural resource management. Careful consideration is needed of how Somalia's abundant resources can be exploited in a way that provides equitable benefits across the local population while preventing over-exploitation.

Youth Unemployment: Unemployment, especially among young men, should be a priority concern. Most studies on conflict observe that large numbers of unemployed young men in a society increase the chances of conflict escalating into violence. Improvements in key economic sectors would help bring unemployment down.

Non-Partisan Governance

Neutral Oversight: Donors should be prepared for political struggle around state building. The process of state-building seems to exacerbate instability and armed conflict in Somalia because the revival of the state structure tends to be viewed as a zero-sum game, creating winners and losers over potentially high stakes. Hence thought needs to be given to mechanisms that can provide non-partisan oversight of institutions responsible for functions such as customs, taxation and other revenue collection, and those in the judiciary, law enforcement and internal and external security.

Inclusive Institutions: Governance functions built should be clan-neutral and only those institutions should be supported which are inclusive. While there is not a one-to-one link between democracy and absence of violence, there is a strong positive correlation.

Existing Structures. Rather than creating completely new structures, donors should learn from and build on the institutions that already work.

DDR. Attempts should be made to disarm society in a non-partisan manner, and to demobilize and reintegrate combatants.

Safeguards. Proper assessments and safeguards should be applied as part of development assistance in order to minimize negative external effects and prevent tensions between countries and among population groups within Somalia.

Source: World Bank (2004)

1.18 Income measures of welfare. In 2002, the portion of the population living in extreme poverty (< US\$ 1 per day) was around 43 percent. However this figure hides a huge urban/rural divide, in which, in urban areas, the rate of extreme poverty was 24 percent, and, in rural areas, was 54 percent. Although the figures are large in absolute terms, the incidence of extreme poverty has in fact decreased significantly over the past 20 years, from about 60 percent.⁵ About 73

⁵ 1985-1990 average -- UNDP Somalia Human Development Report, 2001.

percent of the population (61 percent of urban and 80 percent of rural dwellers) live on less than two US dollars per day.

1.19 Somalia's poverty and inequality outcomes are mixed when compared to neighbouring economies⁶, reflecting the development failure of larger parts of the continent as much as the resilience of the Somali people. Somalia's per capita income (US\$ 226) is lower than that for Kenya (US\$ 350) and Tanzania (US\$ 280), but higher than in Eritrea (US\$ 190) and Ethiopia (US\$ 100). Incidence of extreme poverty is much higher in Somalia (43 percent) than in neighbouring countries (23 percent for Kenya and Ethiopia) but lower than in other conflict-affected countries (90 percent in Southern Sudan, 57 percent in Sierra Leone, 55 percent in Burundi and 52 percent in Rwanda). Similarly, Somalia's poverty-gap ratio measuring the depth of poverty is 18 percent, which is higher than in Ethiopia and Kenya (5 percent and 6 percent respectively) but is smaller than ratios for Sierra Leone (41 percent), Burundi (23 percent) and Rwanda (20 percent). One of the most significant factors which has elevated per capita income in Somalia, thus explaining why Somalia performs relatively well in income-based monetary measures of poverty when compared to countries in the region, is the large inflow of remittance (about one billion US\$ per annum).

1.20 In reviewing figures for poverty and extreme poverty and comparing with countries in the region and other post-conflict countries, it has not been possible to disaggregate and present figures for South-Central Somalia alone. It can generally be assumed, however, that the equivalent figures for South-Central Somalia are likely to be significantly worse than the aggregated figures for Somalia.

Table 1.1: Poverty Profile of Somalia's Neighbours and other Post-Conflict Countries

Country	Pop. (millions)	Year	Incidence of Poverty (percent)		Depth of Poverty (percent)	Income Inequality
			Pop. below US\$ 1/day (PPP ⁷)	Population below US\$ 2/day (PPP)	Poverty Gap Ratio at US\$ 1/day (PPP)	Gini Coefficient
Somalia	6.8	2002	43.2	73.4	18.3	39.7
Sierra Leone	3.9	1989	57.0	74.0	40.6	62.9
Burundi	6.6	1998	54.6	88.0	22.7	42.4
Rwanda	5.9	2000	52	84	20	..
Ethiopia	64.3	2000	23.0	78.0	4.8	30
Kenya	28	1997	22.8	58.0	5.9	44.9

Source: World Bank Povcal database for Burundi, Kenya, Ethiopia, Rwanda and Sierra Leone (with exception of pop<US \$2/day measure which comes from World Bank, 2005, Development Data Platform (DDP). Somalia data comes from WB/UNDP 2002 Socioeconomic Survey of Somalia. All other data comes from the DDP.

1.21 Income inequality is significant in Somalia, with household surveys suggesting that the poorest 10 percent of the population receives only 1.5 percent of the total income generated in Somalia, whereas the top 10 percent of the population receive 35.6 percent of the total income (UNDP 2003). The estimated Gini coefficient⁸ is 39.7 on a range from 0 (absolute equality) to 100 (absolute inequality). Out of this group of countries, only Ethiopia has lower inequality as measured by the Gini coefficient.

⁶ World Development Index 2005

⁷ PPP is purchasing power parity

⁸ The Gini coefficient measures the extent to which the distribution of income among individuals or households within a country deviates from a perfectly equal distribution.

1.22 Social indicators of welfare. Poverty is associated not only with insufficient monetary income, low purchasing power and food insecurity, but also with low outcomes in terms of health, nutrition, education, and access to basic services, security and law. Somalia scores well below average on most social indicators, and was ranked 161 out of 163 countries on the 2001 UN Human Development Index. Access to basic services as well as humanitarian aid is extremely low. In some areas of South-Central Somalia humanitarian access is severely restricted by the lack of security and Mogadishu is the only capital city in the world without a permanent UN presence.

1.23 In South-Central Somalia, access to basic services as well as humanitarian aid is extremely low. Only 27 percent of the population have access to clean water (<9 percent in rural areas). Whilst a mere 26 percent of Somalis have access to improved sanitation, in South-Central Somalia, population to improved sanitation (at 50.8 percent) is higher, mainly because of a high population with improved sanitation facilities in Mogadishu. Amongst the rural population the figure would be very much lower, and the aggregated figure for the rural population of South-Central Somalia, Puntland and Somaliland is just 14 percent. Primary school enrolment stands at 16 percent in South-Central Somalia, which ranks among the lowest in the world⁹. Meeting the most basic humanitarian needs poses huge challenges because access to humanitarian and development assistance has been severely restricted by the lack of security in much of South-Central Somalia.

1.24 Health indicators are among the worst in the world, with under five and maternal mortality at a staggering 22.4 percent and 16 women per 1,000 live births, respectively.¹⁰ The figures are likely to be far worse for South-Central Somalia: in Bay, Bakool and Lower Juba regions, health services are virtually absent as the poorly functioning pre-war facilities have been abandoned or destroyed. Effectively, the only health services in these regions and in much of South-Central Somalia over the past 15 years have been WHO-implemented childhood diseases vaccination campaigns. There are functioning private hospitals in Mogadishu, but private health services are out of reach of a large impoverished sector of the population.

1.25 Whilst the prevalence of Human Immuno-Deficiency Virus/Acquired Immuno-Deficiency Syndrome (HIV/AIDS) in the population is low (generally <1 percent), tuberculosis (TB) is a major public health problem in Somalia affecting the most productive age groups of the community and the incidence is believed to be amongst the highest in the world. It is estimated¹¹ that around 12,000 new cases occur each year of which only three are detected and treated. TB and HIV/AIDS are closely linked: it is estimated that up to one third of HIV/AIDS cases are co-infected with TB, and TB is one of the leading causes of death in HIV infected people.

1.26 The environmental conditions in the riverine areas of South-Central Somalia, particularly in the broad irrigated flood plains of the Lower Shabelle are optimal for the survival of malarial mosquitoes and the transmission of malaria, which is probably the most significant disease problem, with some 50-70 percent of under five-year-olds brought to out-patient clinics needing malaria treatment. In the inter-riverine savannah areas of South-Central Somalia malaria is seasonally important during the rains when pools of standing water provide mosquito breeding sites. In drier areas of South-Central Somalia, it is cement lined *berkado* or water storage reservoirs that provide the breeding sites for *Anopheles arabiensis*, which is the only malaria vector in these drier areas.

1.27 Wasting (as measured by low weight for height) is particularly relevant in assessing short term stresses, which have frequently reoccurred during the Somali civil conflict and in the recent drought in parts of South-Central Somalia. In the conflict-affected central rangelands, in Gedo

⁹ Unicef Technical Report 2004/05

¹⁰ UNDP MDG Report, 2006

¹¹ WHO, 2000

region and other riverine communities in southern Somalia, child wasting rates above 20 percent are common. While there are countries with worse indicators (e.g. Malawi, where the wasting rate is as high as 50 percent in some areas) and regions with wasting levels of children similar to Somalia (in West and East Africa), wasting of children in Somalia is high by world standards (WB Country Economic Memorandum (CEM), 2006). Measures of malnutrition status are better indicators of the longer term impact of civil conflict and drought, and they are very high, particularly in South-Central Somalia. Between the years 2002 and 2004, stunting (low height for age) among children reached close to 37 percent in the Gedo region. In 2003, stunting reached 24 percent in the Lower Juba, 27 percent in Hiraan, 35 percent in Bay and 36 percent in the Bakool region. Such high stunting rates, while quite similar to the typical rates in West Africa, will have major long term detrimental impact on the growth and cognitive capacity of Somali children¹².

1.28 The large and widespread consumption of khat also has a major negative impact on both the physical and mental health status of users. Currently, it is estimated that Somalis living in the former geographical area of the Somali Democratic Republic (SDR) spend some US\$ 250-300 million annually on the leafy mild narcotic, khat (*Catha edulis*) imported mainly from Ethiopia and Kenya. This is a huge drain on foreign currency, but additionally, addiction to the habit of khat consumption has serious negative impacts on household economy, productivity and health.

1.29 The socioeconomic consequences of khat consumption should not be underestimated, as it is generally associated with unemployment or inability to perform in the workplace – this also adds disproportionately to the workload of women in households, as men are the larger users of khat. In addition, khat diverts large parts of the household budget which could be well invested meeting the basic livelihood needs of the household. Whilst khat addiction amongst Somalis has serious negative consequences for the economic and social development of Somalia, khat production and marketing has provided livelihoods for a substantial number of farmers (in Ethiopia and Kenya), transporters and traders, particularly as khat sales have taken on, in recent years, a global dimension. Exports of khat from Kenya currently amount to around US\$ 250 million per annum, placing it in the same league as other major Kenyan agricultural export crops. From the Harari region of Ethiopia, the export value of khat in 2003 was around US\$ 58 million.

1.30 In Somalia 61 percent of the population (almost exclusively males) consume khat, with 18 percent reporting habitual use. At the retail end of the market, and given the sizeable consumer base, khat selling has provided livelihoods, principally to women. Whilst prior to independence in Somalia, khat chewing was predominantly the preserve of the male population of northern Somalia, after 1960 the habit spread to the south of Somalia, and, by the 1980's had become a common habit even in South Somalia. In 1983, the government of Somalia declared “an unmerciless war on this noxious weed”, banned the trade or consumption of khat and, in an economic war waged against the Issaq clan, destroyed khat production fields in the north of Somalia (present day Somaliland). Over the past 15-16 years the khat fields in Somaliland have been replanted and a sizeable productive area of low quality khat exists. Currently in areas under their control, the Supreme Council of Islamic Courts is trying to ban the trade in and consumption of khat.

1.31 Another major social problem, is rife unemployment, particularly in urban areas, where some 30 percent of the population of South-Central Somalia live, including the majority of IDPs (some 250,000 in Mogadishu and 15,000¹³ in Kismaayo). The problem is particularly acute amongst a generation that has received no schooling and who have no education or qualifications that would allow them to enter the urban work place. Urban unemployed, uneducated and unskilled male youth have few options for survival other than to take up arms and

¹² World Bank Country Economic Memorandum 2006

¹³ IDPs estimates for Somalia, UN OCHA, April 2004

join a militia, and it is the large population of armed male youth without alternative employment possibilities that is one of the most significant destabilizing factors in Somali politics.

1.32 Although the statistics presented above are abysmal, human development conditions have in fact improved slightly over the past 10 years, as a result of the intense efforts of community based groups and private sector initiatives. For example, with regard to aggregated figures for the territory of the former SDR, primary school enrolment shows an improvement from the even lower enrolment rate of about 12 percent in 1988.¹⁴ Also, life expectancy at 47 years in 2002 is lower than in Senegal and Eritrea (52 and 51 years, respectively), but has increased from 44 years in 1987, and is also higher than in Kenya and Nigeria (45 years), Tanzania (43 years) and Ethiopia (42 years). Similarly, under-five child malnutrition prevalence rates are higher at 26 percent than in Senegal (23 percent) and Kenya (20 percent), but are lower than in Ethiopia (47 percent), Eritrea (40 percent), Nigeria (29 percent) and Tanzania (29 percent).

1.33 **The geography of poverty.** The political and economic chaos of the last decades resulted in increased inequality across regions and between different segments of society. While large parts of the population were negatively affected by the conflict through losses of assets and opportunities, significant benefits were created for those who managed to seize public and private assets, exploited monopoly powers and disregarded environmental protection. Regional disparities are prevalent, and current estimates suggest that the more peaceful Puntland and Somaliland have relatively higher income levels (see Table 1.2 below) and better provision and access to social services than more conflict-afflicted parts of South-Central Somalia. Similarly within South-Central Somalia, people in and around Mogadishu and the more arid northern parts have above average per capita incomes, while those living in the central and southern parts typically have below average incomes. Table 1.2 indicates that Hiraan, Gedo, Bay and Bakool regions in South-Central Somalia have the lowest levels of per capita income (typically US\$ 100-150 per annum) whereas Banaadir which contains Mogadishu, occupies the top rank of US\$ 301-350 per capita per annum.

Location	100-150	151-200	201-250	251-300	301-350
Mogadishu					Banaadir
South-Central Somalia	Hiraan	Middle Juba	Lower Juba	Galgaduud	
	Gedo		Lower Shabelle	Middle Shabelle	
	Bay				
	Bakool				
Source:					

1.34 **Food insecurity.** Food and nutrition insecurity in Somalia, the primary causes of which, include income poverty, livelihood insecurity and conflict¹⁵, is widespread, and is linked to insufficient quantity and diversity of diet combined with the high occurrence of diarrhoeal and other debilitating diseases that impede nutrient uptake. Global Acute Malnutrition (GAM: weight for height <2 Z score) is at emergency levels of 17.2 percent on average. The majority of the population (an estimated 71 percent¹⁶) in 2000 is chronically below the minimum caloric/energy consumption for a healthy, productive life. A majority of households also have very low diet diversity, dominated by cereals (agro-pastoral and riverine communities), or by livestock products (pastoralists) which may lead in some instances to micronutrient deficiencies.

¹⁴ World Bank, 1991 Public Expenditure Review

¹⁵ This situation is exacerbated by inadequate health care and sanitation, limited household storage (particularly for pulse grains) and marketing capacity, and poor infant feeding practices.

¹⁶ Source: UNDP MDG report, 2002

1.35 Some 24 percent of the population of South-Central Somalia are involved in crop production. The greater majority of these people belong to marginalized agropastoral and agricultural groups and include some 600,000 Bantu riverine farmers. These groups, the backbone of Somalia's farming industry, have suffered serious abuse at the hands of armed and aggressive militia from other clans, and this has had serious impacts on food production and food security. In addition, the livelihoods of crop producers have become more vulnerable because of (a) uncertainties related to land tenure, (b) the deterioration of irrigation systems, and (c) the unpredictability and lack of access to inputs and markets.

1.36 For the riverine Bantu farming population, dietary access to animal proteins is limited and there is great reliance on the consumption of vegetable protein, chiefly in the form of pulse grains. However, long-term storage of pulse grains presents problems as the grains are rapidly attacked by seed eating Bruchid beetles, and many small-scale farmers lack the resources to buy appropriate hermetic storage containers for their pulse crop and are therefore either forced to sell pulse grains into a glut market, or to consume them over a relatively short period – leading to seasonal dietary peaks and troughs of vegetable protein consumption.

1.37 Whilst it is estimated that 55 percent of the population depend on livestock and related activities for their livelihoods, the rich rangeland resources of South-Central Somalia and the contribution of cereal stover to livestock maintenance in agricultural areas during the dry seasons, means that herd sizes are typically high and generally well above the minimum threshold¹⁷ (greater than 12.6 tropical livestock units (TLUs) per six-member household) needed to sustain the family unit through livelihoods shocks, such as a lengthy period of drought. Reflecting the importance of crop residue (cereal stover) fodder in the dry season, it is the agropastoral area of the Bay region that normally maintains the highest densities of livestock in Somalia.

1.38 Whilst pastoralists are generally a relatively wealthy and food-secure group in South-Central Somalia (with typically 10-18 TLUs per family member, pastoralists in South-Central Somalia have a mobile and productive asset that ranks as one of the highest densities of livestock mass per capita in the Greater Horn of Africa), there are areas in the north of South-Central Somalia (Galgadud and Mudug), which in addition to a lower rainfall and less productive rangeland, have suffered from inaccessibility and isolation from markets, chronic insecurity in some areas, and possibly environmental degradation. An expanding fishing industry has provided a supplementary or alternative livelihood for some pastoralists, but other opportunities appear few, and consequently, there is a high level of subsistence production and poverty within this pastoralist livelihood group.

1.39 In addition, pastoralists in the Horn of Africa face added vulnerability to their livelihood due to frequent droughts. In parts of South-Central Somalia, where there is a greater tendency to keep cattle, reduced mobility and the need for relatively frequent access to water, can mean high mortalities in conditions of locally severe drought. The generally poor rains over the past three years in parts of South-Central Somalia, means that currently some 1.1 million people in South-Central Somalia are in need of urgent humanitarian assistance and livelihood support¹⁸. The worst affected regions are Gedo, Lower and Middle Juba, Bay, Bakool and Hiran regions, with rangeland conditions particularly poor in Hiran, Bakool, north Gedo and the coastal and

¹⁷ Sandford and Habtu (2000) in a consideration of the number of animals required to support a person or household if that person or household was to rely totally on animals for his or their needs (termed "threshold value"), concluded that any household with less than three TLUs per African Adult Male Equivalent (AAME) is "famine vulnerable", and will not survive even in the short term. Households owning more than 3 but less than 4 TLU/AAME are "livelihood vulnerable", and may be able to survive in the short term; to survive the medium term, however, they will have to sell some of their herd, and will not be able to survive "shocks" in the long term. They provide 4 TLU/AAME as the "livelihood norm".

¹⁸ FSAU Special Brief Post Gu 2006 Analysis. Issued 25th August 2006.

agropastoral areas of the Shabelle valley. High livestock losses (40-60 percent of cattle in Gedo and 40-55 percent of cattle in Juba) during the period from April 2005 to March 2006, means that recovery, even if subsequent seasons are favourable, will take several years for cattle herders.

1.40 Overall, some 80 percent of households in South-Central Somalia rely on natural resource dependent activities for their livelihoods and these resources have been placed under severe threat in recent years due to unsustainable predation: in particular the lucrative Gulf export trade in charcoal has resulted in rapid and ruthless deforestation in many parts of South-Central Somalia.

1.41 Forestry is fundamental to the pastoralist livelihood followed by some 55 percent of the population. Somali nomads can identify and name a wide range of tree and shrub species; from which their livestock eat the leaves, pods and fruits - of particular importance during the dry season. Collection of wild tree fruits for direct consumption or for marketing in urban centres can also, seasonally and locally, make a significant contribution to the rural household economy.

1.42 Some areas of South-Central Somalia in the 1980s were well wooded with valuable hardwood trees such as *Acacia bussei* and *Acacia tortilis*. Of particular note, are the *Acacia* woodlands of the Bay region, and the *Acacia* coastal dune woodlands to the south of Baraawe. In the bush area of the Kenya salient region to the south-west of Kismaayo, which receives a higher annual rainfall in the region of 700 mm, there is a significant area of coastal forest. In the area of Afmadu and in the inter-riverine area between the Juba and Shabelle rivers there are significant stands of quality gum Arabic (*Acacia senegal*). Aromatic gum trees exist in the Bakool region and myrrh (from *Commiphora myrrha*) and opoponax (from *C. erythraea*) are harvested. There are a very few small remnant isolated stands of broad-leaved gallery forest on the Juba and at Balcaad on the Shabelle river. A sizeable forestry resource exists in Mogadishu and some other South-Central Somalia towns, where there are large numbers of mature neem (*Azadirachta indica*) trees – over 100,000 in Mogadishu alone. The harvesting of seed from the available neem trees could provide the basis for the development of a natural insecticides and crude neem oil soap industry. Efforts in the past to provide firewood for refugee camps and to stabilize mobile coastal sand dunes encroaching on agricultural areas, have resulted in an invasive monoculture of mesquite (*Prosopis juliflora*) trees (most noticeably around the coastal town of Marca).

1.43 Prior to the civil war, a ban on the export of charcoal was enforced and charcoal production (mainly in the Bay region from *Acacia bussei*) for the main market in Mogadishu was controlled. With the collapse of central government, there has been ruthless destruction of woodland to meet the demands of a lucrative charcoal export business to the Middle East. It is estimated that the charcoal export trade accounted for 48 percent of deforestation in 2002, and that over the previous decade, woodland cover in Somalia had reduced to 4 percent¹⁹ from 14 percent. The impact of the charcoal export industry is the most serious environmental issue affecting Somalia today, particularly given the dependence of the majority of the Somali population on the capacity of the rangelands to sustainably meet the nutritive requirements of browsing and grazing livestock.

1.44 **Roots and causes of poverty.** Endogenous causes of poverty deriving from the twinning of insecurity and lack of state are multiple and hard to separate. In brief, profound insecurity and violence affect the livelihoods of people in two contradictory ways. Insecurity, violence, destruction of infrastructure and disruption of productive sector activities, including agricultural, prevent an optimal use of resources for creation of livelihoods, while the lack of oversight and regulation encourages unmanaged extraction of livelihoods from an unsustainable use of natural resources. , While millions suffer the negative effects of these twin factors, a small proportion of the population reap the benefits of an unregulated system and economy of war, and the conflict has to a large degree been fuelled and prolonged by these people who have used inter- and intra-clan disputes as a means to further enrich themselves. As a result, poverty has deepened as

¹⁹ Lacey, 2002

disputes have disrupted agricultural production potential and further depressed incomes through destruction and insecurity. Over time the disruption of education has also undermined the skill level and flexibility of the workforce, further exacerbating poverty.

1.45 Long-term sustainable investment, a key to sustained growth and poverty-reduction, has been small due to the confluence of a number of factors which increase the cost of doing business. These include lack of security, deterioration of infrastructure, lack of rule-of-law based property rights and dispute resolution mechanisms, absence of financial services, and a complete lack of regulation and policy. In such high risk circumstances, private investors tend to focus on short-term and quick payback initiatives. Exogenous causes of poverty, further re-enforced through endogenous factors described above, include the largely semi-arid landscape, recurrent droughts, foreign interference and the loss of the banana export trade and imposition of livestock bans, which have all severely affected the generation of income.

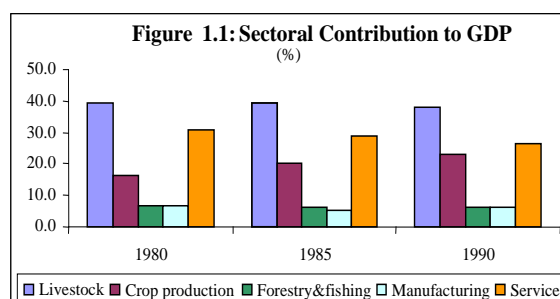
(ii) Macroeconomic environment

1.46 **Sources of economic growth in the midst of conflict.** Whilst South-Central Somalia's unregulated free market economy has functioned reasonably well over the past 15 years in spite of the absence of a central government, it can be characterized as a "war economy" in which a few powerful individuals have enriched themselves: the majority of Somalis have not prospered and for hundreds of thousands the absence of a strong beneficent government has meant the misery of displacement as more powerful groups wage war or seize control of resources by force. A lack of adequate health care means that Somalia now has amongst the worst infant mortality and lowest life expectancy rates in the world. A lack of authority implemented on behalf of the interests of the majority has also seen the serious and unsustainable predation of natural resources by a few – most noticeably for the export charcoal trade and export lobster fishing. The lack of control with regard to the former has seriously degraded rangeland resources and increased livelihood risks for the majority of Somalia's rural population, who depend on livestock production for their survival. The lack of control over the latter has resulted in the unsustainable plunder of stocks, which, in the absence of further exploitation, could take up to a decade to recover.

1.47 Over the past 15 years, then, the Somali economy has showed resilience and even expansion in a limited number of areas, though, as mentioned above, the benefits of this growth are not equitably shared, and on the whole Somalis have not prospered. There is a very heavy dependence on remittances (which amount to about US\$ 1 billion annually, i.e. 71.4 percent of GNP, as compared to US\$ 370 million annual average in the 1980s and early to mid 1990s) for consumption, investment, and foreign exchange. Indeed being about US\$ 130 per capita, remittances have a major impact on the economy and have contributed to decentralized development.

1.48 Unlike during the 1970s and 1980s, when most of the output of the small industrial sector and many services were provided by the public sector, production and services are now dominated by the private sector. Key areas of private sector activity include agriculture, fisheries, forestry, trade and marketing, money transfer services, transport, communications, airlines, telecommunications, and other services including construction and hotels, education and health, and supply of fishery equipment.

1.49 Due to the lack of disaggregated recent GDP data, the share of the various sectors in the Somali economy at present is not known. However, agriculture, specifically pastoralism and crop production, have traditionally dominated GDP. In 1990, the agricultural



Source: WB PER 1991

sector accounted for about 64 percent of GDP (see Figure 1.1), with livestock and crops being the largest activities. The most prominent subsectors in services were trade and hotels, and transport and communications. However, the level of agricultural production is now well under its peaks of the mid-1980s, mainly due to continued insecurity, deterioration of irrigation systems, and absent or weak government. Whilst the value of crop production is at 38 percent of 1989 levels, livestock off-take (slaughter and export), remain in the same range as during the late 1980s and are well below their potential.²⁰

1.50 The contribution of manufacturing industry (almost entirely located in South-Central Somalia) to GDP in the late 1980s was no more than 5 percent and it still remains low today. Cross-border trade grew steadily over the five years from 2000 to 2004 to reach US\$ 461 million in 2004 (see Table 1.3 below). Similarly, during the same period, exports have almost quadrupled, reaching US\$ 266 million in 2004. Prior to the civil war, livestock and livestock products accounted for 80 percent of exports, banana for 10 percent, and fisheries, frankincense and myrrh accounted for the rest. Banana exports resumed in 1993, and by 1997 had reached 80 percent of pre-war exports, but subsequently fell away again to virtually zero, a major loss as at its peak banana production (mainly concentrated in the Lower Shabelle) had employed some 10,000 people. Today, livestock continues to dominate exports, despite the Saudi ban on imports of Somali livestock imports, and is followed by charcoal, fish, and hides and skins. Since Mogadishu port was not opened until recently, most imports and exports have been through Berbera and Bossaso, where the largest recorded imports are food (sugar, wheat and wheat flour, rice and cooking oil), building materials, and fuel. Khat, a mild narcotic, is thought to be the second largest import at about US\$ 250 million, though not included in the import statistics.

Table 1.3: **Trade Flows, 1980-2004 (US\$ million)**

	1980	1988	1990	2000	2001	2002	2003	2004
Total Merchandise Exports	166.4	137.4	163.7	68.2	77.6	118.3	157.9	265.5
Total Merchandise Imports ²¹	439.5	267.0	351.8	263.6	280.8	299.8	340.3	460.8
<i>Source:</i> IMF Direction of Trade Statistics based on partner data.								
Note: These data are based on trade data reported by partner countries								

1.51 **Inflation and exchange rates.** During the past 15 years, inflation occurred as a result of the injection of foreign-printed currency into the economy, higher fuel prices and food insecurity. In South-Central Somalia inflation was between 14 and 17 percent per annum between 2002 and 2005. In the early part of 2006, drought and consecutive seasons of below normal and failed crop production resulted in cereal and sorghum prices rising sharply. For example, sorghum prices in some areas increased 66 percent between November 2005 and March 2006, while maize prices in Juba Region rose by over 200 percent.

1.52 Money exchangers operate freely in the country and the system has become increasingly dollarized. However, despite political uncertainties, the Somali Shilling has remained relatively stable since October 2004, at 14,500-15,600 So.Sh./US\$. The increase in livestock exports, sustained levels of foreign remittances and containment of the growth of money in circulation, has helped keep the currency relatively stable in recent years.

1.53 **Fiscal management.** Since 1991, there is virtually no information available on fiscal flows in South-Central Somalia. The various local administrations supported by militia have collected trade taxes within areas under their control and it is certain that most of this is expended to maintain the militias.

²⁰ According to FAO estimates, potential output in the livestock sub-sector is 50 percent higher than actual average output, with potential output in crop production three-four times current production levels.

²¹ Note that these import figures do not include khat.

1.54 It is absolutely essential that the TFG is supported from as early a stage as possible in fiscal management as the capacity for proper fiscal management is weak. Early on the bulk of government expenditure will be funded through donors, but the TFG will quickly need to develop a reliable and substantive taxation base and to put in place transparent and participatory mechanisms for budget development and the review, control and reporting of expenditure. Initially, it is likely that the greater part of in-country revenue generated will be derived from trade taxes of goods through Mogadishu and Kismaayo ports, and will be expended on security. However, the government will need to move fast to diversify away from sole dependence on port revenue, and to be seen, in addition to security, to be delivering on public goods such as infrastructure and social services, and accountability.

1.55 External debt and Official Development Assistance (ODA). At the end of 1989, Somalia's external debt was estimated at US\$ 1,774 million, almost twice the value of GDP or nearly 30 times the value of merchandise exports. Of the total debt outstanding, 47 percent was owed to multilateral institutions. The government showed little interest in working with external creditors after a major reorganization in 1987. Financial policies slipped out of control, the exchange rate became increasingly unrealistic, and official aid virtually ceased. In May 1988, with arrears of US\$ 33 million (54 percent of quota) and with no prospects for an agreement on an economic programme in sight, the Executive Board of the IMF declared Somalia ineligible to use Fund resources and the undrawn balance of International Development Association (IDA) credits with the World Bank was also frozen.

1.56 From 1990 to 2006, as a result of significant arrears on past debt-servicing obligations, the lack of a functional national government, and the unstable security situation, Somalia neither borrowed nor serviced its public debt. Somalia's total external debt (public and publicly guaranteed) is estimated at US\$ 3.2 billion at the end of 2004, of which an estimated US\$ 2.5 billion was in arrears (see Table 1.4 below). Of this debt, 40 percent is owed to multilateral creditors, 46 percent to Paris Club bilateral creditors, and 14 percent to non-Paris Club bilateral and commercial creditors. The net present value (NPV) of the total debt stock is US\$ 2.9 billion. There is yet to be any substantive discussion of debt relief and without the development of an agreed reform programme with national authorities Somalia is yet to reach a decision point with regard to debt reduction under the Heavily Indebted Poor Countries initiative (HIPC)²². Meanwhile, in the absence of new lending, total official grant development assistance to Somalia has been rising steadily, reaching US\$ 119 million in 2000 and US\$ 222 million in 2004. This means that per-capita aid to Somalia in 2004 had reached US\$ 30.

²² This initiative, first launched by the IMF and World Bank in 1996, is a comprehensive approach to debt reduction for HIPC pursuing IMF- and World Bank-supported adjustment and reform programmes.

Creditor	Nominal Stock					NPV of total debt (b)
	Total		Arrears (a)			
	Stock	(%)	Principal	Interest	Total	
1. Multilaterals	1,273	39.7	479	344	822	1,118
World Bank – IDA	491	15.3	81	46	127	353
IMF	345	10.8	174	171	345	345
AfDB Group	126	3.9	37	21	57	102
Others	310	9.7	187	106	293	318
2. Bilaterals & commercial	1,935	60.3	924	833	1,757	1,861
Paris Club creditors	1,472	45.9	573	740	1,314	1,398
Non Paris Club & commercial creditors	462	14.4	351	93	444	463
Total Debt (1+2)	3,207	100.0	1,403	1,177	2,580	2,979
<i>Sources:</i> Creditor Statements and World Bank Global Development Finance.						
(a) Includes principal and interest arrears as well as penalty charges.						
(b) Calculated using end-2004 exchange rates and, as discount rates, currency-specific average CIRR from OECD.						

2. PRIORITY NEEDS

2.1 Section 1 of this report has summarized key aspects of the current Somalia situation, along with recent developments, focusing on the geographic area of South-Central Somalia, and in so doing has highlighted that the needs are immense. The destruction of institutions, infrastructure, human resources and livelihoods that has occurred over the past two decades is so extensive that reconstruction and development will be an enormous challenge and will take considerable time. Hence, in the face of such vast needs, together with limited financial resources and limited absorptive capacity, it is essential to distil out the most important needs and prioritize among alternative initiatives. There are many more good ideas than can be implemented in five years, so many good initiatives will have to wait. This section builds on this summary of recent developments by assessing the priority needs. Then a set of priority actions to address these needs is outlined in Section 3 and elaborated on in the results based matrix in Section 5.

2.2 This second section builds on the description of recent developments and the current situation in South-Central Somalia by examining needs more closely, with particular reference to needs as perceived by Somalis at the local level, and seeks to distil out key priority needs. The Somali JNA that underpins the RDF builds on the wealth of existing research and donor assessments on various relevant issues including work done as part of the Somali National Reconciliation Conference (SNRC)²³ (see Box 2.1), existing analyses from academic sources (e.g. Peter Little, *Somalia, Economy Without State*, 2003), ongoing donor and UN assistance programmes (e.g. European Commission, *Strategy for the Implementation of Special Aid to Somalia, 2002-2007*), and the World Bank (e.g. *Drivers of Conflict* report, 2004 and the *Country Economic Memorandum*, 2006), as well as resource materials from the Somali Aid Coordination Body (SACB).

2.3 Building on this existing body of analytical work, the Somali JNA teams conducted extensive fieldwork and wide consultation with national stakeholders to gain an understanding of priority local needs. First this involved a series of consultative workshops, which in South-Central Somalia took place in Garoowe, Jowhar, and Mogadishu with the following local groups: regional administrations and parliamentarians, business people, women's groups, youth groups, religious leaders, professionals, traditional leaders, and Somali local NGOs. These workshops each covered two days and generated much valuable information on local priority needs and proposed initiatives for addressing them for the six cluster teams – (a) governance, safety and the rule of law, (b) macroeconomic policy framework and data development, (c) infrastructure, (d) social services and protection of vulnerable groups, (e) productive sectors and the environment, and (f) livelihoods and solutions for the displaced.

²³ The Somali National Reconciliation Conference (SNRC) took place in Kenya (2002-2004) under the auspices of IGAD and led to the inauguration of the Transitional Federal Parliament (TFP) in August 2004, the election of the President in October 2004, the endorsement of the Prime Minister in November 2004 and the Transitional Federal Government (TFG) in January 2005. As part of the SNRC there were expert working groups on (i) The Transitional Federal Charter; (ii) Economic Recovery, Institutional Building and Resource Mobilization; (iii) Land and Property Rights; (iv) Disarmament, Demobilization and Reintegration (DDR); (v) Conflict Resolution and Reconciliation; and (vi) International and Regional Relations.

Box 2.1: Somali Reconciliation Conference - Economic Recovery, Institution Building and Resources Mobilization Report

Background. The task given to the Economic Recovery, Institution Building and Resources Mobilization Committee was to develop a post-conflict recovery program including: macroeconomic framework for a federal structure, promotion of trade and commerce, plans for credible institution building and the rehabilitation and reconstruction of the socioeconomic sectors.

Vision. The vision called for peace, good governance, democratization, federalism, rule of law, dynamic private sector, sound socioeconomic policy, efficient public services, diversified economy, good infrastructure, sustainable development and gender equity.

Programme:

1. Define the role of federal, state, regional and district authorities in socioeconomic management;
2. Create a sound macroeconomic policy, credible monetary authority, effective and operative federal fiscal policy, debt management and credible resource mobilization, including revenue collection;
3. Introduce a sound regulatory framework to re-establish viable and competitive livestock, meat and banana export, rehabilitation and modernization of irrigated agriculture, improve agro-processing, human resources development, technological and scientific innovation to achieve sustainable and productive crops, livestock and fisheries and establishment of a commercial court system for conflict resolution;
4. Create a lean, efficient, corruption free, merit based, adequately remunerated and inclusive public administration including Parliament, Presidency, Prime Minister's Office, 20 ministries and six autonomous agencies;
5. Improve health and education services;
6. Rehabilitate and expand physical infrastructure such as roads, seaports, airports, water supply and sanitation, telecommunication, civil aviation, urban services, power, etc.;
7. Rehabilitate and develop the agricultural sector including: livestock, crops, fisheries;
8. Facilitate private sector dominated industrial rehabilitation and development;
9. Improve institutional arrangement and aid coordination, including: improved regulation, enhanced private sector development, rebuilding of key institutions, introduction of community driven development (CDD) and the establishment of a trust fund co-managed by the donor community and key ministries; and
10. The cost of the first two-year recovery programme was estimated to be about US\$ 1.13 billion.

2.4 Second, to ensure extensive local expert involvement in the assessment, four local experts were identified in each of four geographic zones²⁴ – Central, South-West, South, and Banaadir – plus a zonal coordinator and deputy coordinator. These local experts were part of the cluster teams and participated in consultative workshops. In the case of Banaadir (essentially Mogadishu) this zonal team organized and ran the consultative workshop together with the Formal Private Education Network in Somalia (FPENS), Coalition for Grassroots Women Organizations (COGWO), and Centre for Research and Dialogue (CRD), as security concerns prevented international experts from participating. These local experts also undertook questionnaire-based fieldwork in all four zones of South-Central Somalia. Questionnaires were developed for all six clusters plus a seventh one reaching across all clusters to collect local information on priority needs and suggested initiatives to address these needs, thus complementing the consultative workshops and reaching into locations that were inaccessible to international cluster team members.

2.5 Third, cluster teams of international experts (Somali and other) plus local experts undertook selected field visits to add to their understanding of priority needs and possible reconstruction and development initiatives. Together these four sources of information – existing analyses, consultative workshops, questionnaire-based field assessment work by local experts, and selected

²⁴ These four zones were simply developed as a means of organizing local involvement in the Somali Joint Needs Assessment and hence ensuring that the assessment was well informed by and responsive to local needs. This formulation had no implications for possible future administrative structures.

field visits by cluster teams – have formed the basis of this technical assessment. Finally, to further ensure the local grounding of this assessment, draft findings and proposals were shared with local groups in validation workshops held in Garoowe, Beletweyn and Baidoa.

2.6 Priority Needs. Throughout this assessment, Somali stakeholders and cluster teams in South-Central Somalia consistently identified three broad groups of needs as of the highest priority:

- **deepen peace, improve security and establish good governance;**
- **strengthen basic social services** (especially education, health and water supply); and
- **rebuild infrastructure, together with other actions, to sustainably expand economic opportunities, employment and incomes.**

2.7 First, in South-Central Somalia the clear emphasis was understandably on establishing peace and security, which includes the demobilization, disarmament and reintegration of combatants and the establishment of a police force. For some of the combatants, it will be possible for them to be absorbed into the new security forces while others will need to have alternative livelihoods. Accompanying the concern with security was a widespread recognition of the need to improve governance and the rule of law. This focused on building transparent and accountable institutions that deliver services and attract public confidence. It included the maintenance of stable macroeconomic management (sound fiscal and monetary management), dispute resolution mechanisms with special reference to the judiciary, effective and accountable private and public sector service delivery institutions, democratic government, and a capable public service with transparent public finance management at all levels of government.

2.8 Second, in view of the acute human need, it is not surprising that there was widespread focus on the provision of basic education, health and water supply as a priority. As has been noted, social indicators are very low by global standards, and human capital has clearly been eroded over the past two decades, as the majority of an entire generation have not received basic education and a large number of qualified Somalis have left and joined the Diaspora. Increasing enrolments in primary education is a key need in all regions and depends on the combined efforts of existing private sector and NGO providers plus public sector and international support. Health services, especially for women and children are inadequate and most Somalis do not have access to safe drinking water, with the combined effect being high infant and maternal mortality. Expanding the provision of basic health services in urban and rural areas is a critical need. Similarly, providing wider access to safe drinking water and improved sanitary facilities is essential for improving social indicators. In addition to this general concern around basic services, the special needs of IDPs was also highlighted by stakeholders, especially in Mogadishu, where some 250,000 IDPs reside. Internally displaced people are some of the most needy and must be addressed both for humanitarian reasons and to avoid their threatening future peace and security.

2.9 Third, the rebuilding of infrastructure and other initiatives to stimulate productive activities through private sector development and hence expand employment opportunities, especially within the traditional sectors of livestock and agricultural production, was widely seen as essential for sustaining peace and reducing poverty. Income earning opportunities are an essential foundation for sustained poverty reduction and for effective demobilization of militias. This third prioritized area of need includes the rehabilitation of key transport and production infrastructure (roads - primary and secondary, ports, airports, power, irrigation and flood control) plus the rehabilitation and expansion of urban infrastructure (water and sanitation, housing, transport and power) in view of increasing urbanization and the serious deterioration of urban infrastructure over the past 15 years of neglect. In terms of direct support to key productive sectors to overcome impediments to their sustained expansion it includes improvements in

veterinary services, agricultural services and the establishment and maintenance of a market-friendly regulatory environment and financial services. Without increased economic and employment opportunities, it will be very difficult to sustain peace. Without private sector growth it will be impossible to generate the sustainable revenue base needed to provide essential public services such as security, basic education, a health service and key infrastructure. Without export earnings and the continuation of remittances it will be impossible to sustain the needed flow of imports.

2.10 Medium- to long-term vision. In highlighting these three priorities, contributors to the JNA have indicated the core components of a vision for Somali reconstruction and development. In essence this vision is to deepen peace and reduce poverty for the Somali people by:

- fostering reconciliation, peace and security at all levels of Somali society;
- promoting good governance, maintaining a stable macroeconomic framework, and developing effective, transparent and accountable institutions at all levels;
- providing essential basic services such as education, health services and water supply; and
- fostering rapid poverty reducing private sector development by improving infrastructure and other aspects of the operating environment for productive enterprise.

2.11 Designing and prioritizing strategies and initiatives to pursue this vision is the subject of the Reconstruction and Development Framework outlined below in Section 3 and in the results-based matrix (Section 5). To render these reconstruction and development initiatives possible to monitor, it is natural to concretize key aspects of this vision by adopting quantifiable target outcomes as has been done where possible in the RBM.

3. THE RECONSTRUCTION AND DEVELOPMENT FRAMEWORK

3.1 The current situation brings both opportunities and challenges for the Somali authorities, civil society groups and NGOs in South-Central Somalia that play a role in service delivery, and the international community. Clearly the economic and human opportunities for Somalis are many times greater if there is peace rather than further conflict. At the same time, lessons learned from the past suggest that the Somali situation requires a “Somali solution”, and that the chosen approach to development should take into consideration the past failed attempts to build peace. Security and the re-establishment of lean accountable core public institutions is necessary but not sufficient to achieve Somali aspirations for improved social indicators and renewed poverty-reducing economic growth. In particular, there is a need to support the people of Somalia to establish good governance at all levels, improve social services, and achieve rapid equitable private sector-led economic growth.

3.2 To respond to the three key groups of needs outlined above and to pursue the basic objective of deepening peace and reducing poverty, a three-pronged Reconstruction and Development Framework (RDF) is proposed, composed of the following **pillars**:

- A. **Deepening peace, improving security and establishing good governance** through DDR and the establishment and strengthening of core public and private sector institutions (including security institutions) and conflict resolution mechanisms;
- B. **Investing in people through improved social services** (especially education, health and water supply) to raise human skills, and actions to address the needs of specific vulnerable groups such as IDPs; and
- C. **Establishing a sustainable enabling environment for rapid poverty-reducing development**, to expand employment and reduce poverty. This includes infrastructure, policies and actions to overcome constraints facing the livestock and agriculture sectors and to ensure protection of the environment and sustainable use of natural resources.

3.3 The **three pillars** of this strategy are all necessary to address the priority needs and to achieve agreed key reconstruction and development objectives. The following section presents the three pillars of the RDF. For each pillar, specific attention has been paid to defining a strategy and priority outcomes and related initiatives. For each area of intervention, the implementation and absorption capacity, as well as detailed results matrices can be found in the cluster reports available at [.somali-jna.](#). A more comprehensive description of proposed initiatives and their sequencing, together with target outcomes and estimated costs for each initiative are given in Chapter 5 in the Results-Based Matrix. The three pillars of the RDF incorporate elements of a cross-cutting nature, including (i) peace building, reconciliation and conflict prevention; (ii) capacity building and institutional development; and (iii) gender and human rights. The mainstreaming of these cross-cutting issues permeates the RDF, and is reflected in the detailed RBM.

3.4 **Criteria used in prioritizing initiatives.** In keeping with the basic objective of this Somali JNA, together with global experience from other post-conflict reconstruction and development initiatives, the four core criteria for selecting proposed priority initiatives from alternatives to compiling specific initiatives under these three pillars are:

- **impact of peace building.**
- **contribution to sustained equitable poverty reduction,**
- **opportunity for effective implementation and capacity transfer, and**
- **cost effectiveness.**

3.5 The first two of these criteria relate directly to the impact of initiatives on the two foci of this RDF – deepening peace and reducing poverty. Impact on peace building naturally includes impact on reconciliation and improvements to security. Initiatives need to go beyond the basic principle of Do No Harm (e.g. ensure that initiatives never spark renewed outbreaks of conflict through, for example, unintended favouritism or unequal redistribution of resources) to actively foster peace building at all levels, and promote fairness, inclusiveness and an active participation of all stakeholders in the process. Contribution to poverty reduction includes economic stabilization, impact on social indicators and impact on employment, livelihoods and incomes. The third and fourth criteria relate to how effective initiatives are at achieving these outcomes in the context of two key limiting constraints, implementation capacity and financing. Implementation capacity is in short supply and critical for success so it is essential to be realistic and include the necessary institutional development and capacity building, and it is worth considering options that require little implementation capacity or for which implementation capacity already exists. Naturally this also affects sequencing as capacity building often needs to precede other reconstruction and development initiatives. Lastly, cost effectiveness (the amount of impact on peace and poverty per unit of scarce financial resources used) is important because resources are limited. It is impossible to proceed with all good ideas at the same time, so it is important to concentrate on those that deliver the greatest impact for any given amount of financing.

3.6 In keeping with the current Somali situation, the vision outlined above, and experience from other countries that have transitioned from conflict to reconstruction and renewed development, these core prioritizing criteria have been complimented by the adoption of the following additional broad **guiding principles** and **basic assumptions**:

- Responsiveness to existing realities while maintaining equity.** Accommodate differences in priority needs and absorptive capacity between different regions of South-Central Somalia, by tailoring initiatives to the specific situation. Ensure a transparent and equitable distribution of resources and interventions between regions and ensure that interventions support gender equity and disadvantaged groups.
- Transparency and accountability.** Implementation and monitoring arrangements need to be transparent and provide for full accountability to beneficiaries (Somali communities/claim holders), national stakeholders (government at all levels plus civil society), and participating donors (those providing funds). Such accountability requires involvement and participation of various stakeholders during implementation, and corrective mechanisms.
- Keep the public sector small and focused.** Encourage the development of a lean, transparent and efficient public sector complementing the existing strengths of the private sector and NGOs. At the federal level, the capacity to perform core regulatory functions, including the constitutional process and peace and reconciliation challenges, should be established. This means building on existing successes and strengths evident in the remarkable resilience and ingenuity of the Somali people and establishing smart and innovative public-private partnerships;
- Decentralization.** In the planned decentralized system of governance and service delivery, every effort should be made to ensure that local communities and administrations, in particular at the district level, are empowered to respond to the needs in service delivery, thereby reducing the risk of localized conflict over resources, or the persistence of grievances that might prompt a return to outright war;

- e) **Build on successes.** Lessons learned from recent achievements in Somaliland and Puntland should be incorporated and built upon, and indicate that with the necessary political will, all Somalis can quickly move from relief to recovery and development under the RDF.
- f) **Recognize specific challenges in the transition period.** The implementation of proposed initiatives will have a distinct impact on the future sustainability of the reconstruction and development process, in particular on social and state institutions. Given initial limitations to absorptive capacity and financing, it is important to note that, while international partners will initially be crucial to ensure the improvement of people's daily life, such initial arrangements should be transitional and have a clear sunset clause.

A. DEEPENING PEACE, IMPROVING SECURITY AND ESTABLISHING GOOD GOVERNANCE

3.7 The first key priority of the Reconstruction and Development Framework is to expand and sustain peace and security and to establish good governance. Although peacekeeping in the traditional sense is not covered by the RDF, the basic elements for achieving security, namely reconciliation, conflict resolution, peace building, the rule of law and DDR are addressed. The concern for achieving security and peace permeates each of the policy and programme areas outlined below, and raises additional key factors related to the nurturing of good governance and a stable macroeconomic framework.

3.8 The first pillar includes the following:

- (i) **Reconciliation, conflict resolution and peace building:** reconciliation, constitutional processes, democratization and electoral process.
- (ii) **Security and rule of law:** demobilization, disarmament and reintegration of militias, police, mine action, judiciary.
- (iii) **Administrative governance:** architecture of government, capacity building for government institutions, civil service, decentralization, service delivery, and the role of civil society and the media.
- (iv) **Macroeconomic stability and data development:** fiscal and monetary policy, resource mobilization, and data development.
- (v) **Public finance management:** budgeting, expenditure management and procurement.

(i) Reconciliation, conflict resolution and peace building

3.9 **Reconciliation.** Somali stakeholders emphasized the urgent need for reconciliation and put particular focus on the grassroots and local level. Reconciliation is needed at all levels, from communities to regions and nationally. Previous experience suggests that reconciliation at one level is vulnerable to being undermined if it is not complemented by reconciliation at all levels. At a regional and national level, reconciliation is fundamentally a political process combining mediation and settlement of disputes, both those that are underpinning conflict and those disputes that have arisen from or were aggravated by violent conflict. National dialogue and reconciliation, with an important role played by traditional and religious leaders and active participation by all stakeholders, remains critically important over the next five years, and are closely related to the constitutional process and progress on the democratization agenda. Somaliland's reconciliation experience where traditional leaders played a significant role and with the establishment of a *guurti* (house of elders), suggests that there is good potential for inclusive arbitration and reconciliation initiatives that are adapted to the Somali culture;

stakeholders suggested that the *guurti* could possibly be developed and used in South-Central Somalia.

3.10 Past experience suggests that no one group is in a position to impose its authority on the Somali people. The Somalia Reconciliation Conference, which led to the establishment of the TFI's, brokered a power-sharing agreement rather than a genuine reconciliation. Some sensitive issues, such as return of stolen or occupied real estate, political and military control over territory, or the multiple judicial systems, will require a process of consensus building, partly through traditional conflict resolution mechanisms (see below). Competition over access to resources - especially land and water—has been a key driver of conflict and needs to be addressed in order to sustain and deepen peace, and traditional conflict resolution mechanisms will be important in this.

3.11 A major constraint to the resolution of land disputes is the lack of comprehensive survey data and records of land tenure, particularly in South-Central Somalia, where the immediate post-conflict period will be a critical time for both current inhabitants and returnees to establish their land rights. Without legal ownership and protection, many people could lose access to their land and thus livelihoods. Recent work suggests that an immediate priority is to establish and facilitate the proper functioning of the Land and Property Disputes Commission, which could define land use policies and arbitrate difficult cases. Again, Somaliland has made substantial progress with efforts to resolve land titling disputes and this could provide a valuable model for other areas.

3.12 Human rights abuses, both perpetrated by members of the former regime and linked to some current parliamentarians and leaders, are an important problem with regard to reconciliation. While the Transitional Federal Charter (Article 35) recognizes most international human rights conventions and treaties it appears to provide extensive immunity from prosecution for members of parliament. In keeping with internationally accepted practice, such immunity should generally exclude immunity for war crimes and crimes against humanity, and provide a transparent investigative process establishing the evidence of such crimes. One possibility could be an apolitical, independent Peace-building and Reconciliation Commission, composed of members of the highest integrity, impartiality and independence, and including traditional and religious leaders to deal with the issues of reparations, restitution, compensation, rehabilitation, satisfactory to victims or their families, and guarantees of non-repetition/reprisal.

3.13 There are five priorities with regard to reconciliation:

- a) **Reinforce structures responsible for reconciliation in all areas of South-Central Somalia** (including the National Commission for Reconciliation and local level mechanisms), continue dialogue and ensure broad and inclusive participation in reconciliation at all levels.
- b) Initiate and strengthen processes to encourage further **dialogue between the TFG and ICU**, dialogue and **reconciliation between Puntland and Somaliland** regarding Sool and Sanaag, and **dialogue on the status of Somaliland**.
- c) **Address the issues surrounding the Juba Valley and Kismaayo, and the contested areas of Lower Shabelle and Lower Juba.**
- d) **Establish a Land and Property Disputes Commission** to rapidly resolve disputes and clarify titles.
- e) **Involving civil society** organizations and ensuring that women, youth and minority groups participate in these reconciliation efforts will be important for their success.

3.14 **Constitutional process.** Preparation of a new constitution for a federal Somalia in an inclusive, participatory manner, and its adoption by popular referendum, will be critical for deepening long-term peace in Somalia. Such a constitutional process is mandated by the

Transitional Federal Charter. A Federal Constitutional Commission has been established, and a federal constitution is scheduled to be drafted in early 2009 and then adopted by popular referendum. The Federal Constitutional Commission includes women and minority participation; a validation process is to be designed and implemented; and a referendum prepared and successfully conducted upon which the adopted Constitution is to be launched with a civic education campaign. However, the emergence of the Union of Islamic Courts (UIC) and the concurrent slow progress with establishing the TFIs exacerbates the uncertainty surrounding these plans. Much will depend on progress with the ongoing dialogue between the UIC and the TFG and their developing a common plan for the future. Another challenge is the need for harmonization between the Puntland constitution and that of South-Central Somalia in the federal context.

3.15 Democratization and electoral process. In a modern democratic society, elections are an essential instrument for building the legitimacy of governance institutions, improving accountability, and giving power to the people. In a post-conflict society without much experience of democratic elections, this is not only a complex technical exercise, but risks being another dividing factor creating winners and losers in a perceived zero sum game, thereby giving reasons for resumed conflict.

3.16 To date, in South-Central Somalia, there is little experience of electoral process, the independent Electoral Commission has not been appointed, there is no legal framework in place, nor the capacity to undertake the required census process. For Somalia, the experience of Somaliland is an important step towards building democracy and provides a valuable example of how this can be achieved. One of the lessons is the importance of time as a factor in the process towards elections. It took Somaliland close to a decade of peace building, reconciliation, development of government institutions and civic education before the 2005 parliamentary elections were held. Given the present situation in South-Central Somalia the democratization and electoral process must be seen in a medium- to long-term perspective. Prior to the effective establishment and functioning of an independent Electoral Commission and associated mass education campaign and voter registration, it is fundamental that there be progress with the basic work of peace building, reconciliation and security.

3.17 The priority for the democratization process in South-Central Somalia, is:

Following progress with security, peace building and reconciliation, **establish an independent electoral commission** and support it with the necessary legal framework. Holding of elections will necessitate preparing and conducting voter and civil registration, civic education with special focus on gender, minority and youth issues, and training of civil society leadership. Ensuring a successful, valid, and accepted outcome of the election process will also necessitate institutional support to parliament.

(ii) Security and rule of law

3.18 Security is an essential precondition for basic governance, economic and social development. This section looks at the key interrelated aspects of security sector reform – (a) the demobilization, disarmament and reintegration of militias, (b) the training and deployment of a civil police force, and (c) judicial systems. In all this the experiences of Somaliland and Puntland can provide valuable experience for South-Central Somalia, and the essential role of community processes in achieving the objectives of security sector reform is acknowledged. Undertaking a comprehensive security sector review including all these aspects is a key priority as final policy decisions on national security, including the nature, size and funding of the security sector remain to be made. The Draft National Security and Stabilization Plan (NSSP) of the Somali Republic has been passed by parliament but is currently under revision and lacks detail on the time frame and the exact number of militias to be demobilized, de-armed and reintegrated.

3.19 Demobilization, Disarmament and Reintegration (DDR). DDR of militias is a process linked to reconciliation, legitimacy of the state conferred by factions and groups in conflict, and a decision to transfer the security function to government institutions for the rule of law. Reintegration must consider the large-scale migration of local population and militias, and the prevalent use of khat by militias. Weapons control must be addressed at both international and local levels. To be successful DDR will require full support from Somali militia commanders, political, traditional and religious leaders, private sector and civil society. Whereas successful disarmament and demobilization are largely the product of the decisions by the command structure, successful reintegration is fundamentally about social adaptation, education and employment for ex-combatants, and is critically important if remobilization and renewed conflict are to be prevented. There are lessons to be learned from Somaliland and Puntland with regard to DDR, upon which South-Central Somalia can build an effective DDR programme.

The vision is for DDR to be substantially achieved in all regions of South-Central Somalia within five years, with priority programmes targeted to communities or areas where there is a commitment to disarm and demobilize. The presence of some 53,000 diverse militia in South-Central Somalia, with varying agendas (freelance, political, business, religious)²⁵, presents an immediate challenge.

3.20 In order to refine DDR plans it will be important to have more comprehensive information, e.g. on location, nature and composition of the various militia groups. Then a large programme of visibly impartial DDR will need to be implemented in South-Central Somalia. In all areas, alternative employment and economic opportunities are urgently needed to complete the DDR process with effective reintegration. Training and education alternatives will be particularly critical for young people, in the age range of 16-24. Without effective retraining and reintegration of former militia, the financial drain on scarce public resources will continue to crowd out critical public investments in reconstruction and development, as it is currently doing in Somaliland and Puntland.

3.21 In the context of a comprehensive security sector review noted above, the DDR priority is to:

Launch a DDR process in South-Central Somalia, building on lessons learned and incorporating community driven processes: Establish a DDR commission and implement selected and feasible DDR programmes. Some demobilized militia could be integrated into police and security forces, but many will need to be retrained and reintegrated into the civilian workforce.

3.22 **Police.** After the collapse of the Somali state, various informal policing structures evolved, linked to militias or to the various informal judicial bodies. However, a modern Somali state cannot rely on multiple, informal policing structures without systemic and functional integration. The vision is to have throughout South-Central Somalia an effective and accountable civilian police service focused on local needs policing, within an overall national or federal security framework, with the full involvement and cooperation of civil society.

3.23 For South-Central Somalia the Somalia Police Force (SPF) is currently being reactivated. A strategic plan has been developed and some 200 police have already graduated after a six-month intensive training at the Puntland police academy, where another 120 are being trained. In addition, various informal police structures are still present in some areas of South-Central Somalia and 200 police have recently graduated from training in Mombasa, Kenya. The achievement of the ambitious objective of at least 10,000 police personnel in South-Central Somalia will depend on the development of the ongoing political process, as well as on an expanded capacity for training beyond the Puntland police academy, through for example rehabilitation of the Mogadishu police academy. It is intended that the police will be (i) civilian

²⁵ National Security and Stabilization Plan of the Somali Republic

in nature and community-based, (ii) recruited from suitable²⁶ members of the former SPF and informal police, as well as qualified civilian men and women, and (iii) coexistent with informal police, which would receive short intensive courses and come under the command and control of the Commissioner of Police. Naturally, the framework for policing will need to be linked to discussions and development of the overall constitutional framework.

3.24 Priorities for developing the police force in the RDF period are:

- a) **Develop a civilian, democratic, effective, community-based Somalia Police Force in South-Central Somalia with at least 12 percent women.** This necessitates recruiting and training some 10,000 officers and hence rehabilitation of the Mogadishu Police Academy.
- b) An integrated police force should be established, with the possibility of absorbing (with proper vetting, qualification, recruitment and training) elements from the informal police into the state police.
- c) The possibility of maintaining some informal police units mobilized, under the civilian command and control of the police of the state, performing specific, delegated functions as part of an integrated framework for policing.

3.25 **Mine action.** The problem of landmines reflects a legacy of 30 years of conflict. Landmine surveys have been conducted in Somaliland and Puntland, but there is still no reliable information for South-Central Somalia. Successful mine action has been conducted in Puntland and Somaliland, leading to coordination structures in both areas and 75 percent clearance of high and medium priority areas. Some clearance work was also conducted in South-Central Somalia during the UNOSOM²⁷ period in the 1990s. However, there is no significant national mine clearance capacity. Recent surveys suggest that there is some awareness of the danger of mines and that there has been a decrease in casualties over the past few years, but that both further awareness-raising and mine clearance is required.

3.26 The vision is for mine and unexploded ordnance clearance to be completed in all high and medium priority areas during the five year RDF period. To achieve this, it will be necessary to establish and train mine clearance and explosive ordnance disposal (EOD) teams in South-Central Somalia, to complete stockpile destruction and clearing of high and medium priority areas, and support implementation of the Ottawa treaty²⁸.

3.27 **Rule of law.** Despite the collapse of the state, there has not been a total vacuum of judicial function. Legal pluralism is a key feature of the rule of law in Somalia, with three sources of law: (i) traditional customary law (*xeer*); (ii) *shari'a* law based in Islam; and (iii) formal secular law based on colonial and post-independent developments. The vision for deepening the rule of law and increasing access to justice is a coordinated justice system, accessible to all, utilizing the strengths of the three existing mechanisms currently operating under traditional, religious and secular systems. The necessity to delineate the jurisdictions of customary and Islamic versus formal secular court systems, also affecting the integration and management of the police, prisons and prosecution services, is one of the major challenges facing the new administration.

3.28 The TFG has nominated the President of the Supreme Court and the Attorney General as steps towards the establishment of a credible Federal Supreme Court. The improvement and expansion of judicial services and a comprehensive programme of training (requiring creation of new training institutions) with particular attention to gender balance, remains of critical

²⁶ i.e. Screened to ensure exclusion of personnel associated with past human rights abuses

²⁷ United Nations Operations in Somalia

²⁸ Formally, the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction.

importance. Meanwhile, the rise and expansion of the ICU has raised the profile and importance of *shari'a* law and may well impact the future blend of legal pluralism. And there are concerns that women generally receive unequal treatment, particularly under the *xeer* and *sha'ria* systems of justice.

3.29 In South-Central Somalia, this vision for deepening the rule of law and improving access to justice can be achieved through: (a) developing and implementing a strategic framework for coordinating the three legal systems and improving access to justice for all; and (b) complementing this with needed capacity building for judicial personnel (with particular reference to improving gender balance), reform of case and court management systems, and rehabilitation or construction of infrastructure and equipment.

3.30 Promotion of human rights. Several important international and regional human rights conventions and humanitarian law treaties have been ratified by Somalia and the Transitional Charter recognizes a large number of fundamental human rights. Ratified conventions and treaties include the Universal Human Rights Declaration, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment. More recent treaties have not yet been signed or ratified. The main challenge in terms of fundamental human rights is to translate the commitments ratified into daily practice within the different judicial systems, including providing access to justice for vulnerable and hitherto disadvantaged groups (e.g. the Bantu Somali). In addition, the role of civil society and independent human rights groups in advocacy, monitoring and training in relation to human rights issues will be vital.

3.31 The priorities are:

- a) **Establish a Human Rights Commission.**
- b) **Develop and promote a culture of human rights within all public institutions, especially rule of law institutions,** through training, establishing oversight and accountability structures, and promoting gender, child, disabled and minority rights strategies.
- c) **Ratify, implement and adhere to international human rights treaties,** such as the Convention on the Elimination of Discrimination Against Women and the Convention on the Rights of the Child²⁹.
- d) **Involve and support civil society and human rights groups** in efforts to promote human rights.

(iii) Administrative governance

3.32 Architecture of government. Years of dictatorship and political mismanagement have created widespread distrust of government, which is perceived to be an oppressive instrument for the benefit of a minority, rather than a critical provider of public services to the Somali people. The Transitional Federal Charter specifies that Somalia shall have a decentralized system of administration based on federalism with four tiers of administration - federal, state, regional and district. However, much of the specifics regarding the role and functions of the various levels of government are yet to be clarified and accepted. Even some of the items that are specified in the Charter (e.g. the assignment of trade taxes to a federal government) do not appear to be widely

²⁹ The Convention on the Prevention and Punishment of the Crime of Genocide, the International Convention on the Protection of the Rights of All Migrant Workers and Members of their families, the two Protocols to the Geneva Conventions

accepted. Meanwhile, Somaliland and Puntland both have constitutions and the emergence of the UIC now presents a further challenge to negotiations regarding a federal structure.

3.33 The vision for the architecture of government is for a minimal, lean, efficient federal structure of institutions embodying good governance processes of transparency, accountability and participation, with extensive decentralization of services and responsibilities. Detailed functions for each tier of government need to be determined as quickly as possible and then implemented. In doing this, the assignment of revenue sources and responsibilities need to be clarified while keeping in mind the commitment to a lean government that complements the initiatives of a strong private sector. At the outset, the specific roles and functions of each ministry need to be clearly defined, and the number of ministries rationalized. It is important to note that whilst Puntland has consistently positioned itself as a “state” within a federal system, Somaliland has maintained its claim for independence. Once roles and functions are clarified, staffing needs, budgets, and recruitment and deployment plans for each ministry and department can be decided.

3.34 Capacity building for government institutions. Building a state does not require a heavy set of government institutions, but the challenge of building even the core government institutions from the South-Central Somalia baseline for the various levels of government is enormous. These core institutions consist of government, parliament and the civil service, excluding security and judicial institutions as they have been covered earlier. Taking into account, in particular, the differences between the TFG and the UIC, a joint strategy needs to be developed to build institutional capacity of government and the civil service, with a vision for lean, professional, efficient institutions, functioning with competent civil servants, capable of planning, providing key regulatory functions and engaging partners to deliver social services and promote human development.

3.35 The Transitional Federal Parliament has 275 members, with only 8 percent women. There are 31 ministers, 30 deputy ministers and five ministers of state; an excessively large number that needs to be rationalized. The federal state of Puntland has 66 members of the House of Representatives, 14 ministers and two ministers of state.

3.36 The TFG and South-Central Somalia still have no civil services except for a few senior officials. Puntland currently employs 2,200 civil servants (including front-line services providers). In addition, Puntland regularly pays salaries to military, police and militia (some 8,000 persons). At the local government level, no functioning structures exist in South-Central Somalia, but in Puntland district councils have been operating in spite of serious budgetary constraints, and the Puntland government has recently approved a decentralization system with devolution of services to the district councils. However, in order to transform the district councils into professional and efficient institutions, both scarce financial resources and the lack of technical and administrative capacity need to be addressed. Gender inclusion also needs to be addressed as women are seriously under represented, with most employed in subordinate posts.

3.37 Currently people working for the TFG are generally not being paid a salary, though some are being supported through development partners. These people, members of the Diaspora, and new graduates should all be drawn into capacity building efforts. Regularity and trust in government salary payments will also be important to encourage the establishment of a professional and efficient civil service. Experience from other post-conflict countries shows that the salaries of a small number of high quality staff (possibly from the Diaspora) could temporarily be funded by donors, though for reasons of equity this might not just apply to key federal level civil servants.

3.38 In view of limited public sector capacity and existing private sector initiatives, the improved delivery of core social services will naturally depend initially on a partnership between the public and private sectors. During the first two years the public sector at different levels should focus on ensuring (i) interim regulatory frameworks (e.g. minimum quality standards), (ii) a degree of

geographical and gender equity, (iii) the needs of vulnerable groups such as IDPs and returnees, and (iv) aid coordination. The district level expansion of services would naturally build on existing capacity of the private sector and NGO providers (e.g. in construction/rehabilitation of schools and health centres, water systems, training of new and current staff), while ensuring that gender and geographic equity are addressed through joint participatory planning with local authorities.

3.39 The TFG has appointed a Civil Service Task Force, and is looking at establishing a Civil Service Commission. There is an immediate requirement for 210 staff at the federal level to support core government functions. Over the five-year reconstruction and development period this should be expanded to 2,000 at the federal level and 4,000 at regional and district levels in South-Central Somalia as resources allow. In addition, some 10,000 police and 10,000 teachers and health personnel will be required to achieve the objectives of the RDF.

3.40 The achievement of these targets for the TFG and South-Central Somalia will require a programme of affirmative action, focusing on intensive training and fair recruitment (e.g. based on merit, quotas based on regions as well as clans, and gender quota). The nearly 5,000 students currently enrolled in Somali universities in areas such as economics, business administration or IT constitute a critical asset for the recruitment of new civil servants according to high ethics, efficiency and accountability standards.

3.41 Four prioritized capacity-building initiatives for government institutions are proposed:

- a) **Create and staff four core civil service institutions immediately as top priority to build confidence.** These are (a) a policy management and advisory unit for the President, Prime Minister and Cabinet; (b) a Civil Service Commission; (c) an expenditure management and financial accountability system (see section v below); and (d) a revenue mobilizing agency (see section iv below).
- b) **Create a new federal civil service and a civil service for different federated regions of South-Central Somalia.** Draft and adopt merit-based civil service recruitment and training policies; recruit directors and key staff and progressively the rest of the structure; train in policy analysis, human resource management, public financial management, other critical capacities; train all civil servants in ethics, transparency, accountability; prepare and implement comprehensive capacity programmes; promote gender equity and access with affirmative action policies developed and applied; rehabilitate/build physical infrastructure.
- c) **Design, support and implement civil service reform in Puntland.** With a view to integration with the TFG as a federated state of Somalia, design policy for staffing structures, functions, salaries, recruitment, promotion, training; develop capacity in ministries for planning, policy analysis, monitoring of service provision, partnerships with non-state actors; strengthen transparency and accountability; evaluate and strengthen Auditor General's office; develop comprehensive capacity building programme for civil service, in coordination with TFG; use ICT for training and coordination; promote gender equity and access with affirmative action policies; incorporate conflict sensitivity, human rights, peace building and gender into policies and training.
- d) **Decentralize service delivery** through the establishment of inclusive participatory local governance systems in all regions and districts of South-Central Somalia. Conduct a review of service delivery in all districts and support decentralized reform to achieve effective decentralized service delivery; develop planning tools for use in social service provision and monitoring; complete selection of district councils; ensure gender issues are incorporated into all policies, including affirmative action for employment and access to services; promote participatory local economic development planning; and develop transparency, accountability and citizen participation initiatives.

3.42 Promoting accountability through civil society and the media. During recent years civil society has emerged as an important social and political force. Civil society organizations are today active in service provision, are contributing to peace, reconciliation and development and have taken on many of the traditional functions of the state. Whilst most NGOs and CSOs are concentrated in the major urban centres and operate in areas of relative security and stability, there are few national NGOs with the exception of the Somalia Red Crescent Society. Religious groups play an increasingly significant and influential role in public life, perhaps most visibly through Quranic schools, *shari'a* courts and provision of social services. Many Mogadishu based organizations are engaged in popular peace and dialogue efforts, but are yet to direct their attention to social issues through advocacy, including political reform, human rights and freedoms, gender equity and HIV/AIDS. Professional associations and networks are a relatively new category of civil society actors, though networks like the Formal Private Education Network of Somalia (FPENS) - a national association of educational organizations, journalist associations, the Somali Veterinary Association (SVA), Somali agriculturalist associations (SATG and SAGRA), and the Somali Chamber of Commerce, show that there is a growing space for these institutions. With the emergence of government institutions, the role and nature of CSOs will necessarily change in South-Central Somalia and the role of civil society in relation to governance will become increasingly important. There is an important opportunity for Somali civil society to develop and play a crucial role in strengthening popular participation, providing channels for dialogue and debate, exerting public pressure, raising awareness and acting to improve accountability in general. As part of this, the potential role of Somali civil society in nation building through, among other things, reconciliation efforts and service delivery, should not be underestimated but indeed built upon.

3.43 The media can also play a critical role in building democratic governance. Since 1991 there has been a resurgence in the Somali media sector, particularly with regard to newspapers, though these are limited to an urban readership. In a predominantly oral society, it is radio stations that have become the main tool with which to deliver information and raise public awareness. Mogadishu has a vibrant media sector with several local radio stations and newspapers, all of which are privately owned. There are also many websites, some with clan influences and some religious. Neither in South-Central Somalia nor in Puntland are media businesses subject to regulation. Whilst there are reported cases of poor journalistic practices and partisan behaviour, the general trend seems to be towards a remarkably free media.

3.44 Priorities for strengthening transparency and accountability through participation and the media are:

- a) **Increase participation.** Global experience highlights the importance of participation as part of ensuring accountability. Transparency in public decision making, a capable and free media and actively engaged civil society, NGO and private sector organizations, all help ensure equitable and efficient utilization of available resources.
- b) **Strengthen civil society as a governance actor.** Enhance the role of NGO's, CSO's and professional associations in advocacy and participation in the constitutional process and gender mainstreaming.
- c) **Promote civic education and enhance media capacity.** Improve the media's capacity through training of journalists, editors and managers; establish an independent Media Commission and a campaign on fundamental rights; implement a civic education campaign through the development of community media programming; increase awareness/training/debate with and within media on reconciliation, minorities and gender related issues.

(iv) Macroeconomic stability and data development.

3.45 A key goal of macroeconomic policy management during the first five years of reconstruction and development is to establish and maintain economic stability. This calls for the development and implementation of a medium-term macroeconomic framework, with fiscal balance and conservative monetary policy to contain inflation. For the first few years, the objective is to avoid fiscal deficits and domestic financing while rebuilding a sustainable and growing public revenue base.

3.46 **Fiscal and monetary policy.** The two key instruments for maintaining macroeconomic stability are the budget and the supply of local currency. To rebuild public confidence and provide a stable environment for private sector initiatives, governments should avoid spending beyond their revenue base, which is expected to be a blend of rising local revenues and development assistance (the latter falling towards the end of this five-year programme). Given the widespread dollarization of the economy the overall money supply cannot be strictly controlled, but containing the supply of local currency will still be important to maintaining stable local currency prices. A macroeconomic policy department in the Ministry of Finance and a monetary policy department in the Central Bank should eventually formulate and implement macroeconomic policy. However, for the first two years, small units would be sufficient to carry out this function in keeping with the limited availability of public resources. The macroeconomic policy department, or unit, in the Ministry of Finance would be responsible for formulating tax policy changes, making revenue forecasts for the annual budget, monitoring monthly revenue collections and making at least quarterly revisions of the annual revenue forecasts. The Central Bank could initially focus on providing exchange and payments services and acting as a banker to government as there is no possibility of, or need for, genuine monetary policy in the early transition years.

3.47 **Revenue mobilization.** Given the large existing needs, the public sector will need substantive domestic and external resources in order to finance a lean federal structure and service delivery at district level. Whereas Puntland state has some budgetary and revenue collection capacity, no domestic public resources have yet been mobilized in South-Central Somalia by the TFG. Meanwhile the Islamic Courts Union (ICU) is collecting some revenues through fees on infrastructure usage. Currently, even in Puntland, tax laws are inconsistently enforced, and revenue collection is weak in most areas beyond customs collection. Proper tax collection will be a critical challenge, in particular for districts in South-Central Somalia. Whereas external support would initially be necessary for most expenditure, domestic resources should cover the government payroll and all recurrent expenditure by the end of the five-year RDF period. The target for combined tax collection in the country should amount to at least 6 percent of GDP within five years, as it was in the early 1980s.

3.48 The policy priorities for ensuring macroeconomic stability are:

- a) **Maintain macroeconomic stability through balanced budgeting.** Urgently create effective Ministry of Finance capacity to cover budgeting, treasury functions, macroeconomic and tax policies and their implementation; rehabilitate physical infrastructure and provide essential equipment; prepare, immediately in a participatory manner, budgets for the first two years.
- b) **Mobilize public revenue.** Increase capacity to administer custom duties, domestic sales tax and personal and corporate income taxes, enact tax laws on agreed revenue areas; establish revenue administration agency; rehabilitate or construct physical infrastructure; provide equipment; organize immediate collection of import duties at critical points (e.g. airports and ports).

3.49 **Collection of basic statistics.** Some of the basic macroeconomic statistics such as national income, balance of payments, and money supply have not existed in Somalia for almost two decades. Neither do the sort of social statistics needed to design and implement well designed

social services. It is crucial to have reliable statistics for decision making in policy formulation, planning and budgeting. Statistics also play a central role in supporting implementation of policies through monitoring and evaluation, which in turn demonstrate transparency and accountability. At present, information systems in Somalia are inadequate, with a lack of trained staff and resources to collect economic and social data. There is an urgent need to design and implement a national strategy for data development in Somalia with a strong partnership between data producers and users.

3.50 **Data development** priorities in Somalia are the launching of a population census, and the institution of reliable data collection and analysis on social sector and macroeconomics data. The major statistical need dominating all others is the human population census, since it is essential for socio and macroeconomic policy analysis, and would provide a framework for almost all further data collection activities (e.g. household surveys). However, this census needs to be kept relatively simple by focusing on a limited amount of essential data in order to ensure its implementability. Given the importance of human capital and its erosion, there is a need for data on population and social indicators by gender to enable the design of effective investments in people.

(v) Public financial management

3.51 All levels of government need an efficient and sustainable financial management system that provides relevant, accurate and reliable financial information to management at each of the decentralized levels, in a timely manner, not only to ensure that resources are well used for intended purposes, but also to rebuild public confidence. Moreover, this is an essential requirement for development partners to enable them to have the confidence in government that is necessary to underpin development assistance. In addition it is essential that budgetary processes are transparent and participatory to further strengthen public confidence and support. At present there is a lack of both financial resources and staff capacity to effectively establish this needed financial management system at the federal, regional and district levels in South Central Somalia.

3.52 To meet this need it is proposed that a financial management agent and a procurement agency be contracted for the first two years as part of an extensive programme of institution building which would include computerization, software acquisition, accounting and training on financial management, procurement, and participatory budget preparation and monitoring systems. Actions to clarify modalities for inter-government transfers and to establish the needed laws (e.g. for procurement) and institutional systems to underpin this establishment of sound financial management systems will also be needed. To operationalize the system, staff and other operating resources will be needed at all levels of the financial management process and at all levels of government - federal, state, regional and district.

3.53 In South-Central Somalia the financial management capacity will have to be built from scratch – an enormous challenge, particularly given the extremely limited resource base available. A financial management firm and procurement agent should be hired immediately. In addition to concurrently providing the much needed initial operational capacity, these two entities will be charged with rapidly building the required indigenous capacity, including working with the Ministry of Finance in ensuring rapid and effective staffing, and further training for key staff.

3.54 There are five public financial management priorities:

- a) **Establish sound and transparent public financial management systems.** Recruit a financial management agent; conduct accountant training; prepare financial management policies and procedures; equip staff, generate annual financial reports.

- b) **Strengthen procurement capacity.** Hire a procurement agent; establish a procurement unit; strengthen procurement law and regulations; develop standard bidding documents and training programmes.
- c) **Establish participatory, transparent and gender sensitive budget preparation** processes at all administrative levels.
- d) **Promote effective and equitable fiscal decentralization.** Implementation of planned fiscal and functional decentralization; strengthen district level financial planning and budgeting; design criteria for targeted pro-poor transfers; and develop local revenue generation.
- e) **Ensure transparent monitoring of public financial management and procurement** through the active involvement of civil society, NGOs, private sector and the media.

B. INVESTING IN PEOPLE THROUGH IMPROVED SOCIAL SERVICES

3.55 Throughout South-Central Somalia, the coverage and quality of social services such as health, education, water and sanitation provision is extremely low, especially in rural areas. This situation, combined with high levels of poverty and unemployment, is reflected in negative welfare outcomes such as unacceptably high infant and maternal mortality rates, critical malnutrition levels, very low primary school enrolment rates, and extremely limited access to safe water and sufficient dietary quantity and diversity. Conflict and recurring natural disasters exacerbate the situation, and have caused widespread internal and external displacement. Certain groups are more disadvantaged in their access to services and more vulnerable to adverse health and social problems because of their age, gender, livelihood type, or minority and displacement status.

3.56 Against this backdrop the key will be to invest in people, and in particular disadvantaged groups by expanding equitable access to basic social services across all regions and population groups. These initiatives will positively impact other areas of the RDF, in particular through increased productivity, improvement of social indicators and poverty reduction. Support from national leaders and those responsible for macroeconomic and fiscal policies will be needed to ensure that a growing allocation of public resources is directed towards investments in people.

3.57 The following areas of intervention are proposed:

- (i) Expanding education and training services**
- (ii) Improving health services**
- (iii) Improving provision of water, sanitation and shelter**
- (iv) Assisting displaced persons, and returning refugees**
- (v) Protecting vulnerable and disadvantaged groups**

3.58 It is important to note that social service initiatives cannot be implemented in a vacuum, and that successful reconstruction and development will depend on the creation and adaptation of appropriate policies, financing, legislation, development of sufficient capacity (both government and private), and provision of incentives, skills training and gender equity programmes. Public institutions cannot be the sole providers of basic social services if the desired levels of coverage and access are to be achieved, particularly in South-Central Somalia, and local government partnerships with religious and humanitarian organizations, NGOs and the private sector, as well as community participation in service provision, planning and implementation, need to be strengthened. At the same time, appropriate mechanisms need to be established to ensure that external partners address nationally agreed priorities, and that capacity is transferred to local authorities as new institutions and trained staff become operational.

(i) Expanding education and training services

3.59 South-Central Somalia has one of the lowest primary school enrolment rates in Africa: only 16 percent of primary school-going age children are in school, and only one third of these are girls (one of the worst female attendance rates in the world). Throughout Somalia, the gross enrolment rate for girls is 15 percent compared to 27 percent for boys, and the female adult literacy rate is estimated at 27 percent as compared with 50 percent for males, indicating that particular attention is needed to increase access to education for girls.

3.60 Since the 1980s, what education services exist, have largely been provided by community-based organizations, NGOs and faith-based groups. Teachers are for the most part paid through user fees, though local government in Puntland is paying for a rising number of teachers. It is clear that one of the major constraints to the development of the public education sector is the limited amount of government finance, and the limited availability of well qualified teachers.

3.61 There has been some progress in providing formal education in Puntland, but schools generally lack vital resources and materials and rely on a very large number of untrained teachers (for primary and secondary education). Currently, the number of primary schools (879) and teachers (7,108 mostly untrained) in South-Central Somalia is woefully inadequate. The outcome target for the five-year RDF period is to more than double the primary enrolment rate, whilst significantly balancing the enrolment of girls to boys at all levels and improving the quality of education. For South-Central Somalia, the targeted gross primary school enrolment increase should be from 16 to 41 percent. In addition the enrolment rates for girls should be almost at par with that of boys within five years. Overall this will require the recruitment and training of about 7,000 teachers for over 300,000 new students over the five years, and rehabilitation or construction of about 100 schools. Building on existing provisions, this expansion of education services will rely greatly on civil society, NGO, faith-based groups and the private sector. Public sector provision would initially focus heavily on disadvantaged groups and expand over time as resources and capacity increases.

3.62 While access to formal education remains limited, Quranic schools have continued to function. This can be attributed to the high value attached to this system of education, which has also allowed a larger number of girls to access it. The number of Quranic schools offering basic education subjects (in addition to the normal role of teaching of the Quran) is estimated at approximately 30 percent. These schools constitute a key opportunity for expanding the provision of basic education.

3.63 Nomadic pastoralist groups have largely been excluded from formal education. It is not known how many have access to other channels, however these groups traditionally travel with a Quran teacher. Appropriate solutions such as mobile schooling and flexible timetabling should be explored to meet this nomadic need.

3.64 Since the collapse of public education, a very small percentage of children go on to secondary school. In fact, there are only 16 secondary schools operating in Puntland, and an unknown but small number in South-Central Somalia. This must be increased and students need to go on to university to meet the demand for skilled professionals. It will clearly be years before it becomes the norm for the majority of Somali children to complete high school, but actions need to be taken now to progressively increase the number that do. Meanwhile, several universities and colleges, many of which are private, have begun again to train and graduate students. There are at least seven universities in Mogadishu alone, including two foreign universities teaching degree courses in science and arts subjects (International African University and Omdurman University) staffed with teachers from the Sudan. This will help provide the needed skilled

personnel in areas such as medicine, teaching, engineering, accounting and financial management.

3.65 There is currently only limited provision of non-formal education (NFE) programmes or alternative education programmes and most are offered by NGOs to a limited few beneficiaries in accessible districts. NFE will need to focus on assisting the “lost generation” of young people who were unable to pursue education during the conflict. Life-skills education development will be crucial for preventing a major HIV/AIDS epidemic. Literacy and numeracy are critical for sustainable development, as prerequisites for vocational training for different life skills, as well as for the reintegration of ex-militia. The targets by 2011 are to have 15 percent of youth between 18-35 years, 20 percent of adults, 50 percent of women and 60 percent of ex-soldiers/militia enrolled or graduated from the NFE programmes. Similarly, Technical and Vocational Education and Training (TVET) efforts need to focus on the needs of an expanding private sector. Progressive farmers in Dar es Salaam village in the Lower Shabelle have established an agricultural school and young students are attending from surrounding villages and from Marca town. For maximum benefit, these NFE programmes will need to be closely linked with other initiatives such as health and nutrition awareness, efforts to expand livelihoods and solutions for the displaced. The same applies to TVET, the limited provision of which is NGO-led and centred in the more secure urban areas.

3.66 During the civil war the entire cultural and information infrastructure, including records, books and precious artefacts stored in museums, libraries, archives of governmental and non-governmental institutions, was destroyed or damaged. This was compounded by the loss of many talented people who fled the country and have dispersed all over the globe. Culture is important as a contributor to conflict resolution and peace building; as part of social capital; and in its own right. The deep interest within the Somali Diaspora can hopefully be mobilized to help rebuild cultural infrastructure and increase awareness of its value.

3.67 In summary, the key education and training priorities are:

- a) **Improve access, quality, and gender equity in primary education** by rehabilitating schools (including providing clean water and sanitation facilities), increasing the number of trained teachers, developing an appropriate curriculum, improving supplies of teaching materials, and improving the learning environment. Introduce special initiatives to increase education for girls and the children of pastoralists. This will necessarily involve the simultaneous development of a range of public and private education facilities, with the government concentrating on providing education to the children of pastoralists and the poor.
- b) **Over time improve access, quality and gender equity in secondary and tertiary education** by rehabilitating schools, training teachers, providing materials and developing special programmes to ensure access for children from poor families and communities.
- c) **Expand non-formal education (NFE)**, including literacy, technical and vocational training and commercial and life skills education. Establish NFE centres, develop teaching/learning materials and coordinate related initiatives. A special focus of this will be young and adult NFE students to ensure that unemployed youth are provided with life and relevant workplace skills.
- d) **Support institutional and systems development** through a package of dedicated technical assistance, provide support to the capacity building of the Ministries of Education, REOs, DEOs and Community Education Committees (CECs) to effectively manage and plan for the education sector. At the administrative level, focus on the developing standardized and harmonized curricula, sector budgeting, monitoring and

evaluation, and assessment and certification. Support curriculum development, education policy development and implementation modalities.

(ii) Improving health services

3.68 The delivery of health services in South-Central Somalia is very poor because of the low number of operating health facilities and inadequate equipment, the dearth of skilled staff (both health workers and administrators), lack of and unpredictable availability of materials, and inadequate training facilities. Impressive though the efforts of NGO, civil society, religious group and private sector initiatives are, they leave much of the need for health services unmet. There are only 39 qualified doctors per one million people, unequally distributed throughout the country, and concentrated in the main towns. This and the fact that there are as few as 282 midwives, who are generally poorly qualified, contributes to the very high rates of under-five mortality (133 and 224 per 1,000 live births, respectively) and maternal mortality (1,600 per 100,000 and among the highest in the world)³⁰. Many health facilities are now run down and underequipped, and they tend to be concentrated in urban areas and service the relatively better off segments of the population. Priority outcomes include better health services for women and children as they are particularly vulnerable, and a reduction in vector borne and communicable diseases such as malaria and TB.

3.69 Other health related concerns include (i) poor nutritional awareness, (ii) the widespread practice of chewing khat (an intoxicating plant, classified as an illegal drug in some countries), (iii) female genital cutting/mutilation (FGC/FGM) and (iv) the possibility of a burgeoning HIV/AIDS epidemic³¹, though infection rates are currently relatively low, at 0.9 percent. Malnutrition is common, as weight for height among children is at an emergency level of 17.2 percent in many areas. It is estimated that about 98 percent of Somali women have undergone some form of genital mutilation, with about 90 percent subjected to the most severe type and this contributes to a range of serious health problems for women and girls. Consumption of khat has reached crisis levels in all Somali areas; sustaining this habit destroys families, affects health, reduces labour productivity and siphons off much of the family income. Some US\$ 250 million is spent every year on khat imports.

3.70 The long-term vision for interventions in the health sector is to reduce the high levels of mortality and morbidity, especially among women and children, and reduce the prevalence of key diseases such as malaria and TB, by improving and expanding the health system. Priority initiatives to achieve this include:

- a) Developing and implementing capacity building, institutional development and manpower development strategies, to build the needed administrative capacity for effective health authorities at central and local levels, and increase the number of trained health professionals and raise skill levels. This will involve expanding training facilities in association with universities, to increase the number of doctors and nurses, and in-service training and accreditation.
- b) Rehabilitating health infrastructure (hospitals, mother-and-child health centres (MCHs)/out-patient departments, and health posts/clinics) and ensure that they have adequate equipment and materials.
- c) Ensuring that vector-borne and communicable diseases (e.g. malaria, TB, HIV/AIDS and respiratory tract infections) receive necessary attention.

³⁰ UNDP MDG Report, 2004

³¹ All ingredients for an increase in infection rates are present, particularly from mobile populations, IDP's, returnees and refugees who face increased vulnerability due to their mobility.

d) Supporting community-based initiatives to ban and eradicate female genital mutilation (FGM) and the use of khat.

e) Improving health information, monitoring and awareness programmes, to provide policy makers and administrators with needed information, and to help change behaviour with regard to issues such as nutrition and dietary diversity and sexually transmitted diseases.

3.71 In view of the demonstrated strength of private sector and NGO initiatives in the provision of health services, it is suggested that public spending be focused on vector control programmes for malaria control and on preventative care facilities, particularly for child and maternal health and communicable diseases such as TB and HIV/AIDS, to complement existing relatively cost-effective interventions, information campaigns such as nutritional programmes, primary health care centres, and monitoring. Private-public partnership will be important to achieve the level of service expansion that is needed. An integrated approach to social provision is proposed as it encourages social accountability through community empowerment and participation in service delivery interventions.

(iii) Improving provision of water, sanitation and shelter

3.72 More than 70 percent of the Somali population was without access to improved water sources in 2000 (see Table 3.1 below), and 75 percent had no toilet facilities. In rural areas, domestic water needs are met primarily by rivers or wells, which are often contaminated. During the survey it was noted that some settlements, during the dry season, are 5.5 km from a water source. The quality of rural water supplies varies widely, however, there is currently no designated institution with the mandate or capacity to undertake quality standard testing of rural water sources.

3.73 The vision for this area of intervention is to increase environmentally sustainable and equitable access to safe and affordable water and sanitation facilities, and develop services to satisfy basic domestic needs. In keeping with the vision for small government it is anticipated that much of the expansion of water and sanitation services will be achieved through private providers and public-private partnerships. Jowhar provides an example of this. The targets are to provide improved water supply and sanitation facilities for 400,000 urban and 830,000 rural/nomadic populations (the latter group will receive priority as they face the highest gaps in

Location	Served (percent)	Unserved (percent)
South-Central Somalia, Puntland and Somaliland	26.6	73.4
Urban (all areas)	56.2	43.8
Rural/nomadic (all areas)	10.5	89.5
<i>Source: UN Monitoring data</i>		

this area). Promoting health education in tandem will reduce water and sanitary-related diseases.

3.74 **Rural water.** The target is to increase the number of rural residents with access to safe rural water to 830,000, up from 437,000 in 2000. This will be achieved by upgrading and rehabilitation of existing water sources and through replacement by new improved sources.

3.75 **Urban water:** The priority is to increase service coverage in urban water supply and improve access to safe water for 400,000 beneficiaries in smaller urban centres and in larger urban centres which will not be served in the medium term by expanded reticulated systems. The objective is to provide safe access to water for the urban populace who are currently receiving unimproved water from vendors (due to unsafe sources or contamination during haulage). This

will be achieved by upgrading and rehabilitating unprotected sources to improved water quality or installing new, mini water supply systems and kiosk distribution systems. The dedicated water initiatives will need to be closely coordinated with infrastructure developments discussed below in Section 3C that extend the reticulated supply systems in order to avoid service gaps.

3.76 When achieved, the overall target of having an additional 1,230,000 people accessing safe drinking water will increase the coverage from below 20 percent in 2000 to over 30 percent within five years. Achieving coverage for 830,000 rural inhabitants within five years is considered a reasonable extension of basic services, given that 730,000 people benefited from investments during the 12-year period 1994-2005. However, the higher target rates of service delivery in five years, while significant, will fall short of the ideal of Target 10 of the Millennium Development Goals (in this case, reaching 63 percent coverage in rural areas). Achieving the target by 2015 would require tackling the basic needs of nearly four million people within eight years.

3.77 **Sanitation in urban and rural settings:** The target is to (a) expand access to improved means of excreta disposal and to improve hygiene practices for 170,000 beneficiaries in smaller urban centres and those in larger urban centres (approximately 250,000) by upgrading existing systems to improved "traditional" pit latrines; and (b) do the same for 1,400,000 beneficiaries in the rural areas (especially amongst sedentary rural populations).

3.78 The following are priorities:

- a) **Rehabilitate, extend or improve existing water and sanitation facilities and improve affordability for disadvantaged groups.** Support existing waste collection systems; provide sanitation to households; build water retention structures (e.g. wells, boreholes and ponds), introduce subsidies for the poor in urban areas, and develop alternative, low-cost water supply systems prioritizing appropriate technology (protection of community *berkedo*, springs and hand dug wells, where possible promoting use of hand pumps) thus minimizing the maintenance requirements.
- b) **Develop institutional, legal and training structures for integrated water management, including water, sanitation and infrastructure committees.** Assess existing facilities and promising new methods (e.g. rainwater harvesting); formulate water and sanitation policies, strategies, laws and standards to regulate and improve the efficiency of private sector service delivery; deliver public awareness messages through community outreach programmes on personal health and hygiene.
- c) **Enhance private sector participation in water and sanitation service delivery** through support to private water and sanitation suppliers' associations in the preparation of legislative frameworks, and encouragement for private-public partnership initiatives for efficient management. A community service management system, when well planned and designed, through participatory processes, can become a catalyst for improved governance, as diverse groups are brought together around issues of common interest.

3.79 **Shelter.** Though remittances have helped provide and maintain shelter, many Somalis have inadequate shelter. This is particularly so for internally displaced people and the poor and disadvantaged. Hence efforts to expand the provision of shelter will naturally be closely linked with these programmes. The common lack of land tenure and limited access to financing are two challenges confronting initiatives to expand and improve shelter. Over time, these need to be resolved to allow the private sector to take on the challenge of meeting the need for shelter. In the shorter term, though, the priority with regard to shelter will be designing a shelter programme as part of efforts to resettle IDPs and refugees. This involves identifying resettlement sites, providing the necessary infrastructure and then constructing housing. To avoid conflict this will need to be done with extensive involvement of the local communities. And where possible it would be undertaken with contributions, through labour if nothing else, of the future occupants.

(iv) Assisting displaced persons and returning refugees

3.80 In 1991-1992, more than one million people fled war and famine to seek refuge in neighbouring countries, and many rural and urban poor became internally displaced after fleeing the violence. While displacement has continued, resulting in multiple waves of security-seeking population movements, it is now on a lesser scale than in the early 1990's. Nonetheless, currently approximately 400,000 IDP's and 250,000 refugees (around 8 percent of the Somali population) seek protection and assistance in achieving durable solutions, including self-reliance, re-integration and/or resettlement to a third country. Refugees – the majority originating from South-Central Somalia – are located in camps in the neighbouring countries of Djibouti, Eritrea, Ethiopia, Kenya, Yemen and Uganda. In addition, there are asylum-seekers and refugees from Ethiopia and eastern and central Africa in Somalia; a documented 3,000 Ethiopian asylum-seekers in Puntland state and an unknown number in Somaliland would most likely be recommended for resettlement elsewhere because local integration is for most, not a viable option.

3.81 IDP's are mainly from rural agricultural and nomadic populations and live under very difficult conditions, frequently in destroyed and abandoned former government structures or on privately-owned land where they pay rent. Land and property disputes, including restitution, are the main obstacle for displaced households, who are vulnerable to harassment, extortion and eviction because government institutions have little or no authority to protect or assist them. IDP's lack income earning and educational opportunities and adequate health and sanitation facilities, which pose particular problems for women and girls.

3.82 The vision for this area of intervention is to support existing livelihoods and create new and enhanced opportunities through diversification and value addition to existing livelihoods practices, and improved infrastructure capacity and service delivery in rural areas. Specific targets are to support the return of 80 percent of refugees to communities of origin or alternative place of choice while resettling the remaining refugees to a third country, and to reintegrate 400,000 IDPs. In the reintegration process it will be important to support various peace-building and reconciliation efforts aimed at bringing social harmony between host communities and returnees, particularly in those areas where huge numbers of returnees are being resettled.

There are three priorities for IDPs and returning refugees:

- a) **Provide direct assistance to IDPs and returning refugees to reintegrate and secure sustainable livelihoods.** The assistance programme will implement activities identified by an integration and livelihoods study, and includes a reintegration package covering travel and basic establishment needs as well as support to social and productive capital. Priority will be given to some 45,000 mainly women-headed households.
- b) **Provide academic and vocational education,** beginning prior to relocation as education will make a critical contribution to successful relocation.
- c) **Promote a conducive legal environment for IDPs and refugees,** including adoption of the Guiding Principles on Internal Displacement and promulgation of refugee legislation in host countries.

(v) Protecting vulnerable and disadvantaged groups

3.84 The most disadvantaged members of Somali society include an estimated 770,000 paternal and/or maternal orphans aged 0-17 years, child labourers (approximately 30 percent of all children aged 10-14), an undetermined number of child militia and street children, minority groups, disabled persons and people facing severe drought. These groups constitute a disproportionate share of the population that lives below the poverty line, and currently receive

only a small proportion of existing public and private investment. Although extended Somali families have traditionally assisted those in need, their coping strategies have become overburdened. Protection strategies must be implemented for the members of these groups who are not adequately assisted by traditional mechanisms.

3.85 The vision for this area of intervention is to strengthen the capacities of communities to better identify disadvantaged groups, and along with the authorities to provide assistance to them while ensuring monitoring of social conditions. As soon as possible the emphasis should shift from reactive interventions for an unspecified few "lucky beneficiaries" to more equitable, proactive safety nets for disadvantaged individuals in both rural and urban communities. The special requirements of disadvantaged groups are also considered in all areas of intervention of the RDF.

3.86 There are three key priorities:

- a) **Improve the community-based identification of disadvantaged groups.** Build on the preliminary analysis conducted between February and April 2006 to determine the magnitude and nature of the problem of orphans and other vulnerable children in Somalia and establish baseline data on gaps and constraints in planning and monitoring assistance.
- b) **Provide targeted services and assistance.** Establish and support families and/or community-based networks for the care and protection of vulnerable children to help them develop mentally, physically and emotionally. Increase access to the following services for vulnerable groups:
 - legal aid, especially juvenile justice services and child/woman friendly law enforcement mechanisms
 - psycho-social care and support, e.g. for boys and girls previously associated with the militia
 - integrated anti gender based violence and (post-) FGM services
 - family tracing and reunification
 - birth registration in conformity with identity and citizenship - data capturing is envisaged at school registration or health facilities. .
- c) **Expand the protection monitoring and coordination system;** include the community (traditional and clan management system), and increase public awareness and advocacy on protection issues. Establish indicators and data systems to monitor and evaluate implementation of initiatives.

3.87 As in other areas of social services, the majority of the interventions could initially be implemented, owned and managed directly through existing community structures and/or private enterprises, as the formal public system is generally weak in Puntland and non-existent in South-Central Somalia. Given this situation, the capacity for effectively engaging communities to own and manage programmes will be a critical determinant of programme success or failure.

C. CREATING AN ENABLING ENVIRONMENT FOR PRIVATE SECTOR-LED GROWTH TO EXPAND EMPLOYMENT AND REDUCE POVERTY

3.89 Broad-based growth to generate employment and incomes is central to effective consolidation of peace and reduction of poverty. The immediate post-conflict environment will require that considerable efforts and resources be directed at practical livelihood issues, but broader poverty-reducing growth concerns should underpin the medium- to long-term development agenda. International post-conflict experience suggests that many countries do enjoy a post-conflict "bounce" in the level of economic activity. However, these successful

experiences also show that a good policy environment, substantial progress in developing effective core public sector institutions, and adequate and timely development finance are critical for sustaining growth and thus generating employment and reducing poverty.

3.90 The key to rapid equitable economic growth will be to support the already vibrant Somali private sector and to expand productive capacity in the traditional agriculture, livestock and fishery sectors. Achieving rapid private sector-led growth will require (a) large investments in infrastructure to expand access to markets and sustain trade, (b) the establishment of a simple, transparent and stable regulatory framework that is conducive to market-oriented private sector investment and growth, (c) actions to address specific constraints such as the shortage of veterinary and agricultural services, the poor state of irrigation facilities, and (d) improved access to financial services and credit. Given the very heavy dependence of traditional economic activities on the natural resource base, sustainability of this renewed growth will also depend on the establishment and maintenance of an effective and sustainable management of natural resources.

3.91 Peace and security are necessary for rapid and sustained poverty reducing economic development. So are investments in people to address immediate needs and to improve skill levels. This third pillar complements the first two to achieve a sufficient set of actions to achieve the rapid and sustained poverty reducing growth that is necessary to achieve the overall objectives of this RDF. To do this it includes the following:

- (i) Rebuilding infrastructure**
- (ii) Expanding financial services**
- (iii) Rebuilding key productive sectors**
- (iv) Developing other productive sectors**
- (v) Ensuring sustainable natural resource management**
- (vi) Improving livelihood security**

(i) Rebuilding infrastructure

3.92 For physical infrastructure (such as roads, other transport facilities and power), the needs are immense. Limited maintenance and investment over the past 16 years has resulted in widespread deterioration of infrastructure. Although the severity of the situation differs from region to region, the infrastructure deficit increases the cost of doing business and causes isolation that in turn contributes to and sustains poverty. Improving access to markets by addressing rural isolation and rebuilding infrastructure generally is a key element in the poverty eradication strategy and is also important for political and social integration. All areas need improvements in infrastructure, but limitations on absorptive capacity and resources mean that not all infrastructure needs can feasibly be met within the five-year RDF period. Moreover the challenge of prioritizing and implementing infrastructure improvements is compounded by extremely weak or non-existent institutional and implementation capacity and the depletion of human resources over the past two decades. In addition, to avoid the risk of exacerbating tensions and doubts regarding favouritism and geographic imbalance, the rehabilitation of infrastructure needs to follow strict and transparent selection criteria.

3.93 Lessons from other post-conflict situations show that infrastructure investments will serve four main purposes in development and poverty reduction. First, through the direct benefits of increasing access to basic human services such as education, health care and water supply; second by reducing production costs and providing access to markets they contribute to job creation; third, if investment programmes are well-designed, through employing people directly during rehabilitation and maintenance programmes; and fourth, by linking areas together, improving communication, and encouraging communities to work together for common goals, infrastructure development will play a key role in deepening peace.

3.94 Each of these four elements is desperately needed. Rehabilitating transport infrastructure will help re-establish the physical links torn by war, facilitate the strengthening of social links, and expand regional trade. Achieving this highlights how closely the various reconstruction and development initiatives are interlinked, as increased security and de-mining will be critical preconditions to successful rehabilitation of roads. Moreover, success will require a clear policy environment, with the responsibilities of each level of government clearly delineated. A key constraint to infrastructure network rehabilitation and expansion will be implementation and absorptive capacity. Specific emphasis needs to be given to developing implementation agencies that can achieve sufficiently high fiduciary and procurement standards (see Section 3A under public finance management), and enable the execution of labour-based construction activities. One part of a strategy to address the constraints facing public institutions is to arrange for public-private partnerships for the implementation of large projects.

3.95 The proposed infrastructure rehabilitation strategy focuses first on what is achievable in the short term and the preparation of more ambitious programmes for implementation in the medium term. A core underlying theme will be employment creation through labour intensive strategies and approaches such as community contracting. The short- and medium-term priorities are:

- a) **Road transport.** Initial focus on feeder roads with labour-intensive community-led rehabilitation, coupled with design work and the preparation of implementation and regulatory capacity for larger projects. Addressing rural isolation by improving access will be critical to improving linkages between people groups and alleviating rural poverty. Refine plans for the rehabilitation of major trunk roads from Kismaayo in the south, through Mogadishu to Bossaso, Berbera and Hargeisa in the north, and also to neighbouring countries, so that actual reconstruction can begin as soon as is feasible. It is expected that the reconstruction of some of the major trunk roads will be taken up by bilateral or regional development partners as this could significantly accelerate progress.
- b) **Ports.** Following the recent reopening of the main port in Mogadishu attention can now turn to determining priorities among ports and refining plans for improvement and expansion, and then proceed with the necessary investments to achieve this. The rehabilitation of ports in South-Central Somalia will be important for trade. In addition to major ports, extend the network of secondary ports or jetties both to facilitate the development of local fisheries and to improve sea-based transport links.
- c) **Airports.** Rehabilitate the international airport in Mogadishu and refine rehabilitation plans for other international and regional airports as a prelude to further investments.
- d) **Power.** Initially focus on rehabilitating power generation and local distribution systems, together with the development and promotion of renewable energy sources and alternatives to charcoal. In the medium term, expand generation capacity, establish an interconnecting power grid and expand the distribution system.
- e) **Urban reconstruction.** Urban infrastructure needs are enormous due to increased urbanization and dislocation. Water and sanitation services are an immediate priority. As quickly as possible, integrated urban development plans need to be developed so reconstruction can proceed in a coordinated manner. Given limited overall implementation capacity, urban reconstruction could be phased with the initial focus being on a few geographically spread centres and then moving on to others.
- f) **Institutional development.** Begin immediately to establish institutions to build capacity to plan, prepare and implement infrastructure investments and maintenance in South-Central Somalia. Development of these structures should be initiated immediately so that projects, programmes and pledges are not frustrated by a lack of implementation capacity. As and when possible, link the administrative structures in South-Central Somalia, Puntland and Somaliland to ensure coordination and efficiency.

(ii) Expanding financial services

3.96 The expansion and improvement of financial services will be essential for private sector development to achieve its potential and for domestic firms to compete effectively for reconstruction contracts. Re-establishing financial services after a period of sustained conflict will be a challenging task, and require concerted efforts in terms of managing expectations and building trust in government institutions. As in most conflict-ridden countries, the mistrust in government-owned banks (since the collapse of the state-owned commercial bank in 1989) runs deep. Existing financial services in Somalia are now largely organized around *hawala* dealers and focused on money transfers through informal networks.

3.97 The initial focus of efforts to expand financial services needs to be on attracting sound and credible commercial banks and expanding the range of financial services to include deposit savings and the provision of credit. Hopefully the *hawala* companies, which have to a limited extent functioned as informal microfinance institutions, will be able to expand or enter into joint ventures with foreign banks to offer a broad range of banking services such as deposit facilities, investment lending and trading services. Naturally, prudential regulations and supervisory arrangements will need to be established, though this could initially be provided through the supervision of joint venture partners. Success in attracting joint venture investors will depend on establishing an environment in which property rights and strong corporate governance are the norm and providers of financial services can make reasonable profits and develop an expanding business. This involves strengthening corporate governance, reinforcing property rights and rebuilding public trust in financial institutions. Second, small-scale credit facilities or microfinance institutions need to be established to provide financial services to microenterprises. Thirdly, insurance services are urgently needed to support trade. Without affordable insurance cover, accessing international markets can be prohibitively expensive and hence limit economic growth and recovery.

(iii) Rebuilding key productive sectors

3.98 **Livestock production**, a key source of household income and hence livelihoods for people in Somali-speaking regions of the Horn of Africa, has been seriously threatened by repetitive droughts, environmental degradation of rangelands, the threat of serious notifiable livestock disease, and the ban imposed by the Kingdom of Saudi Arabia on imports of Somali livestock. Nevertheless, livestock production remains a key source of the potential employment and renewed growth that will be so critical for peace building and economic recovery to be successful.

3.99 Priority initiatives should first focus on strengthening public and private veterinary and para-veterinary services in all regions. If Somali livestock exports are to regain their former prominence, then effective control or eradication of major notifiable diseases (eg. Rinderpest, Rift Valley Fever) that have an impact on exports should be initiated as soon as possible in all of the areas of Somalia from which livestock for export are produced. In the short to medium term the best option for achieving improved access to international livestock markets is to persist with the current rolling export inspection process but also initiate strategic investments to make it more efficient, less costly, and less stressful for animals. It is also recommended that in the short to medium term, the Livestock Boards should collaborate and formulate an improved livestock inspection and certification system based on a progressive eradication of major epizootic diseases. At the same time the Boards should also consider the future relative importance of live animal exports versus carcass meat. There is already a substantial trend towards increased carcass meat exports, and the new modern slaughterhouse facility in Mogadishu (a multi-million dollar private investment) is on a par with modern slaughter facilities in Europe or elsewhere. Supporting such a trend could be strengthened by a reformed livestock production strategy for sheep and goats that focuses on turn off at younger ages in line with seasonal shifts in the

carrying capacity of the rangelands, and the expansion and improvement of meat processing facilities in strategic locations. A strategy for more efficient and sustainable production of livestock products could be designed even while traditional production methods are made more effective.

3.100 Much of the important livestock production riverine and inter-riverine areas of South-Central Somalia are infested by the tsetse fly vectors of livestock trypanosomiasis. This disease has the greatest prevalence and impact of any single livestock disease on lowered productivity, and mortality in livestock production systems in South-Central Somalia. Pre-war studies have shown that trypanosomiasis is, without a doubt, the single most economically important disease in livestock production systems in South-Central Somalia. The disease and the presence of the tsetse fly vectors also deny the opportunity for farmers in riverine areas to keep livestock and enjoy the benefits (including of better nutrition) offered by integrating livestock into riverine farming systems. It is then a high priority to initiate tsetse fly control in South-Central Somalia, with the aim of achieving the eradication of the three species of tsetse flies that transmit the disease and which are confined to the Shabelle and Juba riverine and inter-riverine areas. A progressive integrated control approach will be used, relying principally on the deployment of modern efficient insecticide-impregnated attractant traps. Given that tsetse are at the limit of their range in South-Central Somalia, there is a likelihood that the International Atomic Energy Authority (IAEA), which supported the eradication of the tsetse fly (*Glossina austeni*) from Zanzibar, could be interested in supporting a sterile male release control programme for tsetse fly in the Shabelle and Juba valley infestations.

3.101 **Crop production** has suffered particularly badly, as it has been at the heart of much of the conflict in South-Central Somalia – both geographically and with land being a highly sought after resource. Over the past 15 years, sporadic conflict and lack of maintenance have destroyed flood control levees and irrigation systems, prevented reliable access to input supplies such as fertilizer and seeds, heightened market and price uncertainty, and created land disputes resulting from unlawful appropriation of land by warring parties. South-Central Somalia has areas of fertile agricultural land, particularly in the irrigable Lower Shabelle and Juba valleys, and the central plateau of the Bay region. Rain fed agricultural production, principally of sorghum, maize and cowpeas, is the second most important livelihood. The pre-war period produced a surplus;³² even post-1990 some 50 percent of the entire population's cereal requirement has been met through domestic production. Of this, 90 percent is produced in the agricultural areas of South-Central Somalia, where it is estimated that around 200,000 families are solely or partly dependent on agricultural production and sales of agricultural produce for their livelihood.

3.102 Once there is sustained peace, the comprehensive rehabilitation of flood control levees and irrigation systems in the Shabelle and Juba river basins coupled with a system for resolving land disputes (see Section 1A of this chapter) would do much to generate a quick recovery of crop production to pre-war levels, enable self-sufficiency in cereal grain production and generate extensive employment. Moreover, the previous profitability of crop production arising from a strong demand for food crops within Somalia, and well established export markets, for such items as sesame and tropical fruits, suggest that this would be an economically sound investment.

3.103 In the fertile lower valleys and flood plains of the Juba and Shabelle rivers, high-quality tropical fruits (banana, mango, papaya and citrus) are produced. The absence of certain major diseases (eg Black Sigatoka disease in bananas) and no use of chemical fertiliser and pesticides in plantation agriculture in many areas over the past 16 years, means that much of this production can be considered organic. The banana industry dominated Somalia's agriculture sector from the 1970s until 1997, when it was devastated by floods and civil unrest. It was Somalia's biggest

³² In 1989, 625,000 MT of cereal grain produced – probable surplus in excess of national requirement around 35,000 MT

foreign exchange earner after livestock, providing up to US\$ 1 million per month and 8-10,000 jobs for mainly Bantu agricultural labourers, as well as farm management, administration, transport, marketing and export³³. Banana production and export to the EC and other markets has the potential to become a profitable business for Somalia once again.

3.104 Plantation agriculture in the 1980s was not only confined to banana production. By 1990, there were 3,890 ha of grapefruit, and a total of 11,000 ha of sugar cane on two state-owned farms at Mareerey in the Lower Juba and Jowhar in the Middle Shabelle. There were also state-owned rice farms: 1100 ha at Fanoole in the Lower Juba and 300 ha at Baarow Weyne, north of Jowhar; and a small amount of cotton production supplying the Somtex Textile factory in Balcaad.

3.105 Associated with the traditional field and tree crop production there are considerable prospects in various Somali regions for a number of high value specialized crops such as dates, *yicib* (*Cordeauxia edulis*), vegetables, fodder plants, frankincense and myrrh, gum arabic, honey and a range of medicinal plants that could all be developed into significant sources of income for farmers and pastoralists. To help achieve the potential for broad-based employment resulting from an expansion of high-value crop production, it is recommended that the RDF supports the establishment of extension programmes to support the production and marketing of these crops.

3.106 **Fishing.** South-Central Somalia has a coastline of about 1,200 km, with a good potential harvest in view of species diversity. There are also the two large permanent rivers (the Shabelle and Juba), smaller rivers (the Baddana, Caanoole and Bush Bush) in the Kenya salient region and significant areas of swampland into which the Shabelle drains. The extensive mangrove swamps along the southernmost coastal estuaries would suggest good prospects for prawn fishing. Whilst less than 1 percent of the population of South-Central Somalia (around 24,000 people) are estimated to derive their principal livelihood from fishing, and fish is rarely if ever eaten by the majority of the pastoralists, fish is a significant part of the diet of Bantu riverine farmers and of coastal urban communities. The Bajun people, who principally inhabit the Bajuni islands south of Kismaayo are one group that are dependent on fishing. Other fishing communities are located in about 35 coastal villages and towns from Hobyo in the north to Ras Chiamboni at the Kenyan border. Some fish processing facilities are available in the main coastal towns of Adale, Mogadishu, Marka, Baraawe, and Kismaayo and there is a potential for the export of marine products. Currently, "licenses" are issued to foreign commercial fishing vessels by "authorities" in all areas.

3.107 The fishing industry needs to be rehabilitated and action taken to allow marine resources to recover from the predation experienced over the last 15 years, if the potential contribution of fisheries to economic development is to be realized. It is estimated that illegal fishing results in a total export loss of about US\$ 95 million annually, or about 25 percent of the estimated potential annual catch. Somali marine resources have been regularly plundered by between 500 and 1,000 trawlers and other types of ships, of which very few are licensed and most disregard international fishing laws. As a consequence, the once substantial and valuable lobster export trade has suffered, and artisanal fishermen have found it increasingly difficult to sustain an adequate livelihood from lobster harvesting because of the decline in stocks and the destruction to reefs caused by illegal inshore fishing by foreign commercial boats. These boats also destroy nets and other fishing gear owned by artisanal fishermen. Actions are urgently needed to control and license the activities of boats (international and national) fishing in Somali waters, which in turn calls for capacity building of the public and private institutions and services such as a coastguard service needed to enforce this. Investments in public infrastructure in coastal towns and creation

33 IFAD (1979) estimated the permanent labour force on the banana plantations at about 20,000, with as many as 75,000 people dependent on the industry as their principal source of income.

of a regulatory framework and commercial licensing would also have a positive effect on private investments in on-shore fish processing facilities along the coast.

(iv) Developing other productive sectors

3.108 The private sector will be the driving force for economic growth in Somalia, but can only achieve its potential if key constraints are removed. Key among these is the lack of peace and security (discussed in Section 3A), the development of a skilled workforce (discussed in Section 3B) and improvements in infrastructure (discussed earlier in Section 3C). In addition, there is also a need to improve the policy and regulatory environment to help reduce the cost of doing business and to enhance an enabling environment for private sector investment. The entrepreneurial energy of the private sector, which has succeeded in keeping the Somali economy afloat during the past 15 years, can be harnessed to diversify and generate considerably more rapid economic growth and development. Already, there has been significant investment in manufacturing (e.g. soft drinks and water bottling) and service sector activities (e.g. hotels), albeit with relatively short payback period as is typical in high risk situations. In 2002 there were 23 functioning manufacturing plants in Mogadishu covering a range of food processing and light manufacturing activities. Since 1991, the private sector has provided most of the services that currently exist, such as power and water supplies, transportation, social services such as health and education, and a highly effective telecommunications system, thus proving that governments need not always invest in the provision of services. Specific examples include water supply in Jowhar, air transport based on numerous small airports, and telecommunications.

3.109 Telecommunications is an example of such success. After the public telecommunications system was almost completely destroyed in the civil war a number of private telecommunications services emerged quickly but growth was haphazard and resulted in many weaknesses, such as difficulties in making calls between different networks. Problems led to the establishment in Dubai in November 1999 of the Somali Telecommunications Association (STA)³⁴ as a means for self-regulation, collaboration, in-house training and technical assistance. The result is that today Somali companies have invested in the latest technology and, using GSM cellular telephony and satellite networks, provide the lowest international calling rates on the African continent. However, there is a need to establish a Telecommunications Regulatory Authority (TRA) which is independent of both the government and the private telecommunications sector, to ensure efficient frequency allocation, effective interconnection between networks, compliance with equitable business practices, and advocacy on behalf of the telecommunications sector in international fora.

3.110 In South-Central Somalia, peace and security are the current priority preconditions for increased private sector activity and investments. Once peace and security are established, attention could naturally turn to boosting economic activity by providing market access through licensing and regulation, re-establishment of international relations, and investment in infrastructure. Improvements in financial and insurance services would also facilitate integration of Somali firms into the global economy.

3.111 South-Central Somalia has some mineral resources, though perhaps of lesser importance than in Puntland and Somaliland. Pre-war, test wells were drilled and natural gas found near Afgooye. Major oil exploration companies maintain their claims in coastal southern Somalia, and the potential for oil reserves exists. Deposits of sepiolite and meerschaum in the Ceel Buur area of South-Central Somalia have been traditionally carved to make the Somali *burjuko* or charcoal stove, used throughout Somalia. Tin and tantalum were also mined near Ceel Bur in the 1970s and there are deposits of uranium oxide near Dusa Mareeb. Substantial limestone deposits,

³⁴ The STA was based on a Memorandum of Understanding signed by 10 Somali telecommunications companies

suitable for the manufacture of cement are found at Beletweyn on the Upper Shabelle and further south at Bur Caanole and Markabey. A competent and transparent public regulatory and contracting authority within government is needed to manage the decisions over rights by the private sector to exploit these resources.

3.112 More generally, a simple and transparent regulatory framework should urgently be put in place, supported by environmental laws and regulations and necessary institutions, to provide a stable, predictable and market-friendly environment for Somali entrepreneurial energy to generate broad private sector growth. This, together with peace, dispute resolution mechanisms over critical assets such as land, infrastructure rehabilitation, education to improve workplace skills, and the expansion of financial services and insurance options (all discussed in earlier parts of this report) would sharply reduce the cost of doing business in Somalia and enable local firms to respond better to local market opportunities and make them more competitive internationally. It is recommended that governments work with business associations and consumers to develop and implement a transparent and simple licensing system, the establishment of financial institutions and security markets, and over time, anti-trust regulation and anti-corruption laws. Moreover, a code of ethics for public officials and business needs to be developed to underpin business conduct and the interface between public officials and the private sector. Barriers to entry (e.g. bid bonds, registration and letters of credit) need to be reduced, and it is important that different clan groups are seen as having fair access to rehabilitation contracts to avoid renewed tensions between various local groups and between local and international competitors.

3.113 During the reconstruction phase Somalia is also likely to face particular challenges to avoid distortions in the post-conflict economy arising from the large number of international personnel expected to be located in the country. Experience shows that civilian and military personnel tend to create their own economic enclaves, in terms of demand for restaurants, hotels, rental houses, imported food, etc. This takes place at a time when the reconstruction programme will result in a hump of construction contracts in the first two to five years. There is also a risk that the cost of living differentials across regions will increase, with negative consequences for the urban poor.

(v) Ensuring environmental sustainability

3.114 The environment has been severely damaged in recent years because of the absence of effective regulations, irresponsibility on the part of powerful groups and individuals exploiting natural resources, and the desperate search for livelihoods by the poor. Huge areas that were once tree covered rangelands have been reduced to treeless plains, with the result that wildlife has all but disappeared and soil erosion is common. Charcoal is still being exported from Somalia despite the existence of an export ban and charcoal production is a major cause of deforestation. The rangeland for livestock is threatened by frequent droughts, deforestation and overstocking. As a result, biodiversity is also under threat. As mentioned above, marine resources have been so extensively plundered over the last 15 years that the vaunted potential of the Somali fisheries industry may soon be no more than a distant mirage unless substantial actions are taken now. Deficiencies in waste management systems have resulted in hazardous waste being dumped in a number of sites, thus posing health risks. Urgent and rigorous actions are needed to address these issues and to ensure environmental sustainability.

Given the limited public sector capacity, this needs to involve initiatives to stimulate proactive community-based natural resource management. Given that some of these environmental issues stretch across international boundaries, coordination with neighbouring countries and international agencies will also be needed. And in view of the fact that the desperate search for livelihoods is part of what threatens natural resources, success in the effort to achieve sustainable natural resource management will also depend on success with concurrent efforts to generate alternative livelihoods and employment through private sector development and labour intensive works programmes. The key proposed actions are:

- a) **Enforce the charcoal export ban;**
- b) **Intensify pilot reforestation programmes;**
- c) Design and establish institutional capacity to enforce controls of fishing to ensure sustainability of marine resources;
- d) **Undertake a thorough “State of the Environment” report,** including land, forest, water and ocean resources, establish a broad-based National Environmental Coordination Committee, and establish needed laws and regulatory capacity to ensure the sustainable management of natural resources; and
- e) **Investigate the alleged toxic waste sites** south of Gara’ad.

(vi) Improving livelihood and food security

3.116 Improving and diversifying livelihoods and reducing food insecurity depends critically on the success with initiatives spread throughout the three pillars of this reconstruction and development framework, from dispute resolution and the rule of law, to investments to increase workplace skills, and the achievement of rapid sustainable poverty-reducing economic development. It is estimated that 55 percent of the population depend on livestock and related activities for their livelihoods, and that frequent droughts (a climatic feature in the Greater Horn of Africa), population pressure and deterioration of the rangelands, combine to make this an increasingly difficult livelihood. Eighty percent of Somali households rely on natural resource dependent activities for their livelihood and these resources are under threat, as discussed above.

3.117 In the main crop production areas of South-Central Somalia, farming livelihoods have become more vulnerable, because of war and conflicts that have created uncertainties related to land tenure, the deterioration of flood control structures and irrigation systems which have increased farmers’ dependence on rainfall, and the unpredictability of access to inputs and markets. Fishing livelihoods of artisanal fishermen have also suffered, particularly as a consequence of illegal fishing close to shore, because of the damage done to their nets and the associated exploitation of fishery resources to such an extent that many now find it extremely difficult to sustain an adequate livelihood.

3.118 The nature and uncertainty of livelihoods in Somalia at present mean that livelihood and food insecurity is widespread and closely associated with poverty. To improve and diversify livelihoods and to reduce livelihood insecurity it is critical that:

- a) the key productive sectors of livestock, agriculture and fishing are rehabilitated and that their use of natural resources is sustainable
- b) alternative livelihood opportunities are expanded through private sector development of other activities (see Section 3C, iv)
- c) infrastructure is rehabilitated to link markets and reduce the cost of doing business (Section 3C, i)
- d) financial services are expanded, especially microfinance provisions (Section 3C, ii)
- e) workplace skills are improved through education, training and improved healthcare, nutrition and water supplies (Sections 3B, i, ii and iii)
- f) through education, training and improved healthcare, nutrition and water supplies (Sections 3B, i, ii and iii)
- g) through stable macroeconomic management (Section 3A, iv)
- h) conflicts over land and water are resolved and secure access to land is restored (Sections 3A, i and iii), and
- i) peace, security and the rule of law are established in all areas and sustained (Sections 3A, ii and iii).

3.119 In short, success depends on the full and integrated array of reconstruction and development initiatives that constitute this reconstruction and development framework. Initiatives to address the needs of displaced peoples (Section 3B, iv) and actions to protect vulnerable and displaced people (Section 3B, v) are in large part also directly about reducing livelihood uncertainties. Additional complementary livelihood improvement initiatives include (i) livelihood studies with special emphasis on gender, marginalized groups, conflict mitigation and integration issues, and (ii) the preparation of equitable community-based land and resource utilization development plans with full community participation. However, valuable though these would be, they cannot be sustainable alternatives to the core components of the RDF. This three-part reconstruction and development strategy responds to the assessed priority needs of the Somali people. These initiatives are outlined in a sequenced manner in the RBM that constitutes Section 5 of this report

4. IMPLEMENTATION, FUNDING, AND COORDINATION

4.1 Hopefully all the current uncertainties will be resolved quickly, peace and security in South-Central Somalia will be improved, the role of various levels of government clarified and needed capacity established so the full array of priority reconstruction and development initiatives can be implemented soon. Indeed this was what was anticipated and hoped for by all concerned when work began on this Somali Joint Needs Assessment in mid 2005. Unfortunately though, this has not been the case, so there are significant parts of the RDF that cannot yet be implemented. In fact, the persistent uncertainties and lack of administrative and implementation capacity in South-Central Somalia means that relatively little can yet be done there. As mentioned earlier, it has been difficult to implement even humanitarian assistance in many locations, and it would be even more difficult to carry out sustainable longer term reconstruction and development initiatives.

4.2 In this context of continued uncertainty and the lack of existing implementation capacity, this section first discusses options for pressing ahead with a subset of the overall RDF while dialogue to settle outstanding differences between Somali groups and strengthen the implementation environment by building basic institutional capacity continues. Second, it goes on to discuss some key aspects of (a) a financing framework and (b) coordination and monitoring arrangements. Unfortunately ongoing uncertainties restrict this discussion to relatively broad principles and lessons learned from global experience. Specifics regarding a financing framework and implementation and coordination arrangements depend very much on the resolution of ongoing discussions, but this report would be incomplete without some reference to these essential components of the assistance framework.

4.3 Implementation. As mentioned earlier, all three pillars of the RDF are interrelated and mutually reinforcing. Ideally all three pillars would be concurrently implemented as nothing less would be certain to sustainably generate the desired outcome in terms of deepened peace and reduced poverty. The benefits achieved by partial implementation would be fragile and could actually exacerbate tensions. Nevertheless, with due care, every option to improve the current situation needs to be explored. Hence the option of partial implementation at the current time deserves consideration if full implementation remains impossible.

4.4 Ongoing uncertainties and the continuing lack of basic institutional capacity make implementation of much of the first pillar – deepening peace and security and establishing good governance – problematic, especially in South-Central Somalia. Progress already made to a limited extent in Puntland, on reconciliation, peace building and the establishment of basic public institutions makes it possible to implement programmes to improve various aspects of governance there. These include administrative governance (especially at the local government level as relationships with a federal government are yet to be clarified), deepening the rule of law (policing and the judiciary), continued work on land titling and dispute resolution, the reintegration of demobilized militia, de-mining, designing and implementing civil service reform and strengthening fiscal policy and public finance management. However, little of this can be implemented in South-Central Somalia. Possible exceptions include some core capacity building components, such as policing, and top priority parts of the civil service (e.g. the Civil Service Commission, a policy advice unit serving senior leadership, and public finance management).

4.5 Some components of the third pillar - establishing an environment for rapid poverty-reducing development – could also be implemented. These include the expansion of microfinance, and building on ongoing efforts to improve livestock health. But the resolution of land disputes, which is so important for the full recovery of crop production, necessitates the foundations of reconciliation and dispute resolution mechanisms that are not yet present in South-Central Somalia. Large infrastructure initiatives cannot be cost effective without peace and security. Hence, the rehabilitation of power generation and distribution and transport networks could not

be carried out until uncertainties in South-Central Somalia are resolved and basic institutions are in place. Indeed, attempting to implement such projects without first establishing basic peace and security risks exacerbating tensions. Similarly, ensuring sustainable use of natural resources requires collective action and hence the existence of institutional capacity to monitor and enforce such action.

4.6 Financing framework. The most cost effective and coordinated way for the international community to support the Somali reconstruction and development effort is by pooling financial resources in a Multi Donor Trust Fund (MDTF), a financing mechanism with one set of standardized administration, appraisal, implementation, monitoring and fiduciary rules for all participants. An MDTF:

- reduces “transaction” costs for the donors and recipients
- helps the recipient country when its governance institutions are weak
- allows smaller donors to participate without the necessity of having their own resources to monitor and evaluate their contributions
- provides assurance that donor funds are being used for the intended purposes even in a difficult operating environment
- promotes coordination and harmonization amongst the donors, and
- supports a “programmatic” and “strategically sequenced” approach rather than a “project-based” piecemeal approach.

4.7 In the Somali context where there is a blend of short-term needs requiring quick action and large longer-term needs, for which rigorous preparation is necessary, having both the UN and WB involved, with both complementing each other’s strengths, seems most appropriate. The greater flexibility of the UN would help achieve rapid implementation during the first couple of years and financing for political and security activities. The WB’s expertise and focus on medium-term development initiatives and rigorous procurement procedures, plus easier access to NGOs and private sector partners, suggests that it is best placed to focus on these aspects.

4.8 In designing the MDTF it will be important to be very clear about what it is to do and clarify its relationship with any other financing arrangements such as the CAP. In Somalia it will need to be flexible in addressing a range of activities, from recovery, through reconstruction and development. Though it is presumed that it will not directly cover humanitarian needs, it will inevitably, over time, help to address the recurrent causes of humanitarian crises. Moreover, it will need to be flexible in accommodating the differing needs of South-Central Somalia, Puntland and Somaliland (while ensuring geographic balance) and a range of implementing partners as long as they have sufficient fiduciary capacities, including various levels of government, NGOs, private sector and UN agencies. Strong “country ownership” may not be the best option because of the presence of divided and contested political authorities. It will be important to have strong Somali involvement at the strategic and programming levels but not necessarily in appraisal or managerial levels. In all this the MDTF needs to be built on the OECD/Development Assistance Committee (DAC) principals.

4.9 Coordination and monitoring arrangements. International experience has highlighted the importance of having a strategic oversight committee responsible for approving work programmes, appraising projects and implementing agencies, and providing general oversight, as well as an executive committee responsible for mobilizing resources, endorsing priorities, setting general criteria used to determine geographical, sectoral and temporal allocations, and reviewing performance and results. In addition there needs to be an administrator and secretariat responsible for day-to-day management, ensuring the rules and regulations for the MDTF are respected and followed, and reporting on implementation.

4.10 A monitoring agent responsible for reviewing and reporting on procurement, disbursement, and implementation progress is also needed together with clearly established systems for it to receive the needed information for this purpose. Implementing agencies will be responsible for providing up to date information, but the monitoring agent will also need freedom of access to mobilize its own information.

4.11 Some aspects of implementation, coordination and monitoring can be outsourced to lessen the burden on limited existing capacity, especially public sector capacity in the country. Possibilities for this include procurement, accounting and public finance management. And an added benefit to this can be the avoidance of accusations of favouritism among local interest groups. However, in keeping with the sixth guiding principle discussed in paragraph 3.6, such initial arrangements that respond to specific implementation challenges need to be transitional and phased out as local capacity is developed.