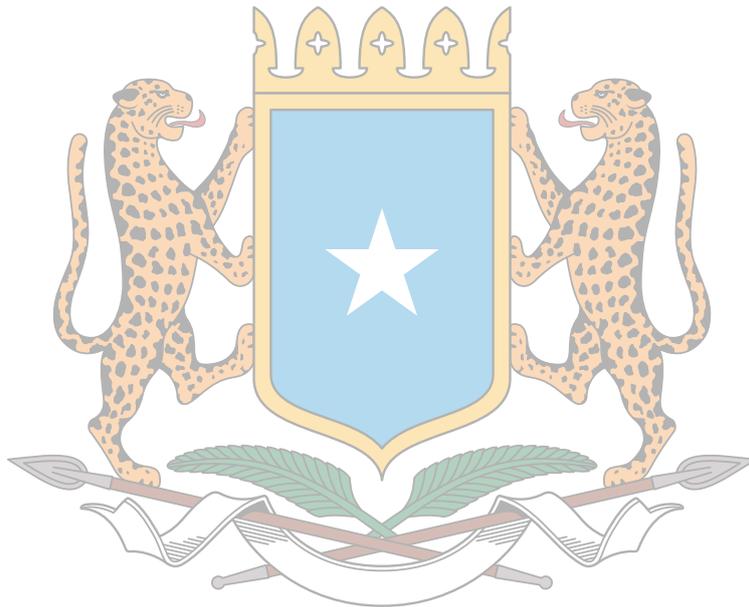


# Federal Republic of Somalia

## Economic Recovery Plan

# 2014-2015

Version Approved by Council of Ministers  
5th September 2013



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## Executive Summary

The window of opportunity now open to Somalia in the form of gains in security, international recognition, and reconciliation must not be allowed to close. Seizing the opportunity to end Somalia's many years of conflict will require economic recovery as well as improved security and justice. This means delivering quick tangible benefits to communities to alleviate poverty, recover household incomes, build trust in government and encourage social cohesion and integration. It also means starting to lay the foundations for future sustainable growth, through strengthening state capacity and legitimacy, identifying longer-term infrastructure priorities, more sustainable management of natural resources, building systems for the regulation and delivery of services and improving revenue collection to finance security and service delivery.

Our approach to this enormous challenge must be well planned and coordinated, based on a common vision. The Federal Government of Somalia's Economic Recovery Plan (ERP) aims to provide this common vision and framework for coordination, together with the New Deal Compact which informed ERP priorities. The ERP is the instrument by which New Deal compact priorities for Peace- and State-building Goal (PSG) working groups 4 (Economic Foundations) and 5 (Revenue and Services) are converted into costed programmes and implemented. The long-term vision is for sustained economic development and poverty alleviation, founded on responsible macroeconomic management, infrastructure rehabilitation and equitable access to services. In the short-term it focuses on providing stability and critical infrastructure in support of productive sectors, specifically agriculture (pastoralism, farming and fisheries), expanding opportunities for engagement of the population in productive activities.

The ERP also envisions a state with enhanced sovereignty and core functions, founded firmly on Constitutional principles. The Government's vision aims to build an enabling environment for the private sector, recognizing the unique and vital role it will continue to play in economic recovery and service delivery. An enabling environment is one that, for example, provides stability and security for farmers and pastoralists through basic infrastructure, supporting social services, and effective regulations.

The ERP sets out a principled approach to guide the transition from emergency relief to early recovery and development. We anticipate these principles will ensure that projects support the emerging peace, support social cohesion and stability, and really begin to revitalize all communities. While in the past many humanitarian and development activities have been run without state involvement, the Federal

Government and local authorities should play an increasing role in managing and monitoring ERP programmes and projects, in close partnership with our development partners and local service providers.

The ERP aims to promote a countrywide economic recovery. At present it covers the 11 regions of South Central Somalia, recognizing that levels of development, peace and stability are not uniform across the country. The ERP does not incorporate the priorities of Somaliland and Puntland, which are far ahead in terms of economic recovery and have outlined their priorities in established Development Plans. However, the ERP does highlight a number of strategic countrywide economic recovery issues that will benefit from inter-governmental dialogue and coordination in future.

The ERP programmes have been prepared by sector line ministries and agencies. Drawing wherever possible on their existing strategies and plans, they prepared ERP programmes with indicative costings (which will be revised following feasibility studies where necessary). The work has been organised around four sectors: Core State Functions, Productive and Natural Resources, Infrastructure, and Social. Rapid Regional and District-level consultations have been undertaken to inform prioritisation. The ERP has also been informed by the New Deal compact priorities, with clear linkages to the Economic Foundations and Revenue and Services working groups. It should be noted that the ERP does not cover the areas of Security, Justice and Inclusive Politics as they have their own dedicated working groups and sector strategies.

Prioritization is absolutely crucial if Somalia is to make the most of its scarce human and financial resources for economic recovery. The submissions from sector line ministries for ERP programmes add up to a total indicative cost of \$662 million (see Table 1). Based on current revenue projections, the Federal Government is aiming to provide \$10 million per year in ERP funding. The total ERP indicative costs for external funding are therefore estimated at \$642 million.

While it is the aim of the ERP to fully fund and deliver these submissions, it is important to focus even further on top priorities in the limited time available. To this end, the ERP emphasises a number of top priority Flagship Programmes. These represent the Government's top priorities for economic recovery, and have a total indicative costing of \$222 million over 2014 – 2015 (see Table 2 for more detail), and will deliver:

- **Rapid upgrading of state capacity** at Federal and local authority level;
- **Productive Infrastructure** (crops, livestock, forestry, and fisheries);
- **Rapid rehabilitation of infrastructure** (ports, urban water and waste);



- **Basic health services for all regions; and,**
- **One million children go-to-school** (500,000 children in South Central Somalia).

The ERP aims to make the best possible use of our international support, organizing it in a more coherent and prioritized way, in line with the principles of the New Deal compact. We do not intend to borrow money, either domestically or externally, to finance Government expenditures during the ERP period.

The ERP is based on clear resource projections. During the next two years we will take every measure possible to increase our own domestic revenues. The resource projections for the ERP period (2014 – 2015) are presented based on two different sets of assumptions reflecting a conservative base case, which projects a continuation of the revenue performance of the past three months but no additional revenue sources, and a more optimistic high case, which contemplates the full implementation of the Government's planned domestic revenue reforms.

We anticipate that stipend support for military and police salaries will continue during the ERP period, to help ensure stability. We are in the final stages of establishing the Special Financing Facility (SFF), with the support of the Government of Norway, which will provide essential financing for civil servants' salaries and a number of key, community-level early recovery projects within the ERP period.

This ERP aims to align donor funding to Government priorities. It represents a first step towards wider use of country systems, by providing clear budget priorities towards which development partners are requested to direct their funding. Development partners will also be requested to provide more information regarding their planned activities for inclusion in the planning and budget process, so that aid flows and their intended results are clearer to Parliament and the people.

In order to have the best chance of successful implementation, the ERP seeks to wherever possible build on existing sector strategies, plans, and implementation modalities. The Government is pragmatic about the need for ERP programmes to be, in many cases, delivered through service providers. The important point is that the programmes should be delivered under a Government coordinated framework and it should be clear to beneficiaries that the resulting infrastructure and services are being delivered by the state.

The ERP is being developed at a time when the Federal Government of Somalia and its development partners have agreed to a "paradigm shift" in the way international resources are managed. The primary vehicle to achieve this will be the proposed Somalia Development and Reconstruction Facility (SDRF) which, if agreed, will ensure a coordinated effort to support the delivery of Compact, ERP and other agreed priorities. Where there is no established implementation modality

for an ERP programme, the Government's preferred implementation channel is the Somalia Development and Reconstruction Facility (SDRF).

A new dedicated mechanism will be established to facilitate implementation monitoring of this ERP Results Framework (Table 3). Led by MoFP, a ministerial level ERP Steering Committee will be responsible for review, endorsement and management of government plans as well as for taking corrective action in case of any bottlenecks to implementation. This flexibility will be essential given the fast changing context in Somalia. The ERP Steering Committee will produce quarterly implementation reports.

Following the Somalia Conference in Brussels September 2013, this ERP will be revised to incorporate feedback from the conference, formalise development partner pledges and further develop M&E arrangements. The ERP provides the starting point for a single integrated annual planning and budget process for the Federal Government of Somalia, and it will therefore also be important to ensure clear links to the 2014 budget process. This will help to ensure that the ERP forms the basis of a flexible, light-touch rolling process suitable to Somalia's fluid context and capacity (hence the ERP's two-year time horizon). The Government, along with donors, Federal Member States and regions will also hold further discussions to agree on a revised ERP, and related financing architecture.

The ERP substantially meets the requirements for an Interim-Poverty Reduction Strategy Paper (I-PRSP). In order to fully meet the requirements, two areas will receive additional attention: additional consultation and broader geographical coverage. This is important because the track record associated with implementing an I-PRSP, and subsequently full PRSP, are important milestones towards HIPC debt relief, which, through arrears clearance, will help to normalise relations with and unlock financing from international financial institutions. During the course of the ERP (2014-16), the Government will start designing a Plan equivalent to a full PRSP.



<b>Table 1: Summary of Economic Recovery Plan Indicative Costs</b>		
<b>Sector/Sub-Sector</b>	<b>Ministry/Agency</b>	<b>Indicative Cost (\$)</b>
<b>I. Core State Functions Sector</b>		
Public Administration Capacity	OPM, Ministry of Labour, Youth and Sport and Civil Service Commission	52,450,000
Revenue Generation and Administration	Finance and Planning	1,330,000
Public Financial Management and Accountability	Finance and Planning	3,650,000
Data and Statistics	Finance and Planning	650,000
Financial regulation	Central Bank, Finance and Planning	52,500,000
Local Authorities	Interior and Security	15,039,000
Solutions for the Displaced	Interior and Security	12,000,000
<b>Subtotal</b>		<b>137,619,000</b>
<i>Of Which ERP Flagship Programmes</i>		<i>41,869,000</i>
<b>II. Productive and Natural Resources Sector</b>		
Pastoralism, Farming and Fisheries	National Resources	51,000,000
Extractive industries (Oil, Gas, Minerals)	National Resources	6,500,000
Environment Management. (Water, Land, Soil and Biodiversity)	National Resources	5,000,000
Information and Communication Technology (ICT)	Information, Posts, Telecommunications and Land Transportation	16,600,000
Industry and Private Sector	Industry and Commerce, SBRD	25,800,000
<b>Subtotal</b>		<b>104,900,000</b>
<i>Of Which ERP Flagship Programmes</i>		<i>51,000,000</i>
<b>III. Infrastructure Sector</b>		
Energy (Electricity Generation and Distribution)	Public Works, Ports, Marine Transport and Energy	38,700,000
Transportation (Roads, Airports, Ports)	Public Works, Ports, Marine Transport and Energy	200,130,000
Urban Infrastructure (Water and Sanitation, Solid Waste Management)	Municipalities	32,950,000
<b>Subtotal</b>		<b>203,280,000</b>
<i>Of Which ERP Flagship Programmes</i>		<i>67,000,000</i>
<b>IV. Social Sector</b>		
Health and Nutrition	Human Development	51,656,567
Education	Human Development	62,580,000
Gender, Social Protection and Resilience	Human Development	20,300,000
Youth and Labour	Labour, Youth, Social Affairs and Sport	12,900,000
<b>Subtotal</b>		<b>147,436,567</b>
<i>Of Which ERP Flagship Programmes</i>		<i>62,000,000</i>
<b>TOTAL ERP INDICATIVE COSTS</b>		<b>661,735,567</b>
<i>Of Which ERP Flagship Programmes</i>		<i>221,869,000</i>

<b>Table 2: ERP Prioritisation: Summary of Flagship Programmes</b>		
<b>ERP Flagship Programme</b>	<b>Plan / Description</b>	<b>Indicative Cost (USD)</b>
<b>I. Core State Functions</b>		
<b>1. Rapid Upgrading of State Capacity</b>	<b>Public Administration Capacity:</b> Top Priority Government buildings rehabilitation (including \$250,000 Priority logistics assessment).	24,000,000
	<b>Revenue Generation and Administration:</b> Strengthening internal revenue control; port customs outsourcing; automation of port revenue management system; institutional assessment of revenue and customs department; revenue department staff training; and, customs staff revenue training on transition to ad-valorem customs valuation.	1,330,000
	<b>PFM and Accountability:</b> PFM capacity building programme, including PFM Education and Training Programme and PFM Training Centre under MoFP.	1,500,000
	<b>Local Authorities:</b> Programme on Stabilization Through the Establishment of Local Councils and Administrations.	15,039,000
<b>Subtotal</b>		<b>41,869,000</b>
<b>II. Productive and Natural Resources</b>		
<b>2. Productive Infrastructure</b>	<b>Pastoralism, Farming and Fisheries:</b> Including crop production (Rehabilitation of vital crop production infrastructures and services, particularly small irrigation infrastructure and Jowhar Dam); and, construction and rehabilitation of laboratories, central drug unit, clinics and ware houses across the country.	51,000,000
<b>Subtotal</b>		<b>51,000,000</b>
<b>III. Infrastructure</b>		
<b>3. Rapid Rehabilitation of Infrastructure</b>	<b>Energy (Electricity Generation and Distribution):</b> Launch the Regional Centre Solar Lighting Program: Materials, transport, security and wages.	24,000,000
	<b>Transportation (Roads, Airports, Ports):</b> Emergency rehabilitation of major ports and jetties (phase 1).	25,000,000
	<b>Urban Infrastructure (Water and Sanitation, Solid Waste Management):</b> Rehabilitation and extension of urban water and sanitation supply infrastructure in major cities and secondary towns. Develop master plans for urban water and sanitation supply and solid waste management.	18,000,000
<b>Subtotal</b>		<b>67,000,000</b>
<b>IV. Social</b>		
<b>4. Basic Health Services for All</b>	<b>Health and Nutrition:</b> Programme including components on: Governance, leadership and management; HR; Basic EPHS available in all regions; improved medical products and technologies.	30,000,000
<b>5. One Million Children go to School</b>	<b>Education:</b> One million back to school children programme – funding for first 2 years in South Central Somalia. Activities under formal education, Alternative Basic Education, pastoralist education, Non-formal Education, Early Childhood Development (ECD), Teacher training, Teacher incentives, school supplies, and support to education sector coordination.	32,000,000
<b>Subtotal</b>		<b>62,000,000</b>
<b>Total ERP Flagship Programme Indicative Costs</b>		<b>221,869,000</b>



It is important to have clear results that will be delivered under the ERP. This will help to manage public expectations on what can be achieved, and ensure there is a way of measuring progress. It is not possible to construct the indicators traditionally used to measure development progress. This is because there is very little baseline data against which to measure progress. Instead, it is proposed that a series of eleven 'Milestones' should be used to measure progress. Because the current situation in Somalia is so fast changing, these will initially be for 2014 only. Milestones for 2015 will be developed mid-way through the ERP period. The provisional ERP Results Framework is presented in Table 3 below.

<b>Table 3: Provisional ERP Results Framework*</b>	
<b>Priority</b>	<b>Milestones for 2014 (and Relevant Section of the ERP)</b>
<b>I. Core State Functions</b>	
<b>Strengthen administrative capacity</b>	1. Functional assignments among ministries and between local, regional, and the federal government are formally established for existing service-delivery policies and programs (Section 11.1, Public Administration Capacity).
<b>Enhance transparent and accountable revenue generation</b>	2. A robust Revenue Mobilization Strategy that will incorporate strong transparency and accountability has been developed and fully financed (Section 11.2, Finance and Planning).
	3. Introduce ad-valorem customs valuation in line with ERP, including training of all port and airport customs officers on its implementation (Section 11.2, Finance and Planning).
<b>Strengthen public financial management</b> to enable the Federal and Regional governments to better manage financial resources in a transparent and accountable manner in of support national priorities	4. A Standard Chart of Accounts (SCoA) developed and used to structure and present both the budget and financial statements in a clear and understandable manner, and a Treasury Single Account (TSA) established in the Central Bank through which all revenue collections and authorized payments are made with regular bank reconciliations (Section 11.2, Finance and Planning).
	5. ERP Flagship PFM Education and Training Programme, including PFM Training Centre under MoFP to provide training to the cadre of PFM practitioners on a sustained continuous basis, developed and fully financed in line with the PFM Strengthening Initiative (Section 11.2, Finance and Planning).
<a href="#">Continued next page...</a>	

<b>Table 3: Provisional ERP Results Framework*</b>	
<b>Priority</b>	<b>Milestones for 2014 (and Relevant Section of the ERP)</b>
<b>II. Productive and Natural Resources</b>	
<b>Promote the sustainable development and management of natural resources</b>	6. A draft proposal for a country-specific legal and regulatory framework for natural resource management has been prepared and presented to the parliament (Section 13.2, Extractive Industries).
<b>III. Infrastructure</b>	
<b>Enhance the productivity of major sectors</b> and related value chains, including through the rehabilitation and expansion of infrastructure for transport, markets access, trade, and energy.	7. ERP Flagship Programmes on <i>Rapid Rehabilitation of Infrastructure</i> and on <i>Productive Infrastructure</i> developed based on broad-based consultations, feasibility studies completed, and financed (Section 10, ERP Flagship Programmes)
	8. Growth strategy with components on youth employment, business enabling environment, and medium- to long-term infrastructure planning prepared is developed and agreed between different regions (Section 3, Vision for Somalia's Economic Recovery).
<b>IV. Social</b>	
<b>Increase the provision of equitable, accessible, and affordable social services</b> by creating a regulatory environment that promotes decentralized delivery and favors key investments in increased access and extended provision of services.	9. First phase of the ERP Flagship "go-to-school" program implemented, including the restoration of basic education, rehabilitation and construction of schools, teacher recruitment, and training and teacher incentives (Section 14.2, Education).
	10. A regulatory framework for the delegation, management, and monitoring of service delivery through service providers has been formalised in health and education. (Section 3, Vision for Somalia's Economic Recovery).
<b>Expand opportunities for youth employment</b> through job creation and skills development.	11. Develop ERP Programmes on short-term labour intensive employment and demand driven skills development are developed and implemented and begin to generate jobs (Section 14.4, Youth and Labour).
<b>Note:</b> *Subject to further consultation and revision following the Somalia New Deal Conference.	



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## Acronyms and Abbreviations

Acronym	Full name
AfDB	African Development Bank
AMISOM	African Union Mission In Somalia
CACAS	Civil Aviation Caretaker Authority for Somalia
CBS	Central Bank of Somalia
CD	Capacity Development
CFW	Cash-for-Work
CPI	Consumer Price Index
DG	Director General
DoH	Directorate of Health (in Ministry of Human Development and Public Services)
ECD	Early Childhood Development
EPHS	Essential Package of Health Services
ERP	Economic Recovery Plan
ESC	Education Sector Committee
ESSP	Education Sector Strategic Plan
FAO	Food and Agriculture Organization
FSNAU	Food Security and Nutrition Analysis Unit
FY	Financial Year
G2S	Go-to-School
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
HR	Human Resources
HSSP	Health Sector Strategic Plan 2013-16
I-PRSP	Interim-Poverty Reduction Strategy Paper
ICAO	International Civil Aviation Organisation
ICT	Information and Communication Technology
IDP	Internally Displaced Person
IMF	International Monetary Fund
IUU	Illegal, unreported, unregulated fishing
JPLG	Joint Programme on Local Governance and Decentralised Service Delivery (UN)
kV	Kilo-Volts
kW	Kilo-Watts
L&M	Leadership and Management
LG	Local Governments
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MFI	Microfinance Institution
MIPTT	Ministry of Information, Communication, Post, Telecommunication and Transport
MOFP	Ministry of Finance and Planning



Acronym	Full name
MOHD	Ministry of Human Development and Public Services
MSME	Micro, Small and Medium Enterprises
MW	Mega-Watts
NGO	Non-Governmental Organization
NICDD	National Institutional Capacity Development Directorate
NSSP	National Security and Stabilization Plan
OECD	Organization for Economic Co-operation and Development
OPM	Office of the Prime Minister of Somalia
PFM	Public Financial Management
PES	Population Estimation Survey
PMO	Prime Minister's Office of Somalia
PPP	Public Private Partnerships
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSG	Peace and Statebuilding Goals
PSG4	Peace and Statebuilding Goals Working Group 4 on Economic Foundations
PSG5	Peace and Statebuilding Goals Working Group 4 on Revenue and Services
QSMS	Quality of Service Measurement System
RDP	Reconstruction and Development Programme for Somalia
RSMS	Radio Spectrum Monitoring System
SBRD	Somalia Bank for Reconstruction and Development
SCoA	Standard Chart of Accounts
SDRF	Somalia Development and Reconstruction Facility
SFF	Special Financing Facility
TSA	Treasury Single Account
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund (formerly United Nations Fund for Population Activities)
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations International Children's Emergency Fund
USD	United States Dollars
V	Volts
VAT	Value Added Tax
WFP	World Food Programme
WHO	World Health Organisation

## Sign-Off by Directors General

### BAAQ

Waxaan soo dhaweyneynnaa Qorshaha Soo Nooleynta Dhaqaalaha Dalka (Economic Recovery Plan) ee hay'adaha federaalka ee Wasaradda Maaliyadda iyo Qorshwyntu ka tahay hormuud ay si wada jir ah u diyaariyeen. Waxaan Bulshada Caalamka ka codsaneynnaa inay nala taageeraan.

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3	Abdulkadir farah Gelle	DG	Ministry of Public Works and Ports	
4	Ahmed Ali Hassan	DG	Ministry of Commerce and Industry ( Acting)	
5	Ahmed Mohamed Iman	DG	Ministry of National Resource	
6	Ali Said Abtidoon	DG	Wasaaradda Arimaha Gudaha & Aminga	
7	Wasaaradda Adeega Bulshada	DG	DUcaale, Adam Mohamed	
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<sup>1</sup> DG is Director General



## Part A

### Context and Vision



## 01 Introduction

The Federal Government of Somalia has developed this two-year Economic Recovery Plan (ERP) which aims to provide a **common vision** for Somalia's pathway to economic recovery, set out **principles** to guide the transition from emergency relief to early recovery and development, identify **priority sectors and programmes** for quick economic recovery and **lay the foundations** for subsequent growth and development. This ERP is **based on existing sector strategies and policies** (see Annex 1) wherever possible so as to enable quick and streamlined implementation.

Foremost this ERP is **grounded in the President's Six Pillar Policy**, which focuses on (i) Full stability - supremacy of law and good governance, (ii) Economic recovery – livelihoods and economic infrastructure, (iii) Peace-building – social reconciliation through building bridges of trust, (iv) Service delivery – health, education and environment, (v) International relations – building collaborative relations and polishing the national image, (vi) Unity and integrity of the country – striving together is a better future. This ERP fits precisely within pillar II and IV on economic recovery and service delivery, but it is very much aimed first at contributing to the creation of a secure, peaceful and stable environment based upon the premise that economic recovery is vital both in itself and for achieving stability in Somalia.

This ERP has been **designed** under the leadership of the Ministry of Finance and Planning (MoFP) in close collaboration with the Office of the President, Office of the Prime Minister and line ministries of the Federal Republic of Somalia. This ERP has been closely coordinated with the New Deal High-Level Taskforce chaired by H. E. Minister of Finance and Economic Planning. To avoid duplication with the existing Security, Justice and Inclusive Politics plans those have not been included in this ERP but will be integrated into the Federal Government of Somalia's single annual planning and budget process coordinated by the MoFP, for which the ERP provides the starting point. This will help to ensure that the ERP forms the basis of a flexible, light-touch rolling process suitable to Somalia's fluid context and capacity. This ERP primarily focuses upon the regions in South-Central which do not already have existing frameworks for economic recovery and for which initial rapid district-level consultations have been possible (see Section 10). A number of strategic economic recovery issues will require further inter-governmental dialogue and coordination across Somalia (see Roadmap for Way Forward in Part C).

This ERP has been approved by the Council of Ministers and will be **presented at the Somalia New Deal conference** to be held in Brussels on 16<sup>th</sup> September 2013. This ERP will be refined following the outcome of the Brussels Conference, when the extent of support from the international community is known and the Federal Government of Somalia is able to carry out final consultations on key elements of this ERP. This ERP aims to complement existing regional recovery and development plans and the Federal Government of Somalia welcomes engagement with all stakeholders in this process (see Guiding Principles in Section 4).



The selection of priorities, programmes and projects has been guided by the following criteria:

- i. The likely economic and social benefits of the programme and project for the people of Somalia and how it contributes to increased stability and harmony
- ii. How the project supports existing strategy and policy documents
- iii. The skills/capacity of government (and implementing partners if proposed to complement government) responsible for different aspects of the programme and project including design, implementation and monitoring
- iv. How likely the programme can be completed within the two year timeframe with reference to an outline programme/project cycle
- v. An estimate of the recurrent cost implications of the programme and project including for example if it requires new staff to run/maintain and who may pay

## 02 Current Economic and Social Situation

### 2.1 Conflict and Fragility

Years of conflict have inflicted a **terrible cost** on the Somali population. Over the last 2 decades conflict has destroyed urban centers and resulted in thousands of civilian deaths. Today, there are over 2 million refugees and 1.1 million internally displaced persons (IDPs) living in Somalia (UNHCR 2013). One of the consequences of the conflict has been the creation of groups with an active interest in sustaining conflict. Somalia's conflict is closely linked to competition over key economic resources, including the state. Regulatory frameworks to reduce the costs of doing business in Somalia are mostly absent or ineffective and the shortage of value-adding sectors to absorb millions of unemployed Somalis has left most without gainful employment. The lack of basic security and safety continues to hinder economic take-off in Somalia.

Despite these challenges, Somalia has retained a vibrant private sector and civil society. For example, in rural areas of the country pastoralists have successfully navigated the absence of state institutions and adapted flexibly to changing regional market conditions. For the first time since the collapse of the state in 1991, we now have a federal government in place committed to good governance, reconciliation and peace. This is therefore the **best opportunity for stability** Somalia has had in the last two decades.

## 2.2 Economy

Although reflecting **highly differentiated regional contexts**, the Somali economy is predominately livestock-based, with livestock and meat responsible for approximately 60% of jobs. Despite recent growth in livestock exports, it is estimated that Somalia's trade deficit has grown from about \$165 million in 2000 to over \$350 million today (Economist Intelligence Unit 2013). Imports consist mainly of manufactured and petroleum products from regional countries, though trade remains hampered by Somalia's lack of integration with other countries. The private sector plays a critical role in service delivery, establishing telecommunications networks, financial services and partnerships with local communities for the delivery of water, power and small infrastructure. But without regulation, consumers remain unprotected and vulnerable and market expansion is difficult.

High levels of **aid and remittances** help sustain the Somali economy. According to the UN, humanitarian and development aid in 2012 was \$750 million, which on a per capita basis is one of the highest in the world. With estimations between \$1-1.5 billion per year remittances are no doubt the single largest contributor to national wealth. In addition to sending remittances, the diaspora can also play an important role in bringing badly needed skills with an estimated 63,000 diaspora returning to Mogadishu in 2012 alone (UNHCR 2013).

There are **no formal financial institutions** in Somalia. However, over the last 20 years, Somalia has seen growth in the informal financial system dominated by Hawalas (money transfer companies). The money transfer companies facilitate transfer of funds from the Diaspora community to their families and for investments. Some of these companies have grown very large and diversified to other areas of business. Also a vibrant mobile payment system has developed alongside the Hawalas. However, they have not been able to grow as financial institutions. Some of them accept deposits but in a limited fashion and none provide credit to consumers and businesses unless they have a stake in the business. They do not function as a cohesive financial system that is able to facilitate economic transactions or international trade.

The lack of a functioning financial system has **condemned Somalia to be cash based** society with the detrimental effect on economic recovery and growth. Both US dollars and Somali Shillings are used for economic transactions, with Somali shillings used mostly for small transactions. The lack of credit means businesses and entrepreneurs have to rely only on their own resources for funds and support from family which limits the number of new businesses and potential for expansion. This is particularly severe for small business, women entrepreneurs and farmers.

## 2.3 Poverty and Social Well Being

Somalia is **one of the poorest countries in the world**. However, as there have been no recent population estimates across Somalia, it is difficult to determine an exact income poverty level. See the table below for recent estimates on poverty (rural and urban). In addition to income, poverty can be measured along multiple dimensions including



food security, access to water and sanitation facilities and levels of health and education. While the 2011 famine has now passed, as of mid-year 2012 over 2 million Somalis faced acute food insecurity, of which 73% resided in the South (UNOCHA 2012). Most Somali's live in rural areas and only 7% of those have access to water sources and only 23% have access to sanitation facilities (Human Development Index 2012).

The **nutritional status of the population is very poor**. Data from 2001 to 2009 shows that over this period, median rates of global acute malnutrition have remained at Serious (10 to <15%) or Critical (15 to <20%) levels (WHO Classification 2000), with a national median rate of 16%. Furthermore annual national median rates of stunting were above 20% i.e. at serious level throughout the period 2001 to 2009. Micronutrient deficiencies are widespread and are at levels of significant public health concern (FSNAU National Micronutrient and Anthropometric Survey, 2009).

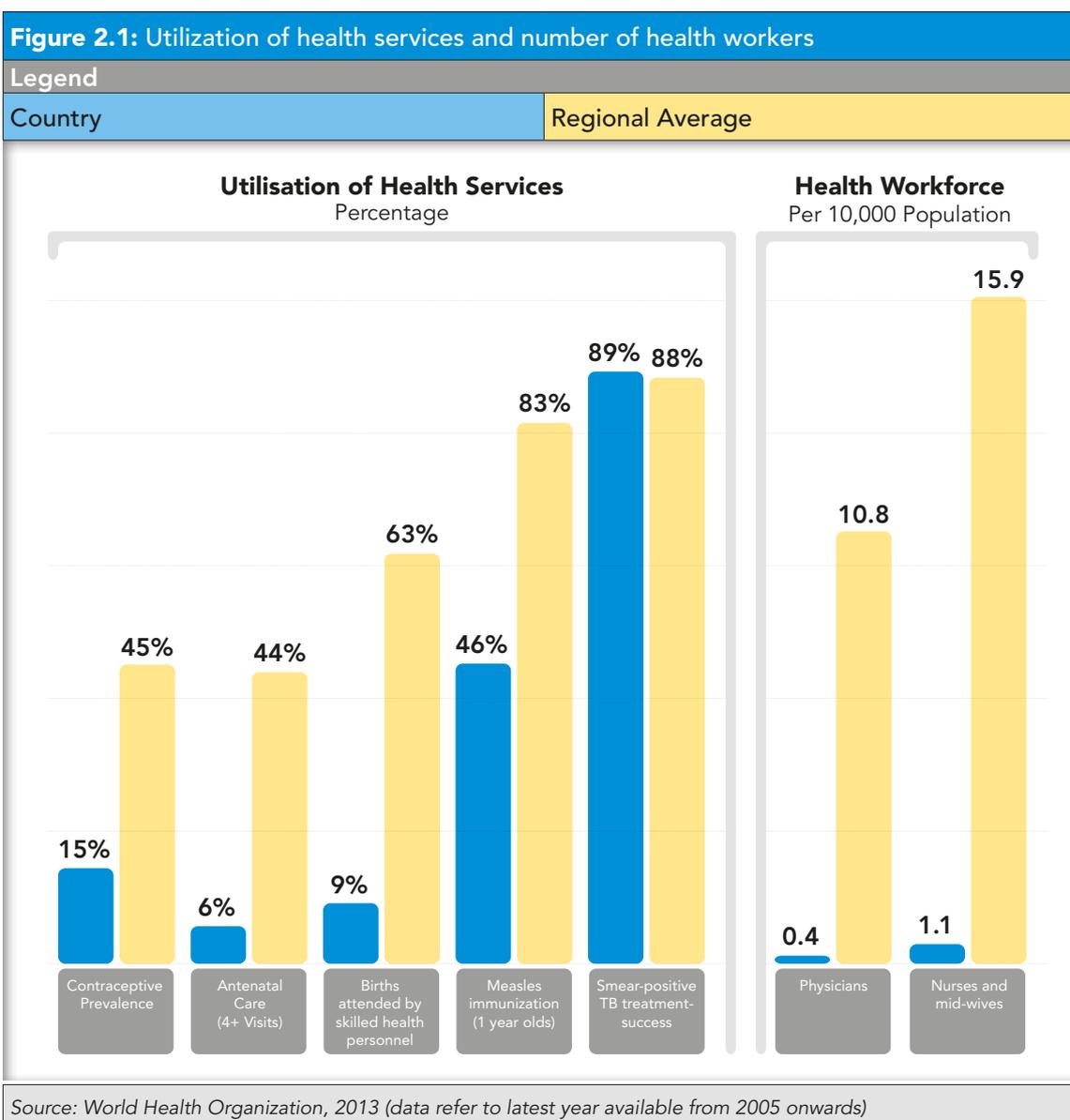
Table 2.1: Poverty Indicators for Somalia	
Indicator	% of Population
Poverty	73%
<i>Extreme poverty</i>	43%
Geographical distribution	
<i>Urban</i>	61%
<i>Rural</i>	80%
Depth of poverty	
<i>One dimension or more</i>	82%
<i>Source: UNDP (2012), '2012 Somalia Human Development Report: Empowering Youth for Human Development.'</i>	

With a **weak though improving formal education system**, secondary school participation – measured by the gross enrolment rate in South Central Somalia - is at only 6% for boys and 3% for girls, (UNESCO 2007/08 Secondary School Survey). Key barriers include lack of sufficient operational facilities, prohibitive schools fees and household demands, with girls in particular less likely to attend school due to domestic responsibilities. It is therefore not surprising that nearly 75% of females between 15-24 years are illiterate. The situation is equally bad for health. Life expectancy at birth is only 51 years and infant mortality rates are estimated to be 108 deaths per 1,000 live births and 180 per 1,000 live births for under-5's (World Health Organization 2013). Estimates for maternal mortality are extremely high at 1,400 per 100,000 live births (Department of Health), and are likely even higher given that most births take place in the home and are therefore not recorded or attended by skill practitioners. There are few existing health services or health workers (see Figure 2.1 below). The few available health services are often run by the private sector, which can result in very high exploitative fees.

In addition to gender disparities across socio-economic indicators, **youth are also disadvantaged**. Over 70% of the population is under 30 years old, and most of those youth haven't received proper education, skills training or employment in their lifetimes, leaving them poorly equipped to engage in social and economic activities and extremely vulnerable, particularly to economic shocks. Almost one-

third (27%) of young women are neither in school or employed (Human Development Report 2012).

**Somalia is classified as a chronically water scarce country.** Over 90% of the arid and semi-arid land areas have extremely limited access to water resources. The two rivers, Juba and Shebelle, are in the south of the country and both originate in the Ethiopian Highlands. Rainfall is scarce and unless retained in dams, the majority of rainwater runs off into the sea or evaporates. Water is therefore one of the main traditional sources of social conflict in Somali society because of its scarcity. It is estimated that 71% of the population of Somalia are still without access to improved sources of drinking water which provides the catalyst for potential water disputes. About 77% of the populations do not have access to safe sanitation services.



## 03 Vision for Somalia's Economic Recovery

### 3.1 Pathway from conflict to sustainable growth and poverty reduction

Somalia's long-term goal is **sustained economic development and poverty alleviation**. The ERP projects have been designed to establish responsible macroeconomic management, strengthen core state functions, rehabilitate damaged infrastructure and promote equal access to services, particularly for the poor. These are essential for working towards longer sustainable growth and poverty reduction.

In the medium-term the **sustainable management and use of natural resources** – through the development of regulatory frameworks and building capacity in key institutions – will enable Somalia's natural resources (primarily oil and gas) to provide key revenue for strengthening public service delivery. Due to the arid nature of the land areas and the extremely limited access to water resources, the sustainable management of Somalia's water resources need serious attention. Like oil and gas, the extraction of water resources need a regulatory framework and sustained management. The ERP will therefore provide a solid foundation upon which the management and use of natural resources will help sustain Somalia's population for the foreseeable future. In this context, the Federal Government of Somalia is considering preparing a 5-year development plan.

In the short-term growing the economy depends upon **stability and reviving critical infrastructure** and priority support to the productive sectors, specifically agriculture (pastoralism, farming and fisheries), along with critical revenue mobilization to support public service delivery and build public support. A strengthened economy will improve opportunities for peace through broad-based engagement of the population in productive activities. Short-term growth strategies will be complemented by efforts to build solid institutional and governance foundations for sustainable growth and poverty reduction. The Federal Government is committed to quickly developing a detailed growth strategy which will help support and inform implementation of the ERP projects. It will have components on youth employment, business enabling environment, medium- to long-term infrastructure planning, and economic engagement of women and other marginalized groups.

### 3.2 The role and legitimacy of the state

In the coming few years, the Federal Government of Somalia faces the complex challenge of organizing elections by 2016, completing a **new constitution** and developing the federal system. The Provisional Constitution lays out the guiding principles but many of the supporting laws, institutions and processes of this

system are yet to be developed. For example, the Interstate Commission (Article 111F) will be an important forum for intergovernmental coordination once established. Social reconciliation at local, regional and national levels must also continue alongside these processes.

Establishing **sovereignty of the state and state-building** is vital for our country. The Federal Government of Somalia is committed to help **restore core state functions** while recognizing the unique and vital role of the private sector and other service providers in service delivery. The Government will create an enabling environment for livelihood enhancement, employment generation, and broad-based inclusive growth. An enabling environment is one that, for example, provides stability and security for farmers and pastoralists through effective regulations, basic infrastructure and supporting social services. In support of this vision, the Government will, in a consultative manner, develop a regulatory framework for the delegation, management, and monitoring of service delivery through service providers.

## 04 Guiding Principles

The Government has defined and applied the following guiding principles when designing ERP programmes and projects in accordance with the selection criteria (see Introduction). These guiding principles center on the Somali people driving their own destiny, achieving peace and stability, engaging the whole country, focusing on the poor who suffer the most, providing quick benefits while laying foundations for the future and partnering with others to maximize impact with existing scarce resources.

### *Drivers of our own Destiny*

With the absence of a state, Somali's have lost out on legitimate government functions. Now is an opportunity to build state sovereignty by governing for the benefit of all the Somali people. The Government also recognizes the importance and vibrancy of the private sector and is in charge of regulation to enhance, coordinate and promote economic development. In the past, many humanitarian and development activities have been run without state involvement. The Federal Government of Somalia is pleased to lead execution and monitoring of ERP programmes and projects, in close coordination with international and local partners. Where donors choose to support this ERP, the Federal Government of Somalia expects them to do so in accordance with the Implementation Plan (Part C) and for financing to increase over time as Government demonstrates its commitment and these programmes and projects bear fruit.



### ***Peacebuilding, Social Cohesion and Stability***

Conflict and collapse of the state has caused great distress and a breakdown of social cohesion. Underpinning and enhancing the vision for the ERP is our focus on **peace, reconciliation, and efforts to support national cohesion**. We are committed to facilitating social reconciliation at local, regional and national levels. We welcome continued development of this ERP with all Somali administrations as well as further review of existing service provision and policy frameworks. In addition, this ERP aims to consolidate and align existing stabilization programmes (such as the Somalia Stabilization Strategy 2013) against ERP priorities to avoid duplication of funding and to ensure one coordinated Somali plan.

### ***Countrywide Economic Recovery***

The Federal Government of Somalia is fully committed to a countrywide economic recovery. Noting Somalia’s position within the wider East Africa, it is imperative to take a holistic approach for the economic development of the country. Somaliland and Puntland are far ahead in terms of economic recovery and both now have established Development Plans. The remaining 11 regions however do not have a comprehensive planning framework for economic recovery, and years of conflict and statelessness mean there are very great recovery needs. The ERP is therefore focused on these regions, helping them to catch-up with the good progress already made in development planning and economic recovery in Somaliland and Puntland. There are however also a number of strategic countrywide economic recovery issues (for example issues relating to regulations and standards facilitating wider integration, strategic infrastructure, tax harmonization, trade and monetary policy) that will require **inter-governmental dialogue and coordination**. We therefore propose that the institutions envisaged in the inter-governmental Provisional Constitution such as the Interstate Commission (Art. 111F) be constituted in order to coordinate this essential work. The ERP also seeks to learn from, and build on, examples of good practice inter-governmental coordination already underway such as the inter-governmental coordination formalized in the health sector (see Section 14.1), the UN Joint Programme on Local Government (UNJPLG) (see Section **Error! Reference source not found.**) and the inter-governmental division of resources relating to the joint-management of Somali airspace.

### ***Early Poverty Reduction Focus***

This ERP seeks to **start addressing the abject poverty** that has emerged over 20 years of conflict. The majority of Somali livelihoods are insecure and vulnerable. Gainful employment opportunities, especially for women and youth, are urgently needed. An early focus on poverty reduction can help ensure that basic health and education services, food, and medicines are available to Somali citizens. The Government is determined to enable the development of quality social services for all Somalis, many of which are helplessly living in and suffering from poverty. Starting to reduce poverty can help with economic recovery; better nourished, better educated, healthier Somalis are better placed to contribute to and share in economic recovery.

### **Quick Benefits and Solid Foundation**

First, this ERP seeks to provide **quick tangible benefits** to communities to alleviate poverty that has emerged over 20 years of conflict. There is an urgent need for recovery of family incomes so that people can better support themselves. Such employment can also help build our basic economic infrastructure, build trust in the government and encourage social cohesion. An early focus on basic service delivery is needed so that basic health services, food, and medicines are available to increasing numbers of Somali citizens in a manner clearly attributable to the state. Second, the Federal Government of Somalia is determined to start the process of **laying foundations** for the future, such as a stronger and more highly skilled labour force, banking and finance facilities and transportation networks.

### **Revitalizing local communities**

This ERP seeks to **involve all segments of the Somali population**, including and particularly women and vulnerable groups, ensuring Somalis will be not just beneficiaries but the actors in the recovery. Recognizing the role women and other vulnerable groups have traditionally played and continue to play as key economic actors in income generating and productive activities, this ERP seeks to leverage their contributions through the promotion of recovery initiatives by communities themselves by equipping them with resources and tools. A wide range of Somali private sector, as well as civil society, persons will be mobilized as both recipients of assistance and managers and monitors of early recovery. This will mean that interventions will make use, whenever possible, of local labour, products and services. Activities will also endeavour to promote participation of women and other groups in training, employment and income generating opportunities. Adherence to this principle will provide a vital stimulus to the grassroot local economies by supporting job creation.

### **Delivering through Partnerships**

We are realistic about our own limits on capacity. We thus intend to pursue a balanced approach to administrative development. We do not expect to radically expand state capacity to deliver public services during these first 2 years. At least over the coming two years the Federal Government of Somalia will focus upon **establishing appropriate service and delivery standards**. We will also look at the potential for public-private partnerships for service delivery that allows for partnerships with non-state actors. Together we must use our limited resources carefully so that each input, be it human, financial or technical, is carefully targeted, to ensure a brighter future for Somalis. It is therefore essential that all actors involved agree to share information, coordinate their interventions in a mutually reinforcing and transparent manner, and that their activities be undertaken within the priorities of this ERP and related implementation documents.



## 05 Economic Recovery Strategy

### 5.1 Overall Priorities

The following two strategic goals are set as the guiding priorities for the ERP. These high level priorities were identified through New Deal Compact process, by the Working Groups on Economic Foundations and on Revenue and Services.

#### *Revitalize and Expand the Somali Economy*

To revitalize and expand the Somali economy with a focus on livelihood enhancement, short-term employment generation and the promotion of broad-based inclusive growth. This will be achieved by enhancing the productivity of major sectors and related value chains, including through the rehabilitation and expansion of infrastructure for transport, markets access, trade, and energy. Expanding opportunities for immediate youth employment through focused short-term job creation and commencing medium-longer term skills development driven by labour market analysis and set within agreed frameworks ensuring quality of training undertaken. We will also focus on promoting the sustainable management of natural resources by developing legal and regulatory frameworks.

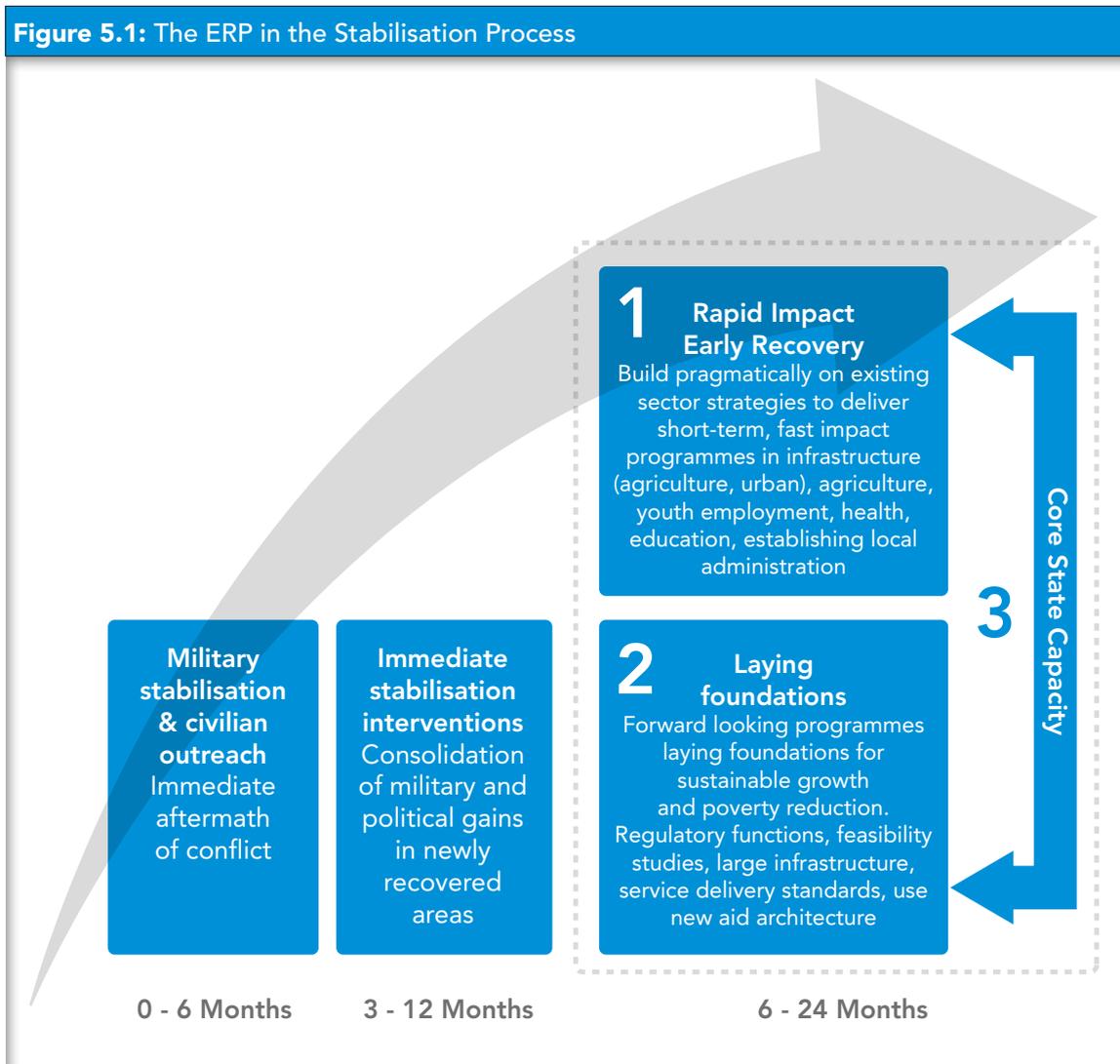
#### *Increase the Equitable, Affordable, and Sustainable Delivery of Services*

To increase the equitable, affordable, and sustainable delivery of services that promote national peace and reconciliation, address gender disparities and enhance transparent and accountable revenue generation and equitable distribution and sharing of public resources. This will be achieved by expanding the provision of equitable, accessible, and affordable social services (education, health and nutrition, water and sanitation, and social protection) by creating a regulatory environment that promotes decentralized delivery and favours key investments in increased access and extended provision of services. Concurrently we will also enhance transparent and accountable revenue generation and strengthen PFM to enable the Federal Government of Somalia and member states to better plan, develop and implement transparent and accountable budgets that support national priorities.

### 5.2 Strategy for Fast Recovery and Foundations for the Future

Revitalizing and expanding the Somali economy focuses on **short-term, fast-impact** measures that can spur job creation and productivity and ensure the basis for longer term inclusive growth. The projects in this ERP wherever possible include 'quick-wins' to help achieve this. As our economy is mostly based on pastoralism and farming we will target critical infrastructure bottlenecks – whether specifically within agriculture or other related sectors – to unlock job creation and strengthen livelihoods. In the short-term we will be pragmatic building upon what exists so that we can act quickly and use our scarce resources wisely.

In addition, increasing service delivery focuses upon **laying a foundation for medium-to long-term** economic development and poverty reduction. Investing in health and education – and specifically the Government’s capacity to manage this – will build Somali human capital for the future and ultimately deliver better value-for-money. The Government will help improve the quality of and access to social services by concentrating first on light regulations and then on promotion of training of teachers and health workers. A key priority is to enable an additional 1 million (500,000 in South-Central alone) children to access primary education during the course of the ERP. Secondary and tertiary education and curative health services will be left in the hands of community and private providers, at least through the short to medium term. Figure 5.1 shows how these two approaches to implementing the ERP – fast impact early recovery and foundation laying – complement one another and relate to the stabilisation process.



Cutting across all areas of the ERP, state-building will depend on **upgrading public sector capacity** at federal and regional levels in accordance with the Provisional Constitution. The Federal Government of Somalia is committed to playing a crucial role in developing the regulatory policy and building capacity of key institutions that oversee the productive sectors and emergency rehabilitation of key infrastructure. The Government will target employment opportunities for young people, including consideration for the gender-differentiated needs and constraints of male and female youth. The Federal Government of Somalia is also committed to developing a detailed revenue mobilization strategy during the course of the ERP, built on principles of transparency and accountability and aligned with the PFM Reform Action Plan and annual budget. Emphasis will be placed on simple, feasible, and practical approaches to enhance tax collections and broadening the tax base.

## 06 The Macroeconomic and Fiscal Framework

This section provides a broad three-year macro-economic framework for the ERP. This macro-framework will continue to be updated and refined, in particular in relation to yearly budget submissions. To this effect the government, shortly after being acknowledged as the de jure government of Somalia by the World Bank and International Monetary Fund (IMF), has started technical discussions on the macroeconomic framework and will continue to seek the appropriate technical and policy support to build a strong macro-economic policy for the country.

### 6.1 Macroeconomic Objectives

The Government's macroeconomic policy goals are to support the ERP objectives of economic revitalization and poverty alleviation through:

1. Enabling the uptake of strong and inclusive economic growth
2. Maintaining price stability
3. Managing exchange rate volatility

The Government is committed to carry out macro-fiscal policy to ensure that the budget is financed and executed consistently with its macroeconomic policy objectives of inclusive growth and macro-economic stability and is based on realistic economic forecasts. The Government will also ensure good macro-fiscal co-ordination by strengthening the close working relationship between the Central Bank and MoFP. The Government is designing with the IMF and other international partners, such as the World Bank, UNDP, and African Development Bank, a programme of technical assistance to build up its capacity for macro-economic policy making, including the production of robust and timely economic and fiscal data.

## 6.2 Fiscal Framework

### *Resource Envelope*

MoFP is responsible for estimating the overall level of resources available to finance the budget, consistent with Government's targets for macroeconomic stability. These estimates of the 'resource envelope' comprise three major components: revenue, expenditure and financing. Every year, MoFP prepares a forecast of the resource envelope that covers one financial year, and is used as a basis for budget preparation. For the ERP, the forecast covers a multi-year period, and it will be reviewed each year at time of budget preparation. The fiscal framework of the ERP serves to demonstrate consistency with the macro-economic stability objective of the Government, and to indicate the scale of the resource gap faced by Government relative to its priority projects.

Estimation of the resource envelope is based on a number of key principles. These include ensuring that (i) estimates for revenues are realistic, taking into account the legal framework for taxation as well as the projected impact of revenue reforms, the Government's administrative capacity for tax collection and its forecasts for economic activity; and (ii) any projected difference between revenue and expenditure can be financed without resorting to levels of domestic borrowing that are incompatible with low and stable inflation.

In line with these principles, the resource envelope prepared for the ERP makes the assumptions detailed in the following paragraphs.

### Domestic Revenues

At present, the Government's main source of domestic revenue is customs duties collected at Mogadishu port and Mogadishu International Airport, which in early 2013 have been averaging a total of \$5 million per month. Over the last 3 months, recent measures adopted by the Government have been able to raise monthly customs revenue at Mogadishu port and airport to around \$5 million and \$1.5 million per month respectively. These revenues are supplemented by sales tax (primarily on khat) collected at both the port and the airport, and income tax on Government salaries.

During the ERP period, the Government intends to increase its domestic revenues through the following measures:

- Strengthening customs tax collection by moving fully to ad-valorem duty valuation.
- Introducing taxes on mobile phone and financial transfer companies
- Introducing corporate tax for all registered private sector companies



- Introducing income tax on the salaries of employees of registered private sector companies
- Expanding customs administration to Kismayo Port, and agreeing on revenue sharing arrangements with local authorities.

The Government also intends to discuss a revenue-sharing mechanism with other regions of Somalia beyond South-Central during the lifespan of the ERP.

### Donor Grants

At present, most donor support is off-budget and off-treasury, meaning that it directly funds activities implemented by service providers, without passing through the Government's budget or Government's treasury accounts. However, Government does receive stipend support for military and police salaries, and this support is currently expected to continue during the ERP period. Likewise, we are in the final stages of establishing the Special Financing Facility (SFF), with the support of the Government of Norway, which will provide financing for civil servants salaries and a number of key, community-level early recovery projects within the ERP period. The SFF is likely to evolve into a larger Multi-Partner Fund that would receive a larger amount of donors funding.

This ERP aims to align donor funding to Government priorities and represents the first step towards wider consideration of country systems, by providing clear budget priorities towards which the donors are requested to direct their funding. See aid architecture and financing section in Part C of this ERP.

### Financing

The Government does not intend to borrow money, either domestically or externally, to finance Government expenditures during the ERP period. As per the Central Bank Act 2011, the Central Bank is barred from lending to Government, except for temporary direct advances to smooth revenue flows within the fiscal year.

### Resource Estimates

The resource estimates for the ERP period (2014 – 2015) are presented below on two different sets of assumptions reflecting a conservative base case, which projects a continuation of the improved customs revenue performance of the past three months in Mogadishu, but no additional revenue sources, and a more optimistic high case scenario which contemplates significant progress in the implementation of the Government's planned domestic revenue reforms. A more detailed description of revenue measures and associated technical assistance requirements is set out in the Revenue Generation and Administration Section in Part B of this ERP. As for donors grants, given the effort of the Government to present a realistic spending proposal, it

is expected that new donor funding will meet most but not all of the financing need of this ERP while other forms of support to recurrent expenditures not explicitly included in the ERP, for example stipends, will continue on a declining basis.

**Table 6.1: Domestic Revenue Mobilization: High and Base Cases (\$ million)**

Scenarios	2012	2013		2014 Forecast	2015 Forecast
		End July	End Dec		
High Case	30	48	88	203	221
Base Case	30	48	88	128	143

The base case resource estimates project a steady increase in domestic revenues over the ERP period, which are forecast to grow by around 50%, relative to the projected outturn for 2013. In the high case scenario domestic revenues would more than double. Both scenarios show the considerable revenue effort that the Government is undertaking.

Existing donor grants are projected downward, as per current commitments - specifically, the one-off nature of support from Turkey (in 2013) and the SFF (a one year facility, not expected to be operational beyond 2014).

Overall, as a result of higher domestic revenue mobilization and international financial support, resource availability is estimated to increase substantially over the ERP period.

While the Federal Government of Somalia expects pledging at the Brussels Conference to go a long way towards covering the financing needs of the ERP, the Government intends to commit parts of the domestic revenue to the ERP. The financing of the priority interventions outlined in this Plan will only be possible if the Government is able to mobilize substantial additional support from the international community.

### **Expenditures**

The first priority for the Government expenditure is to cover the cost of existing security sector and civil service personnel, currently amounting to around \$85 million per year. The second priority is to provide enough operational cost funding for the security and civil service to be able to operate effectively. Operational expenditures are estimated at about \$30 million for the next year. Overall projected domestic revenues for next year should be sufficient to cover the core recurrent budget of \$120 million. If as expected revenue measures allow raising more funds, these will be allocated to the following priorities: (i) strengthening security in the country; (ii) recruiting critical missing public service personnel; and (iii) funding the ERP and funding the investment budget.



### Overall Fiscal framework

The overall fiscal framework deriving from the forecasts described above, and from the costing of the ERP, is presented in the tables below, both for the base case and the high case scenario. In the base case scenario, the government limits the expansion of recurrent expenditures compared to its priority, and the remaining fiscal gap is resorbed by limiting domestic funding of the ERP priorities. In the high case scenario, the government can meet all its priorities, and contribute towards the full funding of the ERP.

<b>Table 6.2: Summary ERP Fiscal Framework – Base Case Scenario (\$ Million)</b>			
	<b>2013 Est.</b>	<b>2014 Forecast</b>	<b>2015 Forecast</b>
<b>Total Revenue</b>	<b>129</b>	<b>383</b>	<b>567</b>
<b>Domestic Revenue</b>	<b>88</b>	<b>128</b>	<b>143</b>
International Trade	62	96	110
Direct Tax	1	2	2
Indirect Tax	7	12	13
Non-tax revenue	18	18	18
<b>Grants</b>	<b>42</b>	<b>256</b>	<b>424</b>
o/w ERP support	-	222	420
Other grants	42	45	23
<b>Total Expenditure</b>	<b>136</b>	<b>383</b>	<b>567</b>
<b>Recurrent</b>	<b>136</b>	<b>155</b>	<b>149</b>
Wage	91	95	99
Non-Wage	40	60	50
Contingency	6	-	-
<b>Capital</b>	<b>-</b>	<b>7</b>	<b>7</b>
<b>ERP</b>	<b>-</b>	<b>221</b>	<b>411</b>
Foreign Financed	-	221	420
Domestically financed	-	10	10
<b>Financing (Incl. Arrears)</b>	<b>7</b>	<b>-</b>	<b>-</b>
External	-	-	-
Domestic	7	-	-
<b>Fiscal Gap/Surplus (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Source: Ministry of Finance and Planning.*

<b>Table 6.3: Summary ERP Fiscal Framework – High Case Scenario (\$ Million)</b>			
	<b>2013 Est.</b>	<b>2014 Forecast</b>	<b>2015 Forecast</b>
<b>Total Revenue</b>	<b>129</b>	<b>421</b>	<b>605</b>
<b>Domestic Revenue</b>	<b>88</b>	<b>203</b>	<b>221</b>
International Trade	<b>62</b>	<b>126</b>	<b>139</b>
Direct Tax	1	47	52
Indirect Tax	7	12	13
Non-tax revenue	18	18	18
<b>Grants</b>	<b>42</b>	<b>218</b>	<b>384</b>
o/w ERP support	-	184	380
Other grants	42	45	23
<b>Total Expenditure</b>	<b>136</b>	<b>421</b>	<b>594</b>
<b>Recurrent</b>	<b>136</b>	<b>187</b>	<b>183</b>
Wage	91	125	121
Non-Wage	40	60	60
Contingency	6	2	2
<b>Capital</b>	<b>-</b>	<b>13</b>	<b>-</b>
<b>ERP</b>	<b>-</b>	<b>221</b>	<b>411</b>
Foreign Financed	-	184	380
Domestically financed	-	48	50
<b>Financing (Incl. Arrears)</b>	<b>7</b>	<b>-</b>	<b>-11</b>
External	-	-	-
Domestic	<b>7</b>	-	<b>-11</b>
<b>Fiscal Gap/Surplus (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Source: Ministry of Finance and Planning.*

### 6.3 Monetary Policy

Within the ERP period, the CBS intends to strengthen its capacity to manage monetary policy and maintain price stability. While the economy is largely dollarized, currency reform will be initiated to reduce the volatility of the Somali shilling, which impacts mainly the poorest people who depend on the national currency for small transactions. Somali Shillings currently in circulation are old, debilitated, mostly counterfeit, and not in sufficient quantity which severely limits economic transactions.

At present, CBS has no influence over the exchange rate, as it does not control the domestic money supply and has limited foreign currency reserves. The exchange rate is set daily on an ad hoc basis by large currency traders operating in Mogadishu, based on their assessment of the current availability of USD. Once CBS increases its capacity to control the domestic





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money supply, and as it gradually builds up its reserves, it will be in a position to smooth exchange rate fluctuations within the context of a floating rate.

**6.4 Policy and Institutional Reforms**

To carry out the macro-economic policy, the government will need to strengthen capacity of economic and financial institutions, in particular MoFP (including core Departments such as Central Bureau of Statistics, and Revenue services and functions) and the Central Bank. Enhanced capacity will be directed at evidence-based policy making, Public Financial Management, development of Financial Sector payment systems, economic and financial regulations, development of key statistical systems. Details of programmes supporting such institutional strengthening are included in this ERP.

## Part B

### Priorities for Economic Recovery

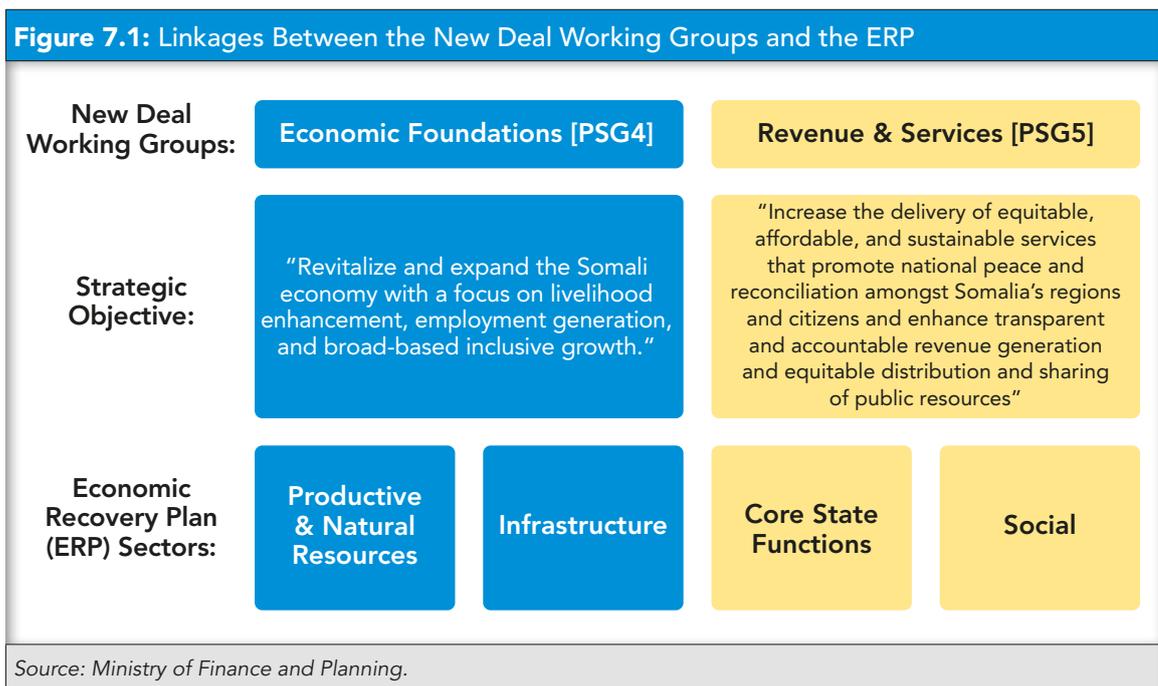


Coffee Shop  
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## 07 Overall Structure of the Plan

The ERP has been prepared based on submissions from sector line ministries and agencies and drawing on the priorities developed in the New Deal compact process. For the purposes of the ERP they have been arranged into four Sectors which reflect the main priority areas of the plan: (i) Core State Functions; (ii) Infrastructure; (iii) Productive and Natural Resources; and, (iv) Social Sector. Each Sector groups together a number of related line ministries and agencies.

The four ERP Sectors are closely linked to the New Deal PSG working groups of Economic foundations (PSG4) and Revenue and Services (PSG5) as described in Figure 7.1 below. By linking the preparation of the ERP to the New Deal compact process, the ERP has benefited from significant consultation with civil society, parliamentarians, and development partners regarding overall strategic objectives, priorities and associated actions. The ERP is the planning instrument by which New Deal compact priorities for PSG working groups 4 and 5 are converted into costed programmes and implemented.



The extremely important areas of Security, Justice and Inclusive Politics are not included in the ERP. This is because they have their own dedicated working groups and have already developed clear sector strategies. It is envisaged that these working groups will ultimately also be integrated into the Federal Government of Somalia’s single integrated annual planning and budget process which is

coordinated by MoFP. The ERP therefore represents the beginning of a planning and budgeting process for the whole of Government. This will be a flexible, light-touch rolling process suitable to Somalia's fluid context and capacity (hence the ERP's two-year time horizon).

Regional and District-level consultations helped to ensure that some regional and community priorities are reflected in the ERP. The results of the rapid regional consultations, focusing on rapid infrastructure rehabilitation priorities, are summarized in Section 8 below. More in-depth regional consultations with Districts are planned for the future, as described in Section 18 (Roadmap for the Way Forward) in the spirit of the devolved structure of government set out in the Provisional Constitution. Submissions for the ERP received from sector line ministries and agencies are summarised in Sections 11 - 14 below.

## 08 Rapid Regional, District and Community-Level Consultations

### **Approach**

Prioritisation should also be informed by extensive consultation. To this end, on the 18<sup>th</sup> of July, 2013, H.E. Minister of Finance and Planning fielded an integrated team of national professionals to visit accessible regions, districts and communities in order to create awareness among the public in connection with this ERP and identify their priorities. Fieldwork was undertaken in 11 districts in Lower Shabelle, Middle Shabelle, Hiran, Gal Gudud, Himan and Heeb, and Kismayo regions. In each case, separate meetings were held with local authorities and community representatives.

The assessment teams consisted of representatives from MoFP, sector ministries and a team of civil engineers and surveyors. In addition, community facilitators for each region were also incorporated into the above teams. While the engineers and surveyors were taking care of properties and relevant infrastructure, the ERP/MoFP and sector representatives team carried out local consultations.

### **Selection of Regions and Districts**

District selection aimed for broad geographic coverage, access permitting. Afgoye and Jowhar Districts were selected from the Middle/Lower Shabelle regions. Belet Weine was the only district under the government and was also chosen for the concentration of economic productive infrastructure and smallholders under irrigated conditions. In the Central Regions, Adado was covered for Himan and Heeb administration, while A/Wak, Balan Balle and Herale were covered as Districts for the Gal Gudud region. Kismayo region was covered



by national professionals who had particular access to the region. The Federal Government also hopes to hold consultations with Puntland and Somaliland in conjunction with the New Deal process.

**Lessons Learned**

Despite a fundamental difference on issues relating to political, economic and social landscape, communities consulted with had one thing in common: **they expressed grassroots reconciliations and service delivery as their absolute priority.** The concern of local authorities revolved around restoration of peace, rehabilitation of governance and productive infrastructure and some district specific issues as described in the table below. Almost all expressed their enthusiasm with regard to a return of statehood and sovereignty for the land and nation of Somalia, and were tired of instability and insecurity in the country.



Abdulwak Primary School, visited during regional consultations.  
Source: Ministry of Finance and Planning



Balanballe Youth Centre, visited during regional consultations.  
Source: Ministry of Finance and Planning

<b>Table 8.1: Identified Community and District/Regional Priorities</b>			
<b>Location</b>		<b>Priorities</b>	
<b>Region</b>	<b>District</b>	<b>Community priorities</b>	<b>District/regional priorities</b>
<b>L. Shabelle</b>	<b>Afgooye</b>	<ul style="list-style-type: none"> <li>- Farm inputs</li> <li>- Income generating activities</li> </ul>	<ul style="list-style-type: none"> <li>- Rehabilitation of governance infrastructure</li> <li>- Security</li> </ul>
<b>M. Shabelle</b>	<b>Jowhar</b>	<ul style="list-style-type: none"> <li>- Rehabilitation of the Jowhar Dam</li> <li>- Flood control measures</li> <li>- Farm inputs</li> <li>- Income generating activities</li> </ul>	<ul style="list-style-type: none"> <li>- Rehabilitation of governance infrastructure</li> <li>- Security</li> <li>- Rehabilitation of Jowhar dam</li> <li>- De-silting of Shabelle river</li> <li>- Restoration of the small scale rice production and processing facilities</li> </ul>
<b>Hiran</b>	<b>Belet Weine</b>	<ul style="list-style-type: none"> <li>- Support in rehab/provision of smallholders agricultural marketing infrastructure</li> <li>- Construction of Livestock Export handling grounds in B/Weine</li> <li>- Support in promotion of women-led small scale weaving coops</li> </ul>	n/a
<b>Gal Guduud</b>	<b>A/Wak Balan Balle Xeraale</b>	<ul style="list-style-type: none"> <li>- Grassroots reconciliation</li> <li>- Support in rehabilitation and modernization of Lstock Export Handling grounds</li> <li>- Rehabilitation of water surrounding environment</li> <li>- Income generating projects</li> </ul>	n/a
<b>Gal Mudug<sup>1</sup></b>	<b>Gal Kacyo Hobyo Gallinsoor Bandiir-adley</b>	<ul style="list-style-type: none"> <li>- Grassroots reconciliation</li> <li>- Support in rehabilitation and modernization of Lstock Export Handling grounds</li> <li>- Rehabilitation of water surrounding environment</li> <li>- Income generating projects</li> <li>- Completion of the ongoing Hobyo Lstock Export Port proposed in '80's</li> </ul>	n/a
<b>Himan and Heeb Admin.</b>	<b>Adado District</b>	<ul style="list-style-type: none"> <li>- Grassroots reconciliation</li> <li>- Support in rehabilitation and modernization of Lstock Export Handling grounds</li> <li>- Rehabilitation of water surrounding environment</li> <li>- Income generating projects</li> </ul>	n/a
<b>Lower Juba</b>	<b>Kismayo district</b>	<ul style="list-style-type: none"> <li>- Grassroots reconciliation</li> <li>- Rehabilitation of productive infrastructure</li> <li>- Income generating activities'</li> <li>- Rehabilitation of Sea port and airport</li> </ul>	n/a

<sup>1</sup> In conjunction with the fragility assessment  
Source: Compiled by Ministry of Finance and Planning, and sector ministries, from rapid consultations.



## 09 Prioritization for Economic Recovery

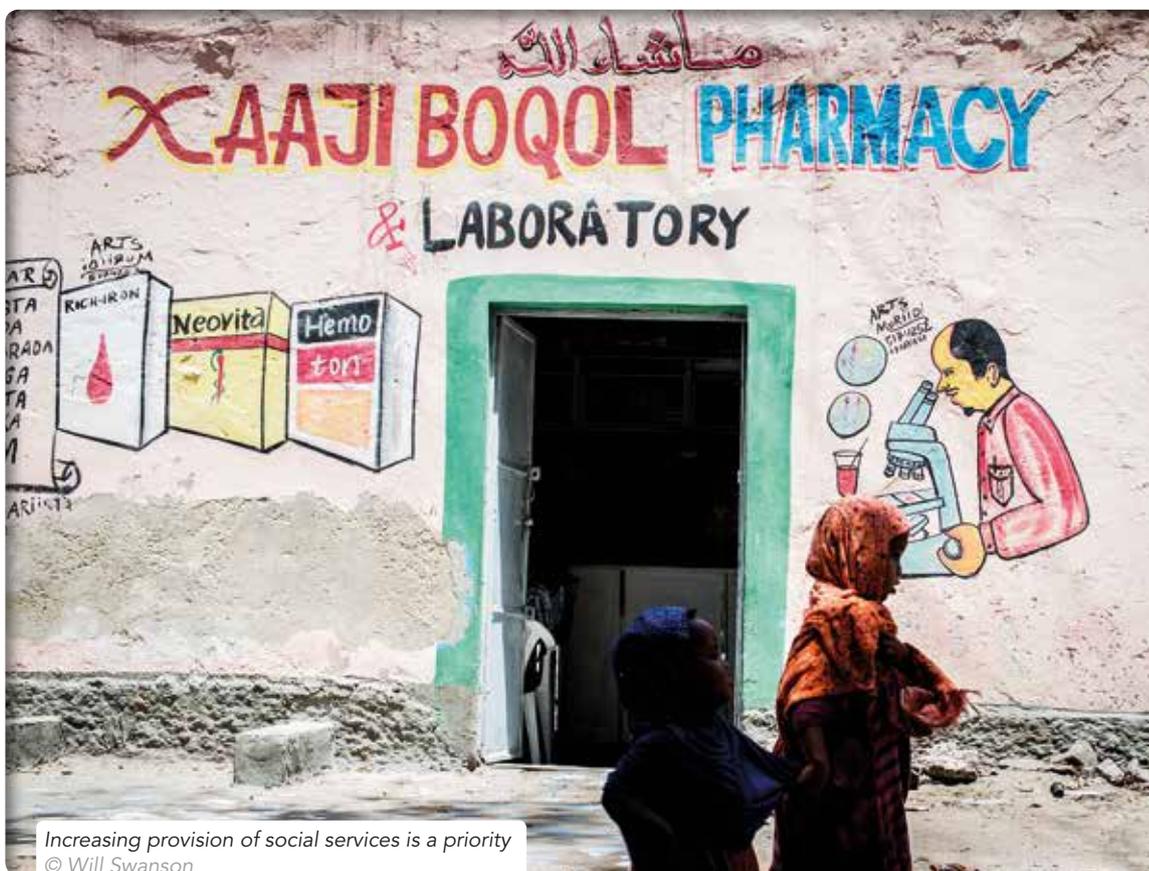
Prioritization is absolutely crucial if Somalia is to make the most of its scarce human and financial resources for economic recovery. Prioritisation and allocation of public resources is a core state competency. The submissions from the sector line ministries add up to a total indicative cost of \$632 million. While it is the aim of the ERP to fully fund and deliver these submissions, it is important to focus in even further on top priorities. Two-years is a very short time in which to prepare and implement large projects, especially in an insecure environment.

Table 9.1: Priority Areas for Economic Recovery		
Sector	Rapid impact stabilization projects	Laying foundations for sustainable growth and poverty reduction
<b>I. Core State Functions</b>	<ul style="list-style-type: none"> <li>- Ensure salary payments are met</li> <li>- Set appropriate standards for employment of externally funded national consultants</li> <li>- Increased revenue generation</li> <li>- Quick rehabilitation of government buildings</li> </ul>	<ul style="list-style-type: none"> <li>- Identify core state functions, responsibilities and required administrative capacity</li> <li>- Enhance revenue generation</li> <li>- Revitalize public financial management</li> </ul>
<b>II. Productive and Natural Resources</b>	<ul style="list-style-type: none"> <li>- Infrastructure projects supporting productive sectors</li> <li>- Intensification and diversification of agriculture, fisheries and livestock sectors</li> </ul>	<ul style="list-style-type: none"> <li>- Sustainable development and management of natural resources</li> <li>- Business enabling environment</li> </ul>
<b>III. Infrastructure</b>	<ul style="list-style-type: none"> <li>- Rehabilitation of infrastructure for transport, market access, trade, and energy</li> <li>- Rapid urban infrastructure for stabilization (Water and Sanitation, Waste Management, Lighting)</li> </ul>	<ul style="list-style-type: none"> <li>- Infrastructure assessment and planning</li> <li>- Feasibility studies for key large infrastructure for transport, market access, trade, and energy</li> </ul>
<b>IV. Social</b>	<ul style="list-style-type: none"> <li>- Increase provision of equitable, accessible, and affordable social services</li> <li>- Rehabilitation of infrastructure for health, education and water</li> <li>- Youth employment</li> </ul>	<ul style="list-style-type: none"> <li>- Service delivery regulation and standards and guidelines</li> </ul>

In line with the ERP, public action for economic recovery in Somalia over the next two years (2014 – 2015) will involve two types of intervention:

- **Rapid impact projects** in support of stabilization; and,
- Programmes to **lay the foundations** for sustainable growth and poverty reduction.

In line with the President's Six Pillar Policy and the Strategy for Economic Recovery Strategy set out in Section 5, the ERP priorities can therefore be grouped into the areas set out in Table 9.1, which will be the highest priority areas for funding, and implementation during 2014 – 2015.

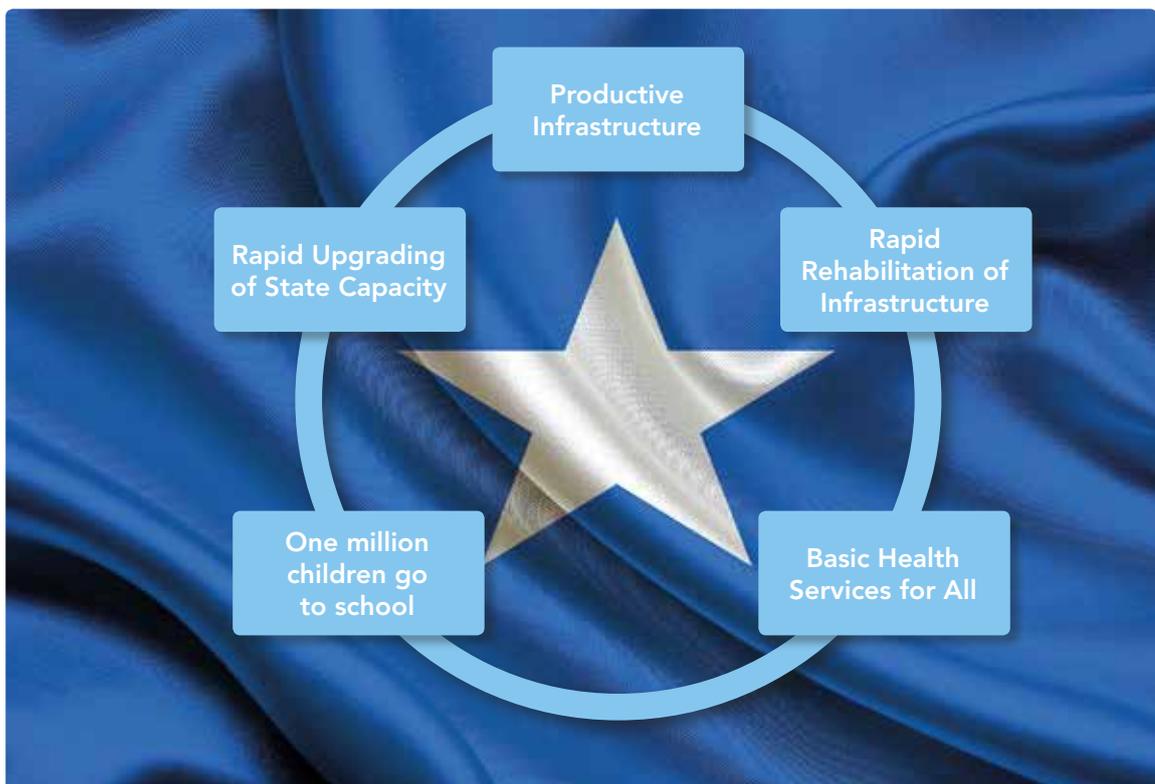


## 10 ERP Flagship Programmes

In line with the priority areas identified in Table 9.1 above, the Federal Government of Somalia has reviewed the line ministry submissions and identified a number of ERP Flagship Programmes to promote economic recovery.

The Flagship Programmes seek to build on existing sector strategies which already have detailed costings and implementation modalities prepared. Others are so important that they will need to be subject to rapid feasibility studies, and urgently considered for early inclusion in the forthcoming Somalia Development and Reconstruction Facility (SDRF) – see Section 16. The Flagship Programmes are summarised in Figure 10.1 below and amount to a total indicative cost of \$197 million for 2014 - 2015.

**Figure 10.1:** ERP Flagship Programmes



## 10.1 Rapid Upgrading of State Capacity

At Federal Government level this will comprise a programme of *Top Priority Government Buildings Rehabilitation* (preceded by a logistics assessment to assess needs), and in line with the strong commitment to increase domestic revenues for security and service delivery, a programme for *Rapid Revenue Generation*. At Local Authority level this will provide support to a programme to enhance *Local Government Legitimacy*. These Core State Functions Sector programmes will be delivered at a total indicative cost of \$31 million.

## 10.2 Rapid Rehabilitation of Infrastructure

This will comprise, for urban areas where populations have concentrated and security is better, the *Regional Centre Solar Lighting Program*, and *Rehabilitation and Extension of Urban Water and Sanitation* supply infrastructure in major cities and secondary towns. It will also deliver *Emergency Rehabilitation of Major Ports and Jetties* and linkages to markets. These Infrastructure Sector programmes will be delivered at a total indicative cost of \$42 million – see Section 12 for more details.

## 10.3 Productive Infrastructure

This programme will deliver *Rapid infrastructure for Crop Production, Livestock, Forestry, and Fisheries*, a cornerstone of the Vision and Strategy for Economic Recovery in this ERP. This Productive and Natural Resources Sector programme will be delivered at a total indicative cost of \$21 million – see Section 13.1 for more details.

## 10.4 Basic Health Services for All

This programme, built on the foundation of the Health Sector Strategic Plan (HSSP), will significantly strengthen health service delivery in South Central. It will ensure that a *Basic Essential Package of Health Services available in all regions*, and that the full EPHS is rolled out within accessible regions. It will support community service delivery capacity as well as national and regional referral capacity. In this way it will respond to the strong priority of all regions and Districts consulted for access to basic services. This health programme will be delivered at a total indicative cost of \$52 million – see Section 14.1 for more details.

## 10.5 One Million Children Go To School

In South Central this programme will fund the first 2 years of the *Go-to-School (G2S) Strategy*, ensuring that an additional 500,000 children access education. It will achieve this by restoring basic education through rehabilitation of schools, teacher recruitment, training and incentives. This education programme will be delivered at a total indicative cost of \$51 million – see Section 14.2 for more details.



# 11 Core State Functions Sector

Governance challenges are significant given that line ministries are not staffed or equipped to sufficiently fulfil their functions. Basic management systems are not in place, for example, the Central Bank is not equipped to handle financial transactions or manage monetary policy, budget management is uneven and no financial statements are prepared or audited at year's end. The Federal Government of Somalia has very little money to spend building its institutions, relying mostly on donors. The Federal Government of Somalia wants to take the opportunity presented by this ERP to strengthen basic public administration and improve transparency and accountability. The Government is also committed to promoting good governance over time, though this will perhaps be a long period of time, as improvements in rule of law, democracy and participation, transparency, accountability, efficiency and effectiveness of government and equity, all combine to create an enabling environment for peace and sustainable development.

## 11.1 Public Administration Capacity

### *Background*

For the State to fulfill its mandate and meet the expectations of the Somali people, as well as being able to assume gradually the capacity to regulate and ultimately to deliver services to the population, Somalia's public institutions need to recover functionality at all levels of government.

### *Main Constraints to Economic Recovery*

#### Centre of Government

The long civil war and looting have destroyed records of procedures, equipment, and the institutional memory of most government agencies and ministries. Organograms are not available for most institutions and where they do exist there are no clear definitions of roles and staff responsibilities. Management structures have been uprooted or largely forgotten. The basic legal frameworks are incomplete or outdated, while policy frameworks and clear strategic mandates are mostly absent. Policy formulation and legal drafting takes place in isolation or in the absence of appropriate guidelines, instructions and procedures, leading to conflicting approaches and inconsistencies. The functional assignments of revenue and expenditure for each level of government entailed by the Provisional Constitution have not been clearly spelled out. The Federal Government has yet to develop appropriate strategic communications to ensure that the Somali people have sufficient information. This situation fuels internal inconsistencies and hampers efficient and effective functioning of the government, while reducing the levels of predictability, transparency and accountability.

## Civil Service Management

Staff capacity is low across the whole spectrum of government institutions, with few formal mechanisms to identify and redress these capacity gaps. A further legacy of the civil war is that many institutions are overstaffed with unskilled, aged or absentee employees, whilst a number of high-level positions remain vacant or insufficiently supported. There are no mechanisms for employee performance evaluation, promotion and remuneration, and inconsistent procedures for recruitment, retention and termination of staff. Basic human resource management tools, such as job descriptions, training plans, and other administrative arrangements lack wide-spread implementation. The legal and regulatory framework of the civil service, as well as the institutional establishment, is incomplete and insufficiently adhered to, preventing the redress of these weaknesses. Fragmented capacity building approaches during the past 22 years have not been conducive to enhanced civil service management, instead contributing to loss of ownership and leakage of talent. Lack of coherence between training programmes and civil service incentives has likewise hampered long term impact of support.

## Public Sector Capacity

Public sector management functions are limited by poor physical resources, poor intra-governmental coordination and insufficient leadership capacity. Many government buildings sustained heavy damage during the civil war or were co-opted for other purposes. This has resulted in unavailability of office space and lack of office equipment to allow for basic employee effectiveness. The administration also lacks basic ICT infrastructure and internet connectivity, and transportation facilities. Cabinet management and policy-level communication is weak, and government coordination remains a challenge, especially where responsibilities are inter-linked or unclear. Basic management functions, such as financial management, procurement, and human resource management, are not carried out consistently across government institutions, and appropriate instruments for asset and liability management are not in place.

The alleviation of these constraints is limited by the lack of adequately equipped institutions to support sustainable civil service capacity development. There are few training and other professional development avenues for government employees, the majority of whom, due to the destabilising effect of the conflict, lost the opportunity to develop technical and professional skills through the formal education system.

## *Strategies to address the constraints*

### Centre of Government

#### *Appropriate roles and responsibilities of different government institutions*

A rapid and centrally coordinated exercise to define and clarify roles and



responsibilities between Federal Government ministries is urgently required. In addition, and in strict accordance with the Provisional Constitution and ongoing constitutional processes, an exercise to assign functions between local, regional and Federal governments will be undertaken through a process of inclusive consultation and dialogue. Clear assignments of responsibilities in relation to the respective functions in the sectors are essential to clarify which level is responsible for which functions, and hence for the appropriate allocation of funding and public accountability.

#### *Harmonised and coordinated legal, regulatory and policy frameworks*

All government ministries and agencies will, over the period of the ERP, systematically assess, and remedy to the lack of legal, policy and strategic frameworks in their sector, which should be consistent with government-wide policies. Gradually, all government agencies will be asked to undertake such a process. This will be carried out first in priority institutions that are critical to the successful implementation of selected ERP and other key state priorities, including in the areas of security, justice, Public Financial Management, Economic Policy and Planning, and key social service delivery sectors, such as education. This process will be reinforced by the above-mentioned exercise to clearly define the functions and mandates of all Ministries and Agencies of the Federal Government of Somalia.

#### *Coordinated structural and administrative reform in priority institutions*

Building on efforts to clarify mandates and functions of institutions, a programme of internal structural reform will gradually be rolled out in all government agencies, building on a clear review of administrative procedures, systems and structures required to perform the specified functions. The government institutions will subsequently implement the required reforms to increase the effectiveness of the government apparatus. The assessment will be carried out first in institutions that perform critical state functions, such as the Offices of the President and Prime Minister, and Ministry of Finance and Planning and Central Bank. It will also target sectors which are priorities of the ERP, including, agriculture, infrastructure, and key social service sectors, such as education and health. The outcome of the review may necessitate administrative redesign, introduction of new procedures and establishing written administrative regulations guiding the everyday work of government offices and departments.

These programmes will be coordinated and monitored from the National Institutional Capacity Development Directorate (NICDD) in the Office of the Prime Minister, which will be the lead agency for a national capacity development framework working in collaboration with other key agencies including the Ministry of Labour, Youth, and Sport, the Civil Service Commission, and Ministry of Finance and Planning.

#### *Policy and strategy formulation*

Central government core functions will be strengthened to develop and stimulate coordinated and harmonized approaches towards policy and strategy

development, through clear processes and procedures, while individual institutions will be supported with targeted capacity development efforts.

### *Strategic Communications*

The central institutions as well as the core partners in each of the priority areas will be supported to develop strategic communication approaches, aiming to achieve open data systems, transparency in decision-making and appropriate engagement processes.

## Civil Service Management

### *Clarifying the legal framework of the civil service*

A first step towards enhanced civil service management will be the rationalisation of the civil service legal framework and institutional structures for the management of the civil service. The government will review or redevelop legislation, as necessary, in line with the Provisional Constitution and other relevant legal instruments.

### *Strengthening human resource management systems*

The government will ensure all agencies and ministries develop, consistently with a government-wide system, a human resource policy and development master plan. The Government will design and keep an up-to-date record of all public workers, their place of work and their qualifications. The government will also develop a clear and government-wide policy to guide the recruitment, classification, training, placement, promotion, demotion, dismissals and retirement of civil servants, including consideration for gender-responsive recruitment and retention practices.

### *Strengthening core internal administrative systems and procedures*

The reconstruction of internal administrative structures and systems will be carried out first in institutions that carry out critical State functions, such as the Offices of the President and Prime Minister, and Ministry of Finance and Planning and Central Bank. It will also target sectors which are priorities of the ERP, including, agriculture, infrastructure, and key social delivery sectors, such as education and health.

To ensure a consistent and uniform approach to these issues, a programme to re-establish core internal administrative structures and systems will be funded and managed from one of the Government's central institutions responsible for civil service strengthening.

### *Grading and compensation*

The Government will embark on a basic pay and grading reform and define a standard remuneration package for Federal Government employees, based on clearly defined job categories and a clear fiscal sustainability analysis involving MoFP. The Government will also seek to rationalise the civil service work force, by offering a voluntary retrenchment package for over-age and unqualified staff. This will allow saving fiscal resources in the future, and providing the basis for streamlined ministry structures and more flexible salary scale arrangements.



This programme will be managed by the OPM NICDD in collaboration with the responsible government agencies for civil service strengthening such as the Civil Service Commission and the Ministry of Labor, Youth and Sport. Technical capacity building and training programmes will be included in the sector specific sections of the ERP.

## Public Sector Capacity

### *Filling urgent capacity gaps through a harmonised and government-regulated capacity injection programme*

The Government will need to demonstrate that it is able to attract and retain scarce Somali professionals who are accountable to government. It will therefore set and apply appropriate standards for employment of national consultants, which should be competitive with international organisations, contractors, NGOs and other employers. A capacity injection programme would also help to level the playing field and provide the government with much needed capacity in the form of highly qualified Somalis performing advisory and/or line function responsibilities. The eligibility and incentive structure for such a programme will need to be carefully determined and harmonised with pay-and-grading reform. Design the capacity injection programme, which should be open to all Somalis, including those who have remained throughout the conflict, would need to be sensitive to the lessons from similar initiatives in other FCS, including highly varied experiences from diaspora return programmes. It will also be important to link the scope of the programme to ERP and compact priorities, and to prioritise critical functions which are common across government, i.e. PFM, procurement, and project management. In addition, staff funded through the capacity injection programme could be assigned to support implementation of donor funded programmes to avoid the proliferation of donor funded PIUs.

### *Strengthening common public sector management functions through dedicated capacity development support*

A dedicated effort to strengthen common government functions will be required. Such a programme would specifically target line ministries and other levels of government as relevant. The programme would develop the capacity of a cadre of common function staff for activities which cut across all ministries, such as financial management, procurement, audit, and human resource management. It would be closely linked to the capacity injection element described above, and the development of broader policy frameworks and rules and regulations in these areas. Various approaches for building capability in line ministries should be explored combining classroom and on-the-job training and learning-by-doing. Innovative approaches such as coaching, in particular using South-South capabilities should be explored.

To complement targeted capacity development efforts for common functions staff, a young graduate programme will be introduced. Such a programme would support the selection, recruitment and placement of university graduates in the civil service. Investing in the capacity of graduates would be an important element for the sustainability and long-term supply of capacity in the civil service. Special

attention will be dedicated to enabling access to and participation of qualified female candidates.

The Government will sponsor a programme to equip the senior management level with the skills and tools to better regulate and manage critical state function in a manner consistent with the highest professional and ethical standards. This will be done first in a few pilot agencies, where the preparedness is highest, such as for the Department of Education, and quickly extended to the ministries which are central for the delivery of core state functions, such as security, justice, finance and service delivery. The programme will be managed and coordinated by the NICDD, in collaboration with the relevant agency, such as the Ministry of Labour, Youth and Sport.

#### *Building capacity of Somali Civil Service Training and development providers*

In order to ensure that national capacities are gradually developed, national government and non-government institutions that provide training and development services will be strengthened. Civil service training would need to combine a structured and targeted training programme for sitting civil servants as well as induction training for new civil servants, and it will be necessary to establish a civil service training institute (or capacity) in Mogadishu over the medium to long term. This is an important element of a broader public sector capacity development effort. In the short-term, however, it should be explored how existing training and development capacities in the country could be strengthened and mobilised to supply required training for the public sector. A number of private and public organizations exist and could become the starting point for building a market of organisations. Based on a mapping of existing capacities it could be worthwhile to invest in building a supply of organizations who can tailor their programmes to the needs of the civil service. Linkages with private sector development programmes should be explored to help establish a market and increased local procurement of such organisations by government and development partners.

#### *Strengthening ICT, facilities and support systems*

Prioritised facilities will be rehabilitated and refurbished through a build back better approach (considering environmental impact, DRR, security, including development of national content and innovation agreements). To avoid a piecemeal approach to this issue, the government will undertake an integrated rehabilitation programme of government premises. This will be based on a priority logistics assessment of administrative buildings, and followed by specific rehabilitation and equipment investments, based on the urgency of the diagnosed situation. The present unsatisfactory ITC situation will likewise be improved through dedicated investments in prioritised equipment and the development of an appropriate ICT strategy.

The funding of such programme will not be included in the sector ministries ERP programmes but in a single centralised programme managed by the Office of the Prime Minister (NICDD), and implemented by the Ministry of Public Works, where asset and liability registers will also be developed.



*Strengthening central institutions to ensure a coordinated government wide approach to building public administration capacity*

The Government intends to have relevant central government agencies coordinate and support the improvement of public sector management capacity across government, leading in the improvement of the centre of government functioning and human resource management, enhanced policy, strategy and legislative formulation processes, and leadership development while leaving enough autonomy to single ministries to take initiative and customise the programmes to their needs.

These programmes will be coordinated and monitored from the National Institutional Capacity Development Directorate (NICDD) in the Office of the Prime Minister, which will be the lead agency for a national capacity development framework working in collaboration with other key agencies including the Ministry of Labour, Youth and Sports and the Civil Service Commission, and Ministry of Finance and Planning. The Directorate has prepared a draft “Framework for Capacity Development of the Public Sector in Somalia” for broad consultation.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Centre of Government, including: defining roles and responsibilities of government institutions; establishing harmonised and coordinated legal, regulatory and policy frameworks; coordinated structural and administrative reform in priority institutions; policy and strategy formulation, and; strategic communications.	6,000,000
Establishing core internal administrative structure and systems (including \$200,000 for administrative system upgrading Departments).	4,250,000
Upgrading human resource management system for capacity building (including \$ 50,000 for Departments, \$1,000,000 for establishing central system; \$500,000 for software and equipment)	8,750,000
Top Priority Government buildings rehabilitation, including \$250,000 Priority logistics assessment [FLAGSHIP PROGRAMME]	15,000,000
Capacity Injection Programme	3,000,000
Employee retrenchment programme. Severance payments for older and under-qualified civil servants	6,500,000
Government ICT infrastructure. Secure government network, software, equipment, and PCs.	5,000,000
Priorities identified by National Institutional Capacity Development Directorate comprising assessment/design of HR, organizational behavior and public administration policies	950,000
<b>Total</b>	<b>52,450,000</b>
<i>Sources: Line Ministry Submissions, including Office of the Prime Minister NICDD, and Ministry of Finance and Planning. Also informed by outcomes of Federal Government of Somalia Capacity Development Workshop, 29th -30th August 2013 (including OPM, MoFP, Ministry of Labour, Youth and Sport, and Civil Service Commission).</i>	

## 11.2 Finance and Planning

### *Revenue Generation and Administration*

#### *Background*

Somalia faces the challenge of rebuilding the tax system, and the government is committed to implement a robust revenue mobilization strategy that will incorporate strong transparency and accountability. The strategy is based on Component 1.2 (Strengthen revenue mobilization departments to improve revenue management) of the PFM Reform Action Plan and draw on the possible revenue measures that were developed in the report prepared by Walter Mahler and Hussein Siad (UNDP Somalia and World Bank 2005).

#### *Main Constraints to Economic Recovery*

##### Customs

Customs duties, collected at the Mogadishu port and the Mogadishu International Airport is the government's main source of revenue, averaging about \$6.5 million per month in mid-2013. The basic tariff rates are unit-based—per 50 kilogram bag, per carton, or per litre—with rates for only about 150 categories of goods. Two surcharges are imposed on the unit-based duties: a 5% sales tax and a 2% stamp duty. Port fees that are also collected are retained by the Port Management for running costs.

##### Domestic Taxation

Somalia's domestic tax administration was destroyed during the conflict years. Companies and individuals paid protection and facilitation payments but not taxes, as there were no services being provided by a government. The government's ability to levy domestic taxes is critical to fiscal viability in the medium term. It will also demonstrate that the government has the support of the people.

##### Tax administration

The 20 years of civil conflict has seriously weakened the Inland Revenue Department and plagued it with severe operational challenges. There are challenges in the tax collection process, as tax administrators have weak knowledge of the tax laws and collection procedures and this weakens the tax control environment.



### Strategies to Address Constraints

Over the two-year timeframe of the ERP, emphasis will be placed on simple, feasible, and practical approaches of revenue generation, consistent with not constraining private sector growth and development. The Government has reviewed the experience of Post-conflict countries such as Iraq, Afghanistan, Kosovo, which have followed this strategy, by first focusing on collecting taxes at the border and a few other easy-to-collect revenue sources. Broad-based taxes—the income tax and a value-added tax—will be introduced or re-introduced only gradually, as the domestic tax administration needs in to be re-established and strengthened.

#### Customs

Policies to realize customs potential include:

- A critical reform of customs is to return to value-based (ad valorem) rates. Currently the Customs Department does not record the value of goods imported or exported, making it impossible to measure Somalia's balance of trade, which is needed for the formulation of the country's macro-economic framework. The government plans to adopt a 10% uniform tariff with limited exceptions, possibly only for goods intended for humanitarian purposes and goods imported by the United Nations, UN agencies, government aid agencies, as well as their contractors. A 20% rate might be adopted for khat, tobacco products, and petroleum products, which could be eliminated when excise taxes are re-introduced.
- Re-introducing ad valorem tariff rates will require staff training and the government will request urgent training for customs staff. To ensure that revenue will not decline when ad valorem rates are introduced, the unit-based tariff rates will be retained as a minimum tariff for a period of one year.
- The government is also reviewing strategic options to strengthen customs administration at Mogadishu port and Mogadishu International Airport. A possible outcome of the full diagnostic could be a government decision to outsource the management of the seaport and the airport and/or the collection of customs duties and other charges.
- The government will expand customs to the Kismayo port as soon as possible.

## Domestic Taxation

The tax laws are outdated. The tax administration needs to be re-established, taxpayers registered, tax staff trained, forms developed, and the taxpayer community educated on their obligations and responsibilities.

Given the fragility of Somalia's situation, rebuilding the domestic tax system will be done in phased steps. To begin with Somalia Federal Government aims to re-establish a domestic tax administration of a few easy-to-collect taxes on large service sector companies.

## Telecommunications

Most if not all East-African countries have adopted excises on air-time as a new way to raise revenue in addition to imposing their value-added taxes on airtime. The rates are 20% in Tanzania, 18% in Malawi, Madagascar, and Uganda, 17.5% in Zambia, and 16% in Kenya. Technically, this could be an easy tax to collect as there are only a few companies supplying mobile services in Somalia. As the telecom sector creates significant positive externalities for growth and development, the Government plans to introduce the air-time tax at a 10% rate. An alternative, in case monitoring of airtime proved difficult, would be to have companies to pay an annual license fee for the use of the mobile spectrum, or introduce a tax on the profit of the telecoms corporations.

## Financial transfer companies

Remittances from abroad, estimated at over \$1 billion a year, underpins the Somalia economy. A 2% tax on remittances collected from the money transfer companies (Hawala) could raise \$20 million a year. Another option would be to introduce a 30% profit tax of the financial transfer companies. As commissions charged by the Hawala businesses have come down, there is "room" to impose this tax without discouraging remittances. The government will explore the feasibility of taxing remittances, given the secrecy of the Hawala businesses. The alternative may be a negotiated lump sum payment from each Hawala business as a license fee.

## Excises

Excise taxes could be considered on the products that are typically excised and are significant revenue producers. These include tobacco products, khat, petroleum products (particularly gasoline and diesel), and vehicles. The excise on imports is usually collected by the Customs Department under the same rules applying to the collection of import duties. The domestic Revenue Department collects excises levied on domestic manufacturers. As most of the traditional excisable goods are only imported, the excise will be similar to a higher import tariff on these goods. A first step will be to review and revise the Excise Act of 1985, including the schedule of goods subject to excise.



## Sales tax

In the second year of the ERP, after the telecom and remittance taxes have been introduced, a universal 5% sales tax could be adopted. Currently sales tax only applies to imports at Mogadishu Airport and seaport. This tax initially would apply only to imports, domestically manufactured goods, and “first-class” hotel services. It should be viewed as the first step of introducing a Value Added Tax (VAT).

## Income tax

The 1966 income tax law needs to be reviewed and updated. For example, the tax rate schedules have brackets in Somali schillings. All individuals with income would be in the top 30% bracket (taxable income exceeding Sh.So 30,000). The introduction the income tax will be in phases, with wage withholding and companies first. The first step will be a review of the income tax and the development of either a new law or a package of amendments to the current law that would update it to reflect the Somali situation.

## Fees

Fees—payments for which there are a direct benefit—can be an important source of non-tax revenue. The government will review existing fees and consider imposing or adjusting fees, as suggested in the Mahler and Siad report: offshore fishing rights, passenger departure tax, passports and visas, and business licenses. Fees collected should be transferred to the Treasury and recorded in the budget, not simply retained by an autonomous agency.

## Tax administration

A functioning domestic tax system will require a functioning domestic tax administration. In the immediate, MoFP will establish stronger internal controls for the collection and accounting of revenue, automate the revenue management system at the ports, and procure logistics for revenue departments to enhance efficiency. The Government will request a diagnostic mission to advise on a strategic plan to re-establish and upgrade the domestic tax administration, with priorities and a time frame. A semi-autonomous revenue authority, which are common in East Africa—Kenya, Uganda, and Zambia, will be considered as part of the strategic plan. Only after the tax administration is stood up will any broad-based, self-assessed domestic taxes be introduced. On the customs side, the government will undertake a diagnostic using the Customs Assessment Trade Toolkit (CATT) in collaboration with the World Customs Organization (WCO).

Logistical enhancement of the revenue department, in the form of purchasing vehicles and ICT equipment, and refurbishing office is required but covered in the core state functions (see Section 10.1) rather than within the strategic plans.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Strengthening Internal revenue control. Technical assistance, equipment, and training to reduce revenue leakage	100,000
Port customs outsourcing programme	80,000
Automation of Port Revenue management system. Technical assistance, software and equipment for customs automation	750,000
Institutional assessments of Revenue and Customs Department	160,000
Revenue Department staff training	120,000
Customs staff revenue training on transition to ad-valorem customs valuation for all port and airport customs officers	120,000
<b>Total [FLAGSHIP PROGRAMME]</b>	<b>1,330,000</b>

*Source: Ministry of Finance and Planning Revenue Submission.*

## **Public Financial Management and Accountability**

### **Background**

Building robust Public Finance Management (PFM) systems and processes will be an essential step in making the Federal Government a more effective institution that is able to deliver basic public services to the people of Somalia. To date there has been a lack of reliable information regarding the functioning of government PFM systems, further exacerbated by the absence of a modern public finance management legal framework, and weak compliance with laws that are in place. However, the Federal Government has clearly prioritized enhancing public financial integrity institutions as one of its top three priorities. This commitment has been evidenced by the recent completion of a comprehensive PFM Self-Assessment and PFM Strengthening Initiative (Federal Government of Somalia, 2013).

### **Main Constraints to Economic Recovery**

Public Financial Management laws, rules and regulations are either obsolete or out of context, and therefore require modernization. The PFM legal framework consists of piece-meal legislations relating to financial management functions, currently provided for in different legislations. The existing legal framework includes the Financial and Accounting procedures of the State, Regulations for the Accounts of the State, and Stores Regulations, which regulate public financial transactions. These regulations were promulgated in 1961 with some amendments made in 1971. Enactment of a PFM Law is required to eliminate fragmentation and differences in legal interpretation of PFM issues, as well as modernize the PFM practices of the FRS.



Institutional, human and logistical capacity has disintegrated. Most professionals and experienced people have been killed or emigrated during the civil war and all documents have been lost. As a result, PFM structures and systems are weak, capacity of staff involved in PFM processes is low, almost all processes are handled manually, and there is low compliance to existing PFM legislation. There is however a high level of commitment and desire for PFM reform and change. Logistics and equipment are not adequate to secure effectiveness and efficiency. For instance, the former planning building sustained heavy damage during the civil war and structural changes were made by the IDPs settled in the main building and the surrounding buildings in the Ministry's compound.

The management of public financial resources suffers from illegality, leakage, and lack of transparency. Weak legal framework, and weak compliance and enforcement of legal regulations have allowed widespread diversion of funds. There has been limited transparency and domestic oversight of the budget execution process.

### **Strategies to Address Constraints**

In order to address the weak legal framework, MoFP will revise, adopt and implement PFM act. In the interim, Treasury Circulars or Ministerial Orders will be issued, later codified in Financial Regulations (FR) and detailed Operating Procedures Manuals (OPM), to provide clear legal guidance for PFM practitioners. A consolidated PFM Law will lay out fundamental procedures for the preparation, adoption, execution of the National Budget and preparation of final accounts of the National Budget and related matters. In the meantime, Treasury circulars will provide immediate clarification and enforcement of critical fiduciary rules, with respect to cash management, accounting and reporting, and budgeting.

The PFM Strengthening Initiative will also resource the Office of the Accountant General, helping to improve accounting systems and internal control processes in use at the Office of the Accountant General. Resourcing the Office of the Accountant General will include enabling the sub-structures in the Accountant General's Department with clear roles, responsibilities and the required tools.

The Federal Government will also develop and implement a systematic capacity development programme in PFM. A PFM Education and Training Programme will build capacity at the individual level to obtain the required knowledge, skills, abilities and other characteristics (values, integrity etc.). Options that are open for exploration include: handholding skills transfer by expatriates, organized visits to well established foreign governments with effective PFM systems for government employees engaged in key PFM roles so that they can be mentored by their counterparts, and setting up a PFM Training Centre to provide training to the cadre of PFM practitioners and university graduate on a sustained continuous basis.

Developing a Standard Chart of Accounts (SCoA) is also a top priority. The chart of accounts will allow MoFP to structure and present the budget and financial statements in a clear and understandable manner. In addition, the PFM

Strengthening Initiative will strengthen the independence and capacity of the Auditor General, reorganizing and resourcing the office to make it more independent and accountable to Parliament.

### Cost of Strategic Plans

The strategies identified from the PFM Strengthening Initiative are costed as follows:

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
PFM law and regulations.	150,000
Strengthening of office of Accountant General.	1,000,000
PFM capacity building programme, including PFM Education and Training Programme, and PFM Training Centre under MoFP (PFM Strengthening Initiative, Components 4.1 and 4.2) [FLAGSHIP PROGRAMME]	1,500,000
A Standard Chart of Accounts (SCoA) developed and used to structure and present both the budget and financial statements in a clear and understandable manner.	100,000
Resource Office of the Auditor General	900,000
<b>Total</b>	<b>2,650,000</b>
<i>Source: Ministry of Finance and Planning PFM Submission. See also Federal Government of Somalia (2013) 'PFM Self-Assessment and PFM Strengthening Initiative' for more detail.</i>	

## Data and Statistics

### Background

Due to the civil war and insecurity over the past 20 years there is a significant lack of data and statistics for Somalia. The most recent population census was carried out in 1986, but the results from this survey were never published. No comprehensive and representative survey has been carried out in South Central since the since the UNDP/World Bank Socioeconomic Survey 2002. Most available data is fragmented and aligned to specific collecting agency requirements, such as that collected by AMISOM, FSNAU, WHO and WFP. Even for the scant data that does exist, the absence of credible data disaggregated by gender or age impedes effective targeting or monitoring of government programs and interventions. This significantly limits the Government's ability to develop its macroeconomic framework and link resources with policy objectives.

The Government mandate for statistics falls to the Statistics Department housed within the MoFP which produces the "South-Central Facts and Figures" publication



which contains basic estimates on imports and exports, livestock, health, market prices and exchange rates. However, there are a number of limitations with this publication, it was last published in 2010 (although data is available for up to 2013 on-demand), most is secondary data from line ministries with no verification undertaken and with the exception of daily exchange rate and monthly price data the department is only able to collect primary data when its budget and staffing capacity are enhanced when undertaking surveys in partnership with agencies. A good example is the Population Estimation Survey (PES) currently being undertaken by the Bureau of Statistics and UNFPA.

The lack of usable data coupled with the fact that the Central Bureau of Statistics have not conducted a user needs assessment makes it difficult to accurately identify main users and assess users' needs. Nonetheless, there is clear demand for statistics from government, international community, civil society and the private sector. The Central Bank of Somalia, for instance, is eager to use CPI data to inform the development of monetary policies, and labour market statistics will be required to inform future economic recovery work.

### **Main Constraints to Economic Recovery**

First, there is currently no statistics legislation or regulations governing the collection, production and dissemination of official statistics. There is no National Strategy for the Development of Statistics (NSDS) nor are there mechanisms in place to coordinate statistical programmes across data producing agencies or development partners.

Second, the Central Bureau of Statistics is temporarily located in the Ministry of Foreign Affairs office due to the MoFP building being in dire need of rehabilitation following the two decade long conflict. Although the Central Bureau of Statistics has, for example, an adequate number of computers it is unable to perform its function without an adequate permanent office.

Third, limited data collection activities primarily due to a lack of resources and capability (and security constraints) mean that no CPI, trade, socioeconomic or macroeconomic data can be collected or compiled. This directly impedes the effectiveness of Government policies and plans.

Fourth, the Central Bureau of Statistics is has few and poorly trained staff with only 9 core staff, of which only 3 have university degrees. This is in stark contrast to 140 staff before the civil conflict began. The Central Bureau of Statistics does not have an in-house training center and there is no plan for skills development or formal training for its staff. While in-house formal training sessions have been attempted, they have generally not been successful given the lack of resources and minimal number of qualified staff.

Lastly, at present there is no formal coordination mechanism between the Federal Government and Regions or States on the issue of data and statistics. Cooperation in this area would be crucial in enhancing the use and effectiveness of collected data.

### **Strategies to Address Constraints**

The first proposal is development of a National Strategy for the Development of Statistics (NSDS) to enable data collection activities to be designed and supported in a coordinated and strategic manner. This includes developing the capacity of the government to collect and analyse data as disaggregated across key categories including gender and age. The Federal Government of Somalia is committed to working with others to benefit from lessons learnt in other parts of Somalia where statistics plans are already in place.

A strategic plan is required as a precondition for, and not one of, the costed programmes below. Nonetheless, there are 3 immediate priorities for addressing the identified constraints. First, rehabilitation of the MoFP buildings (specifically the building which houses the Central Bureau of Statistics) to enable the ministry to carry out its statistical mandate.

Second, conducting a household consumption survey starting in Mogadishu (to be scaled security and resources permitting) to provide initial weights for the price data that the Central Bureau of Statistics already collects from 3 main markets in Mogadishu, 3 times a month, covering 102 products. This will enable CPI to be determined which is vital for the CBS given its monetary policy mandate.

Third, strengthening the Central Bureau of Statistics' immediate data analysis capabilities to link with the proposed revenue enhancement programmes that support the Customs Service in collecting more accurate trade data based on value rather than volume (see Revenue Section) to enable Balance of Payments to be constructed.

Finally, laying foundations for the longer term by building core human capacity through (i) scholarships to Makerere University (or other reputable institution) for core staff to obtain short-term (6 month) refresher courses on statistics and computer use, (ii) study tours to neighboring countries to learn from their statistics departments, and (iii) on-the-ground training in statistics for core staff from international short-term consultants. The Central BUreau of Statistics could also be linked to statistical agencies in other parts of Somalia to benefit from synergies and cross-dissemination/use of data.

### **Cost of Strategic Plans**

Rehabilitation of the MoFP building which houses Central Bureau of Statistics is urgently required, however, this is covered in Core State Functions (see Section 10.1) rather than in the data and statistics programmes below.



<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Conduct a household income and expenditure survey Primarily aimed to enable the Bureau of Statistics to calculate weights for the CPI starting in Mogadishu only.	400,000
TA to strengthen the Central Bureau of Statistics' data analysis capabilities to construct Balance of Payments	100,000
Trainings for core staff across MoFP to obtain external diplomas, on the job trainings, and study tours.	150,000
<b>Total</b>	<b>650,000</b>

*Source: Ministry of Finance and Planning Data and Statistics Submission.*

### 11.3 Financial Regulations

#### *Background and Main Constraints to Economic Recovery*

##### Current state of the financial system

The economy of Somalia is a dollarized economy where both \$ and Somali Shillings are used for economic transactions. Generally Somali shillings are used for small transactions and \$ for large transactions. Currently Somali Shillings in circulation are old, debilitated and mostly counterfeit. This has imposed serious limitation on economic transactions and having the ability to respond and meet demand for money and control inflation will make a critical contribution to economic recovery in the short run.

After the collapse of the Somali state, the CBS and the formal financial institutions, mostly state owned commercial banks, disappeared. However, over the last 20 years, Somalia saw the growth of informal financial system dominated by Hawalas (money transfer companies). The money transfer companies facilitate transfer of funds from the Diaspora community to their families. They also facilitate investments by allowing business communities to solicit funds from Somali Diaspora community. Some of these companies have grown very large and diversified to other areas of business. Also a vibrant mobile payment system has developed along the side the Hawalas. However, they have not been able to grow as financial institutions. Some of them accept deposits but in a limited fashion They also have no connection between them and do not function as a cohesive financial system that is able to facilitate economic transactions or facilitate international trade.

## Current state of the Central Bank of Somalia

After the collapse of the Somali state, national institutions including the Central Bank of Somalia were ransacked and destroyed. As a result, the CBS lost a cadre of experienced staff, institutional memory and records. In 2007, the Transitional Federal Government attempted to reconstitute the central bank in a very limited fashion. It was only recently after the creation of a permanent Somali Federal Government that the CBS started serious efforts to reconstitute a normal central bank operations. Despite the recent efforts, the CBS does not yet have control over the money supply of the country to enable it to exert control over price fluctuations, ability to supervise and regulate financial institutions, influence exchange rates, or clearing house and facilitate national payment systems among other traditional central bank functions.

The Federal Government is responsible for developing the legal framework governing the functions of the Central Bank, which under the Provisional Constitution must be passed by the Federal Parliament (Art. 123(1)). This legal framework design is the responsibility of the Ministry of Finance and Planning, within the parameters of the Constitution (Art. 123).

The Central Bank has the necessary legal framework in place. Both the central bank enabling Act and financial institutions Act have been approved by the parliament in 2011 and 2012, respectively. The CBS Act gives the Central Bank of Somalia full autonomy to execute its functions and objectives described in the Act and the constitution. The CBS Act also assigns the CBS the role of licensing, regulating, supervising, all banks and financial institutions so as to foster liquidity, solvency, and proper functioning of stable financial system. The Act assigns the CBS the sole power over Somali currency. Over the last six months the CBS made great strides in reconstituting normal central bank operations, experienced senior staff has been recruited from the Somali Diaspora, for the first time in 22 years an annual report has been produced, and semi annual report which is about to be finalized.

The Central Bank of Somalia has already started putting in place the necessary supervisory and regulatory framework and capacity to license and supervise to formalize the existing informal financial institutions. CBS have already recruited an experienced examiner from the Federal Reserve Board of Minneapolis to head the licensing and supervisory Department. Initial instructions were published and shared with interested parties who wish to open a commercial bank. The demand for establishing Commercial banks is very encouraging. Furthermore, although core banking systems is not fully functional, however, basic operations are in place, reporting is regular and swift code is functional, corresponding accounts are open and rigorous process is in place for managing the Single Treasury Account.



### Strategies to Address Constraints

The Central Bank management has also spent considerable time and effort in developing a 5-year strategic plan, which will be published after stakeholder consultation. The three top priorities for the next 18 months are currency reform with technical assistance from the IMF, development of robust supervision regulatory framework to formalizing informal financial institutions, and investing in core banking systems along with having the right people in the right roles supported by the right structure.

Job creation is one of the fundamental priorities of the work of this ERP. Unshackling the ingenuity and entrepreneurial spirit of Somalis will greatly contribute to job creation and economic recovery. Towards this end, the CBS will play a critical role laying the foundation of stable and sustainable economic recovery. During this ERP period, the CBS aims to license and supervise commercial banking institutions, and to establish an automated central clearing house and settlement system, so that licensed commercial banks can take deposits, make loans and transact amongst themselves. Financial sector reform is expected to provide a significant boost to this ERP’s objective of boosting to creation and livelihood improvement, as commercial banks, by commencing lending operations, increase the availability of financing to the private sector.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
Currency Reform	50,000,000
Hire and train banking supervision staff led by an expert on banking supervision from Somali Diaspora and to consult with the business community. Consult and educate existing informal financial institutions.	300,000
Technical and legal assistances to help develop legal and regulatory framework and documents for supervising financial institutions from International Financial Institutions.	800,000
Build the core banking systems and reconstitute the CBS’s IT/IM Department.	500,000
Hire HR specialist from Somali Diaspora to coordinate training and to develop training material.	300,000
Technical assistance for staff training.	600,000
<b>Total</b>	<b>52,500,000</b>

*Source: Central Bank of Somalia Submission.*

## 11.4 Local Authorities

### Background

The Provisional Constitution (Art. 48) establishes two levels of government: the Federal Government level; and, the Federal Member States level, which is comprised of the Federal Member State Government, and the local governments. It also states that *“No single region can stand alone. Until such time as a region merges with another region(s) to form a new Federal Member State, a region shall be directly administered by the Federal Government for a maximum period of two years.”*

Now that the country has entered a new period of stability and having embraced federalism as enshrined in its new constitution, it is of paramount importance that governance institutions, particularly the Local Governments (regional/district administrations) are in place and functioning in line with government policy and the provisional constitution. These locally rooted and acceptable governance structures are essential to government domestic foundation, foster wide political acceptance from its citizens and provide services and support for local communities.

### Main Constraints to Economic Recovery

The current disintegration in south-central Somalia today shows fragmented communities divided along clan lines combined with the continuous treat of insurgency forces. The clan division and fear leads to limited interaction among groups, increasing mutual suspicion and mistrust among populace, which often are the precursors to escalating tensions and conflict. This division undermines local government structures and means that there is a lack of local administrations through which to deliver public services and restore better local economies.

### Strategies to Address Constraints

The Federal Government of Somalia’s immediate challenge or priority is to stabilize the newly recovered areas, avoiding a vacuum and deterioration of security by fostering consultative dialogues among community stakeholders to facilitate the formation of permanent district administrations and by rendering service to the citizens. This will set the very first foundations to prepare the country for vital next stage to conduct a one-person one-vote election in 2016.

To this end, it is proposed that there should be a programme of support in establishment of community based Local District and Regional Councils in the South Central Somalia, as described in the *Programme Document on Stabilization Through the Establishment of Local Councils and Administrations* (Ministry of Interior and Security, 2013). This will be done by supporting and facilitating the establishment of District and Regional Councils in 11 Regions (70 Districts) using the bottom up approach. These regions are: Benadir, Middle Shabelle, Hiran, Mudug, Gelgaduud, Bay, Bakool, Gedo, Mid Juba, Lower Juba and Lower Shabelle. The programme will also provide capacity building, infrastructure rehabilitation and civic education.



The formation of effective Local Government structures intends to result in the following:

- Local Government and governance will be engrained, and a viable sphere of self-governance created, in a federal system;
- Promotion of democratic and accountable local governance and provision of better basic services delivery;
- Provision of representative and inclusive institutions in Somalia; and
- It will be a further constructive step from which Somalis can collectively shape the destiny of their country.

Real stabilization is a multifaceted process. It includes security, rule of law, governance service delivery and economic recovery, and action should be focused on achieving the most basic elements. While each sector is critical to success, governance carries special importance. Governing structures and systems must exist to: ensure full participation of all stakeholders in the decisions that affect their lives and livelihoods; the prioritization of major needs against limited resources; and coordination to avoid conflict and duplication of services. Without proper governing system - even limited, de facto or interim – the results are mixed at best, and at worst create confusion, providing openings to spoilers and rent seekers, and foster chaotic service delivery.

The Government of Somalia recognized these issues and in February 2013 the Cabinet endorsed a document *“The Government’s View In Supporting The Establishment Of Community Based Local District/Regional Administrations And Federal States”* that provides a rapid pathway to formation of interim administrations so that stabilization could move forward in a coordinated manner. Based on the government decision, this programme outlined a full, community-owned and led consultative process leading to the formation of permanent administrations at the district and regional levels.

As the process of forming regional administrations unfolds over time, there is an immediate need to demonstrate tangible results quickly to communities. Alongside existing complementary strategies and programmes (police, justice, dispute resolution, disengaged fighters and at risk youth), the Government has designed a Strategy which comprises 5 mutually reinforcing interventions.

### Preliminary Consultative Efforts

Initiate peacebuilding and reconciliation towards formation of administrations, through community dialogues. This intervention will be undertaken through MINS facilitating initial consultations in accessible regions of south and central Somalia, such as those conducted in Gedo Region in June 2013 and the Central Regional

Consultative Dialogue meetings in Mogadishu in June 2013, and further through the actual process of forming permanent administrations, which includes workshops to bring stakeholders together.

### Awareness Campaign

Launched at the earliest stage of the process a communication campaign will be launched to explain the process of establishing local governments, the constitutional relevance, and by-laws on LG, creating awareness on the government's planned establishment of all inclusive permanent local district and regional administrations and community entitlements through bottom up approach.

### Infrastructure Rehabilitation

In line with the New Deal, calling for FGoS leadership, delivery of government infrastructure and basic services will be realized in line with government and community driven priorities. The infrastructure work undertaken through this Programme will focus on basic government structures such as district council offices, police stations, and courts, and will be complemented by community prioritized rehabilitation work to be undertaken within the framework of the Government's "Stabilization through Community Driven Peace Dividends" Programme.

### Building Permanent Local Governments (Councils and Administrations)

Communities will establish their representative and permanent structures, through a reconciliation and consultative dialogue and inclusive process. This process will include specific provisions ensuring representation and participation of women in local administrative structures.

### Strengthening capacities of Local Governments (Councils and Administrations)

Formation of district administrative structures, capacity building and systems establishment will be supported in this Programme.

Taken together these interventions will facilitate full participation, ownership of the process and results by local communities and sustainability of local governance structures and systems. It will be implemented in close coordination with the UN Joint Programme on Local Governance and Decentralised Service Delivery (UN-JPLG Phase II). UN-JPLG in South Central will complement the programme with by supporting the development of policy and legal frameworks, local government capacity, and accountability and responsiveness of local governments to community priorities.



Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
Community Engagements	242,000
Preliminary Consultative Workshop	440,000
Building Permanent District/Regional Administrations	8,675,000
Capacity Building for the Local Councils	2,450,000
Infrastructural Rehabilitation for Local Councils	2,743,000
Operational Support for LG Special Programs Unit	489,000
<b>Total [FLAGSHIP PROGRAMME]</b>	<b>15,039,000</b>

*Source: Ministry of Interior and Security (2013), 'Budget for the Establishment of Permanent Local Administrations in South-Central Regions of Somalia' (see source document for more detailed cost breakdown).*

## 11.5 Solutions for the Displaced

### Background

The Ministry of Interior and National Security has a significant challenge in devising the best way to provide durable solutions for the displaced, whether Internally Displaced Persons (IDPs) or returning refugee populations. Due to the scale of displacement within and outside the country and the longevity of the conflict, support is needed for many of the IDPs and returning refugees in the integration process. Support shall include existing resident populations in areas severely affected by the conflict with the aim of ensuring parity of assistance and reducing the potential tensions that may arise.

At the moment durable solutions for IDPs in Somalia are limited to voluntary return to areas of origin or local integration. Voluntary repatriation of Somali refugees will be facilitated and/or promoted in accordance with generally accepted norms and principles of international refugee law and human rights standards. These include, in particular, that repatriation shall be voluntary. Promoted repatriation will take place only when overall conditions are conducive for a return in safety and dignity.

The integration of IDPs and returning refugees is an extremely important challenge for Somalia's peacebuilding and economic recovery efforts. Given its fundamental importance, it is suggested that further research should be undertaken regarding the best policy options for integration. A recent study (World Bank, 2013) highlights that many IDPs prefer to remain in urban areas where they have more access to income-generating activities. It therefore recommends adopting a 'development approach' to IDPs, with different policies depending on whether people want to return home or remain in urban areas:

- For those preferring to remain in urban areas, policy would focus on ensuring a sustainable settlement and integration, and long-term livelihood opportunities in urban areas

- For those preferring to return home, policy would aim to ensure a sustainable voluntary return, with support for appropriate livelihood opportunities, which, ideally, will contribute to the economic development of Somalia.

Taking a development approach means going beyond providing limited and short-term assistance as well as addressing the underlying challenges undermining the return and reintegration process. In doing so land, housing and property issues need to be addressed if IDPs and returnees are going to be self-sustaining. It also includes addressing the livelihoods constraints the displaced face during their displacement and upon return, particularly among the most vulnerable, such as female-headed households. Sustainable delivery of services also needs to be factored in when thinking about addressing displacement in a durable manner.

### ***Main constraints to Economic Recovery***

The main challenge is ensuring that all Somalia citizens have access to basic service and more so to security and live in harmony and peace within the country. Internal conflict has led to prolonged humanitarian assistance addressing forced displacement is contributing to the war economy in Somalia. Conditions in parts of Somalia are improving but still not largely conducive to return and reintegration. Humanitarian assistance needs to continue to be provided to those who are not able to find a durable solution in the immediate. IDPs and returnees are at the risk of being left behind the economic recovery process as they continue to live in protracted displacement and are in need of durable livelihood solutions. Housing, land and property issues have tremendous negative implications on their situation. About 1.1 million IDPs and one million refugees (source UNHCR) mean that this is a long-term challenge, which must be addressed in a phased manner.

### ***Strategies to Address Constraints***

The objective of the ERP will be to facilitate and support the return and reintegration of internally displaced and refugees back into their communities, strengthen their livelihood security and promote reconciliation and reconstruction.

The Ministry will facilitate the phased approach in areas that are deemed safe and that allow people to enjoy their basic human right of safety and dignity. As far as possible, support provided will be standardized and will also benefit host communities to avoid inter- and intra-community tensions. Support will be community-based and will address the long-term needs of IDPs, returnees, and existing resident populations. Across these groups, consideration will be given to the gender-differentiated needs, constraints and challenges confronting the resettling and reintegrating populations. Consideration will also be given for the special resettlement needs of identified vulnerable groups as articulated in the government's resettlement strategy, including among others female-headed households, orphans, the disabled and the elderly. A similar process of support to



reintegration is necessary for ex-combatants and their families. Specialized support will also be developed for child ex-combatants to facilitate reunification with families and to address their post-demobilization needs.

The ministry will establish a task force that will plan and monitor the process. All beneficiary groups will be fully informed of the support they are entitled to and of the procedures for accessing it. Every effort will be made to ensure close co-ordination and monitoring of all aspects of the assistance, including appropriate targeting and efficient uses of resources. Efforts will also be made to provide accountable and responsive governance that will ensure that the voice of the displaced and the returnees is factored in the development planning in the areas of displacement, return, and integration.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Livelihood support for the internally displaced	5,000,000
Programme of ex-combatant rehabilitation	7,000,000
<b>Total</b>	<b>12,000,000</b>

*Source: Ministry of Interior and Security Submission. See also Federal Government of Somalia, 'Resettlement Strategy' and Inter-Ministerial Task Force On Disengaging Combatants (2013), 'National Programme for the Treatment and Handling of Disengaging Combatants and Youth at Risk in Somalia.'*

## 12 Productive and Natural Resources Sector

The main federal policy and strategy document is the Ministry of National Resources Strategic Plan (2013 – 2016). The Minister of National Resources oversees the work of the following sectors: (i) agriculture, pastoralism/livestock and forestry; (ii) fishery and marine resources; (iii) minerals, energy and petroleum; (iv) environment, and; (iv) water resource management and distribution. The Ministry has the challenging responsibility to rebuild the destroyed offices, hire competent staff, and draw Ministerial operational procedures, national policy and an action plan<sup>2</sup>.

In the short-term, the Strategic Plan states that the federal Ministry aims to focus on the establishment of a robust and well-resourced Ministry with a well-trained workforce that can carry out its functions, including promoting and advancing policies and regulatory framework that are responsive to the security and socio-economic needs of the country. Its long term goals include increasing the capacity of the Ministry, expanding its presence across the country and regulating the industries under its jurisdiction to respond effectively to the demands of the citizens.

It is recognized that a clear function assignment exercise between levels of government is required for natural resources, so that the different functions and mandates of the different levels of government are clearly agreed and understood by all. The Strategic Plan states that federal Ministry's mandate includes: Defining policy principles, operation and arrange required programmes and evaluations; Setting policies regarding the development of national resources and related services; Issuing permits, granting rights for exploration, signing and overseeing agreements; Setting up annual examinations and evaluations of the programmes of entities related to the Ministry; Conducting and coordinating studies, researches and other evaluations.

The role of the state in natural resources is to develop policy and provide regulation, as well as to provide public infrastructure to facilitate economic recovery. It is recognized that economic activity – e.g. agricultural production, fishing, petroleum, mineral and gas exploration and exploitation – will continue to be undertaken mainly by the private sector (defined broadly as all non-state actors).

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<sup>2</sup> Among the former institutions that are currently consolidated under the Ministry of National Resources are: the Ministry of Agriculture; the Ministry of Petroleum, Water and Minerals; the Ministry of Fishery and Marine Resources; and the Ministry of Rangelands and Forestry.





*It is estimated that nearly half a million people are directly or indirectly employed in fishing activities © Will Swanson*

## 12.1 Pastoralism, Farming and Fisheries

### Background

Five main livelihood systems have been identified in Somalia: pastoral, agro-pastoral, riverine, coastal fishing and urban. Agriculture is the most important source of food and income in Somalia, with particular emphasis on livestock and livestock products. Around 60% of the population practice nomadic and semi-nomadic agro-pastoralism while 17% are settled agriculturalists. Livestock and livestock trade account for an estimated 40% of Somalia’s GDP and over 50% of export earnings, with charcoal production and export also very important. Protracted conflict and drought have resulted in a shift away from pastoralism, as populations adopt new livelihood strategies to cope with external stresses. In particular, populations have increased crop production activities, while migration to urban centers to find alternate livelihoods is common.

Somalia’s long coast and ocean are home to numerous species of fish and other marine life providing good marine fisheries resources. Artisanal fisheries exist along the coast of the country, in rivers and other inland water bodies. According to available data, there are at least 30,000 persons employed in fishing activities (primary sector) and 60,000 persons in fisheries related activities (secondary sector). In addition, it can be estimated that about 400,000 people are likely to be employed in processing, trading, input supply and related activities (FAO, 2013).

### Main Constraints to Economic Recovery

In the area of pastoralism, in addition to stresses wrought by drought and protracted conflict, a key challenge has been unsound development programmes over the

years, including the creation of permanent water points which often resulted in permanent settlements in traditional wet and dry season grazing areas. These settlements have undermined the traditional mobility of pastoralists and as a result their livelihood.

Farming is constrained by three main challenges: the systematic destruction of agricultural production and marketing infrastructure, weak institutions, and an absence of farm inputs.

Somalia's territorial waters attract large numbers of foreign fishing vessels, little benefit reaches the local economy as most vessels are not registered and not taxed and their catch is not processed or sold in Somalia (FAO, 2013). Illegal, unreported, unregulated fishing (IUU) is therefore a huge problem, compounded by toxic waste dumping, limited fishing technology, poor fishery infrastructure, including in particular access to markets, weak fishing institutions and piracy problems.

### **Strategies to Address Constraints**

The strategy to address constraints to economic recovery in pastoralism is to restore pastoral livelihoods through the introduction of environmental rehabilitation in the form of tree plantation and community awareness, and regulation of the grazing of land and water points.

In farming, the primary strategic focus is the rehabilitation of vital crop production infrastructure and services (particularly small irrigation infrastructure and dams). This will be accompanied by strengthening of agricultural institutions at federal level (policy, legal, regulatory, oversight functions) and at district level (implementation, maintenance, and monitoring), and working towards revitalization of river basin water authorities. Limited access to farm inputs will be addressed through provision of financing schemes for farming inputs. These schemes will include provisions to ensure equitable access for male and female cultivators.

The strategy to address constraints in fisheries will focus on strengthening monitoring, control, and surveillance programmes to address the problem of illegal, unreported, unregulated (IUU) fishing, working with the Somali coastguard through public-private partnerships for provision of boats and associated training (e.g. full engagement with the EU Smart Fish programme). Industrial and artisanal fisheries will also be strengthened by promoting foreign partnerships and investments, developing energy provision to fishing communities for cold storage, and rehabilitation of more than 70 fish landing centers. Fisheries institutions also need to be strengthened as a priority, for example through improved oceanographic education through rehabilitation of Mogadishu Maritime Institute, and establishing training institutes.



As feasible and relevant, strategies across all three sub-sectors should endeavour to ensure inclusive economic engagement and participation, particularly of women, who constitute an estimated 45 percent of populations actively engaged in livestock and crop production.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
<b>Crop production:</b> Rehabilitation of vital crop production infrastructures and services (particularly small irrigation infrastructure and Jowhar Dam).	25,000,000
<b>Livestock:</b> Construction and rehabilitation of laboratories, central drug unit, clinics and ware houses across the country	18,000,000
<b>Forestry:</b> Rehabilitation of forest destroyed for charcoal.	1,000,000
<b>Fishery and Marine Resources:</b> Strengthen the Monitoring, Control, and Surveillance programmes to address the problem of IUU fishing	7,000,000
<b>Total [FLAGSHIP PROGRAMME]</b>	<b>51,000,000</b>

*Source: Ministry of National Resources Submission.*

## 12.2 Extractive Industries (Oil, Gas, Minerals)

### Background

Petroleum exploration in Somalia started in 1956. Although some hydrocarbons were found in exploration wells the late 1950s and early 1960s, no development drilling has been carried out and no production has been established so far. A large number of major oil companies (e.g. AGIP, Shell, Conoco, Phillips and Amoco) obtained exploration concessions in the 1980's and conducted considerable seismic surveys and drilling in large parts of the country, both onshore and offshore. Following the fall of the Barré regime in 1991 all exploration agreements went into force majeure. The National Exploration Archive and database were lost or destroyed. Between 2001 and 2008 new exploration licenses have been awarded, with some overlaps with blocks previously awarded to companies that had to declare force majeure.

On 7 August 2008, the Petroleum Law of Somalia was approved by the Transitional Parliament. Important provisions of the law include:

- Art. 4: "The distribution of Petroleum Income between central federal government, the regions and districts of Somalia for the benefit of the whole country".
- Art. 7: "all agreements pertaining to petroleum that were signed after 1991 with the entities purporting to be governments of all or any part of Somalia are considered non valid agreements"

A new version of the Petroleum Law (2013) is being drafted that establishes the “Somalia High Commission on Petroleum” to address and resolve key aspects of Petroleum Affairs in Somalia.

### ***Main Constraints to Economic Recovery***

In extractive industries, petroleum and gas exploration there is a lack of an effective petroleum legal and fiscal framework that meets the requirements of all stakeholders. This should be resolved as an urgent priority, before an actual discovery of commercial quantities of hydrocarbons is made.

The institutional set up of the petroleum sector in Somalia has been weakened by years of conflict and by the fact that its petroleum exploration history is limited. There is a lack of capacity for enforcement and/or negotiations of rights for hydrocarbon exploration and exploitation, leading to disputes. In particular, licenses have been issued and petroleum operations are being undertaken in areas which partly overlap with existing licenses that have been under force majeure since 1991.

There is also a lack of petroleum and mining data which is needed for attracting investments in petroleum and mining operations.

### ***Strategies to Address Constraints***

A key action agreed under the New Deal compact is to develop and enact a legal and regulatory framework for sustainable natural resource management, with extensive consultation, recognizing both the principles of federation and decentralization to reach consensus between stakeholders. While a draft Petroleum Law (2013) has been prepared, it requires extensive review and consultation and complementary legal and regulatory instruments. Key issues to address in the legal framework include a petroleum upstream and midstream law, a model production sharing agreement, and petroleum regulations in line with both the Provisional Constitution and international good practice. This is a fundamental priority to unlock the medium- to long-term economic potential in this sector. An added benefit of a more stable legal framework is that Somalia may be able to attract more technically and financially sound companies and can begin stricter enforcement of licensing requirements and minimum work programmes.

Building sector specific capacity is a top priority, with an initial focus on developing capabilities to negotiate the best contracts and to manage the contracts for the best outcomes. While building state capacity to develop the sector and negotiate with energy companies, the government will promote hydrocarbon exploration in partnership with foreign companies. This will also require negotiations with industry on resuming operations in agreements under force majeure, promotion of petroleum potential through geological and geophysical studies and data gathering, design of effective licensing mechanisms, and assessments of the future environmental and social impact of petroleum operations.



To address the lack of data, a Geological Survey and an Extractives Cadaster with modern databases and GIS systems are a priority for the governance of the sector. Efforts will be made to obtain copies of lost data where possible from license holders and service companies that acquired the original data.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Develop and enact a legal and regulatory framework for sustainable natural resource management, with extensive consultation, recognizing both the principles of federation and decentralization to reach consensus between stakeholders.	1,000,000
Capacity building for capabilities to negotiate the best contracts and to manage the contracts for the best outcomes	2,000,000
Geological Survey and an Extractives Cadaster with modern databases and GIS systems	1,500,000
Promotion of petroleum potential (geological and geophysical studies, design licensing mechanisms). Data gathering through contract with private sector	2,000,000
<b>Total</b>	<b>6,500,000</b>

*Source: Ministry of National Resources Submission.*

### 12.3 Environment Management (Water, Land, Soil and Biodiversity)

#### Background

The serious degradation of the environment began in the early years of post-independence when government management and regulation weakened or stopped. It accelerated with the collapse of central government, the influx of refugees from less secure regions, changing weather patterns, unsustainable land use and increasing poverty. Over more than twenty years of disrupted governance and insecurity, the already inadequate management and protection of natural resources has collapsed almost entirely. Severe damage is being done to Somalia’s environment and natural resources: land degradation caused by overgrazing, deforestation, soil erosion and more frequent dry periods; water pollution from inadequate waste and sanitary facilities and poor water management; marine resources degradation from illegal fishing and hazardous waste disposal in the ocean; chemical contamination from poor or lack of disposal of pesticides and the disappearance of wildlife. Charcoal production and trade accounts for 95% of all energy consumed in Somalia and represents the biggest threat to Somalia’s environmental resources because of employing practices that are highly inefficient and environmentally damaging (FAO, 2013).

### **Main Constraints to Economic Recovery**

Environmental energy issues are dominated by unsustainable household energy sources. A lack of both community environmental awareness and viable alternative economic opportunities has led to unsustainable use of charcoal for domestic energy, resulting in deforestation. Public environmental institutions are also very weak, having particularly limited capacity to adopt international conventions and protocols.

### **Strategies to Address Constraints**

There are immense opportunities for improvements to make the charcoal value chain more sustainable at the local level, through cost-efficient interventions meeting the energy needs of Somali communities with alternative energy sources while diversifying livelihoods and preventing further land degradation. As a consequence of the damage already done, it is now crucial to build policy and sustainability into production systems, protect and manage natural resources for recovery and development and also address the effects of climate change on natural resource-based production systems.

Environmental energy challenges will be addressed by strengthening the environmental policy and regulatory framework, and addressing unsustainable household energy use. This will be done by improving community awareness about sustainable energy, and providing alternatives in the form of solar, biomass, wind, and wave energy. This will be accompanied by reforestation of degraded areas through planting e.g. coastal mangroves (the UNDP, FAO, UNEP programme is particularly important). The strategy will also involve the introduction and promotion of liquid propane gas as an alternative for traditional household energy. Weak institutional capacity will be strengthened through upgrading of capacity and training for environmental professionals, including specific skills to engage in climate change negotiation and assessment engineering. Plans include strengthening water energy, rehabilitating water wells outside Mogadishu and establishing an efficient dissemination of the water in Mogadishu based on active private sector investment and improved water planning and policy and regulatory framework.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Water: to strengthen government institutions chartered with water energy development and rehabilitate of water wells outside Mogadishu	3,000,000
Develop environmental policy and regulatory framework and develop forestry programmes (to regain the heavily lost trees).	2,000,000
<b>Total</b>	<b>5,000,000</b>

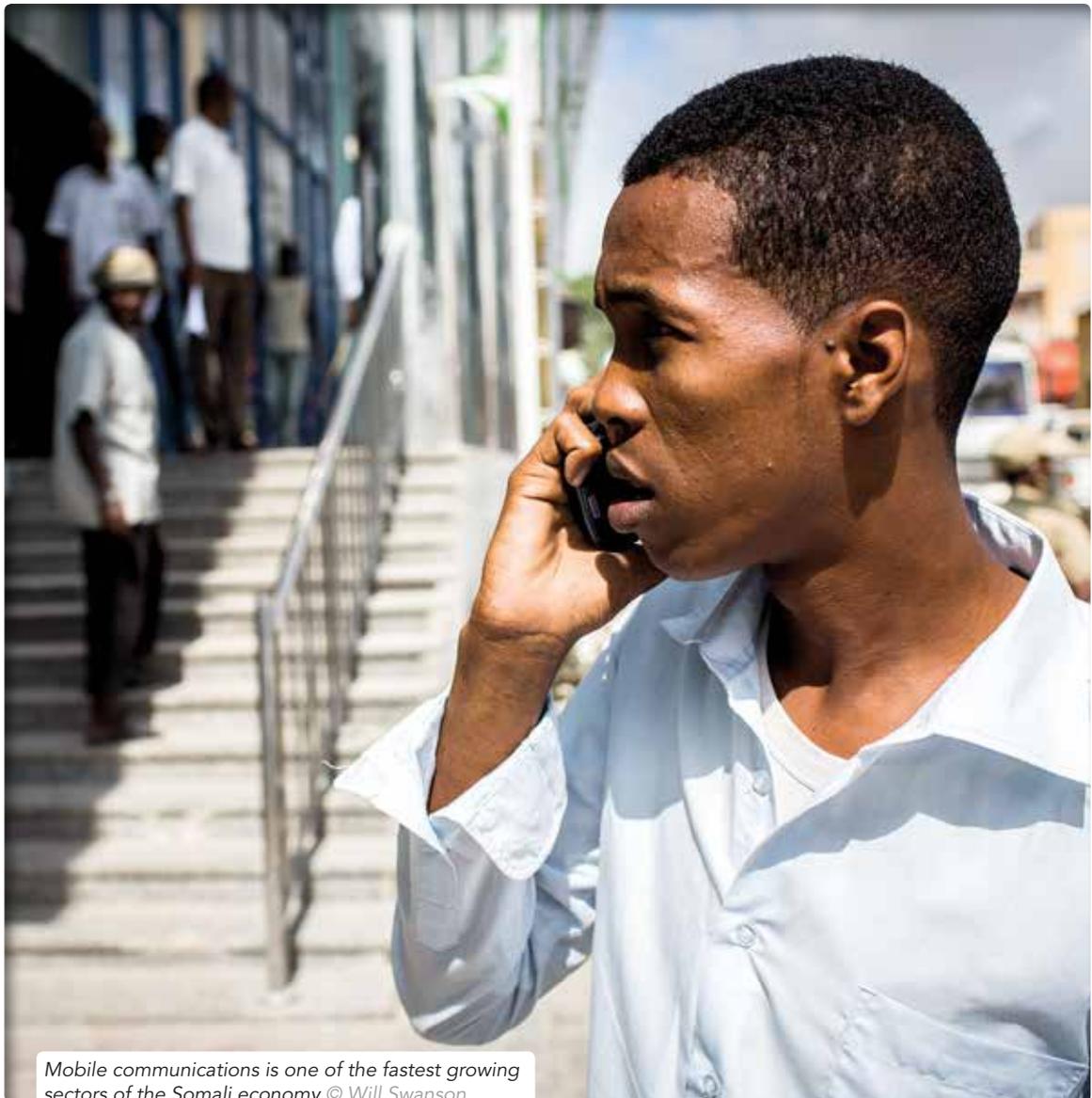
*Source: Ministry of National Resources Submission.*



## 12.4 Information and Communication Technology (ICT)

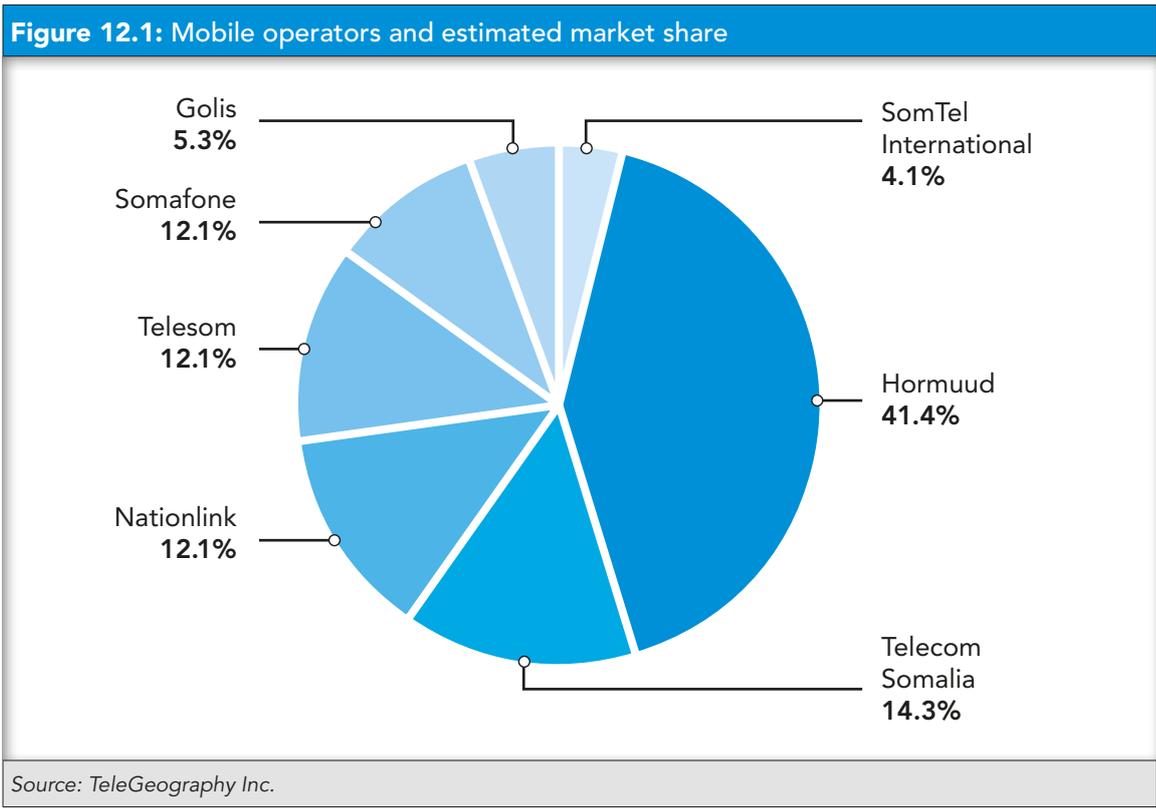
### *Background and Main Constraints to Economic Recovery*

Like most sectors of the Somali economy, the information and communication technologies (ICTs) sector is in a poor state following two decades of civil war. The former fixed-line network of the pre-1990 state-owned incumbent was effectively destroyed and rates of penetration of ICTs are amongst the lowest in the world. Somalia was one of only three African countries (along with South Sudan and Eritrea) that missed the December 2012 deadline, set by the African Union in 2007, to connect all African capitals with fibre optic cable. Internet usage reaches only 3% of the population, at best.



*Mobile communications is one of the fastest growing sectors of the Somali economy © Will Swanson*

Nevertheless, the ICT sector, especially mobile communications, is one of the fastest growing sectors of Somali economy and plays a central role in creation of jobs as it employs more than 25,000 workforces nationwide. Despite, or perhaps because of the lack of regulation, a number of private unlicensed mobile communication companies, using satellite for international communications, have emerged to meet with the high demand for communications, especially with the large Somali diaspora who have left families at home.



Between seven and ten mobile phone companies are present either in Somaliland, Puntland and South-Central, and some are present in all three regions (see Figure 12.1). Companies like Hormuud Telecom now provide service to around three million subscribers in Somalia and have introduced 3G mobile services since the start of 2013. Hormuud’s EVC+ service, which facilitates exchange of airtime credit among users, has become a virtual currency within the country, given the lack of faith in the Somali shilling and the difficulty of using US dollars for low-value transactions.

A critical step towards economic recovery and reconstruction will be the ability of the government to raise funds from economic activities and trade within the country, without relying on international donors. The telecommunication sector, especially mobile communications, is perhaps the most profitable sector in the economy at present, apart from international remittances. Developing a framework for licensing and taxation will be an important step towards tapping into this source of potential revenue.

## Strategies to address Constrains

### Legal and Policy Framework

The Ministry of Information, Communication, Post, Telecommunication and Transport (MIPTT) has prepared a Communications Act which has been approved by the council of Ministries and acknowledges that approving the Communications Act through the Parliament is an urgent priority for the government, as this will provide the legal basis for issuing new operator licenses and collecting revenues. MIPTT will continue public consultation processes and pushes the communication act through the parliament. The act foresees the creation of a Somali Communications Commission, to be headquartered in Mogadishu, with a Board of nine commissioners with overlapping five year mandates. With these regulations the telecom sector will enormously contribute towards nation-building, and the operators will benefit from a greater international co-operation, especially in the supply of international connectivity. The commission's mandate includes issuing new licenses for existing mobile operators, with interconnection obligations, and issuing class licenses for internet service providers.

### Monitoring facilities

The Ministry will acquire all the regulatory tools and facilities to effectively carry out its monitoring and inspection responsibilities. The said facilities include:

- a) *Radio Spectrum Monitoring System (RSMS)*: This RSMS is used to detect sources of harmful frequency interferences
- b) *The Broadcast Logger*: The Logger is primarily used to record all audio and TV broadcast transmissions.
- c) *Quality of Service Measurement System (QSMS)*: The QSMS is used to measure the quality of service provided by the mobile telecommunications networks in respect to call drops, speech quality, call set up time, call cost etc.

Output from these equipment is used to enforce the Quality of Service parameters and standards set out in the terms and conditions of the licenses.

### International Fiber-optic network

The Government will also play a leading role in spearheading the construction of new and innovative communication infrastructures in the country. Commissioning the construction of a submarine cable connecting Somalia with the international fiber-optic network and the deployment of limited but strategic communications infrastructure in the country will be a priority for this Ministry as it will contribute the economic recovery and development. With the regulatory framework in place, this

can also be achieved by encouraging national and international private companies to invest with Public Private Partnerships as an option.

### Other Priorities

Beyond these regulatory challenges, other priorities for the government involve creating of enabling environment in citizens, businesses and government of Somalia can make full use of ICTs, including:

- Increasing mobile phone penetration and usage. At present, the average penetration rate for Somalia is just over 20 subscriptions per 100 inhabitants whereas the African average is around 70;
- Building out the network to unserved and underserved areas, and achieving 100% mobile coverage of the population;
- Bringing fiber optic cable to Mogadishu and other major cities to reduce dependence on satellite for international internet traffic, and reducing the price of internet access and increasing reliability;
- Using mobile applications for development, especially mobile money services to facilitate secure payments both within and outside the country, but including also use of ICT applications in education, health, agriculture, transport, commerce and other key sectors of the economy.

### Cost of Strategic Plan

The total cost for the reconstruction of this sector can be appreciated as it can be implemented in the matter of months and increases tremendously the government's revenue as well as contributing other sectors economic growth. Investment in the sector can also be attractive to national and international companies.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
Support for the Communications Act. Public consultation, presentations and advertisements.	500,000
Regulatory Tools and Facilities: Radio Spectrum Monitoring System; The Broadcast Logger; Quality of Service Measurement System	2,000,000
Regulatory training for the use of the equipment.	100,000
Submarine cable connections: Fibre-optic cable to connect to Mogadishu and Bosaso.	10,000,000
Limited, but modern and strategic communication infrastructures	4,000,000
<b>Total</b>	<b>16,600,000</b>

Source: Submission from Ministry of Information, Posts and Telecoms



## 12.5 Industry and Private Sector

### **Background**

The Ministry of Commerce and Industry is responsible for the formulation, implementation and monitoring of Somalia's internal and external trade. The Ministry is also charged with regulating and promoting the country's private sector business including investment and industrial promotion. The strategic plan of the Ministry for 2013-17 sets out a clear plan to (a) build the capacity of the Ministry (b) review and revamp business laws and policies that promote competition and reduce cost of doing business (c) Improve local producers to international markets (d) Encourage investment in manufacturing, and (d) Rehabilitation of the public industries and factories.

The Government of Somalia considers private sector led growth as key to its economic recovery plan. Since the collapse of the Somali state the private sector has played an important role in generating income and employment. With the exception of very few large enterprises in the telecommunication and money transfer companies most of the businesses are small and medium enterprises. In the absence of effective central government, private sector has found a way to thrive and prosper in the midst of chaos and insecurity. Therefore, the Ministry is committed that its actions would not impede private sector growth but would rather provide enabling environment to ensure that the private sector continues to play an important role and flourish.

Export of livestock and agricultural products have always been key economic drivers which contribute to the household income and are great source of foreign currency which finance import and domestic business growth. Although, livestock and agricultural production challenges will be addressed by the Ministry of Natural Resources, the Ministry of Commerce and Industry is tasked with export promotion.

Currently there are limited manufacturing activities taking place in Somalia. In 1991, there were 53 state-owned and private light, medium and large manufacturing enterprises. Some of the largest state owned manufacturing facilities located in and around Mogadishu include refinery plant, cigarettes and matches, aluminum, wheat flour and pasta, milk, grain mill plant, iron foundry, Somali textile and factory. In addition, given that the federal government was dominant in both industry and business prior to 1991, the Ministry of Commerce and Industry owned both business assets and manufacturing facilities across the country. These assets have not been properly accounted for and some are believed to have been misappropriated by private entities. Reviving the manufacturing sector will create income, employment and potential positive externalities through development of local suppliers.

The top unfunded priorities of the ministry for the next two years under the ERP to develop and support the private sector are: 1) Developing business legal and regulatory framework 2) Trade facilitation and promotion, and 3) Reconstitution of basic manufacturing base through public private partnerships.

Somalia doesn't have a formal financial system. Access to finance is a main constraint for Micro, Small and Medium Enterprises (MSME) in fragile and conflicted states like Somalia. Micro-credit has the potential to provide much needed economic stimulus, as the country stabilises, especially for female-headed activities. Recently, there have been a few microfinance organizations by commercial entities, including Hawalas, and not-for-profit organizations supporting MSMEs and households with some early indication of success.

### **Main Constraints to Economic Recovery**

Despite the success of the private sector due to largely entrepreneurial spirit and tenacity of the Somali entrepreneurs, the growth of this sector has been constrained by lack of legal and regulatory framework, poor infrastructure, and inadequate access to finance. Lack of commercial and business laws have created a disorderly growth of business and free for all environment without proper protection of consumers and suppliers.

Inadequate property rights law (including intellectual property laws), contract law and poor contract enforcement are huge drain of private sector talents and investments. Private businesses have to rely on costly system and private mechanism to resolve commercial disputes.

The absence of enforceable foreign director investment and joint venture policies and laws place severe limitations on foreign direct investment, as well as business and technology transfers particularly from the Somali Diaspora and others. As a result, business expansions and acquisitions have to rely heavily on limited personal financial resources or family members, which are further exacerbated by lack of credit from the financial sector. This limits start-ups, business growth and improvement in both management and technical know-how. The lack of company law and national standardization have created unhealthy imbalance between profit-seeking behaviour and consumer protection.

The growth of the export sector is severely limited by lack of state support, good macroeconomic policy, regulation and trade promotion. The export sector is heavily fragmented and uncoordinated which creates unhealthy competition and reduces both the potential growth and income of exporters. In the absence of quality standards and practice, unscrupulous traders could also hurt the international reputation of legitimate exporters. As a result, livestock and agricultural exports suffer from unfavourable terms of trade and a reduced income potential for farmers and pastoralists. Lack of consumer confidence in quality of Somali products, including proper certification and quality assurance to potential buyers, limits export markets.

Over 22 years of conflict whatever little manufacturing base that existed has been destroyed. Most of the government-owned factories are in disrepair and many are currently occupied by internally displaced people and in decay, with equipment and machines looted. There is also no proper inventory of government



business and manufacturing assets. As a result, there are huge government assets that are sitting idle and not contributing to economic revitalization of the country.

Microfinance services have been limited by poor security and limited access to some area, limited human capital for auditing and inadequate financial resources.

### **Strategies to Address Constraints**

In order for the private sector to continue to contribute to the economic recovery of Somalia, the Federal Government pledges to collaborate with the private sector by enhancing an enabling environment for business to thrive. The best strategy the Minister can adopt to assist the private sector and protect the public from predatory business practices is to reform the business legal and regulatory framework, supporting investment and regaining consumers' trust in businesses. The following are some of the laws that need to be reviewed and changed if necessary: Commercial and Business Law, Industrial Law, Foreign Investment Law, Joint Venture Act, Public Private Partnership Policy and Law, Company Law and regulations, National Intellectual Property Law, and National Standardization Law.

In addition, vocational training to improve business and accounting literacy of small businesses and other vocational training could improve business productivity. Rehabilitation of local markets in collaboration with concerned municipalities will improve internal trade and profitability of small traders.

To unlock the potential of livestock and agricultural product export, the ministry will develop and implement export promotion strategies, rehabilitate livestock transit facilities, constitute international export certification to ensure quality and safeguard the reputation of Somali export products. To reduce fragmentation and unfair competition will require concerted effort by the ministry to ensure proper regulations and fair competition. The ministry will also contribute to increased exports by opening new markets, licensing and certification which will improve terms of trade and the potential contribution of international trade to the economic recovery.

The strategy to reconstitute the manufacturing base will rely on public-private partnership. The Ministry and the Government of Somalia has no interest in dominating the manufacturing sector and would empower the private sector through public private partnerships. The ministry will conduct a survey of all publicly owned business and manufacturing assets. Later on some of the businesses and factories would be rehabilitated if necessary to attract private investors. Legal and regulatory reforms will also contribute to the success of this strategy.

The Federal Government is committed to support MSME growth and grass-root development and has decided to promote Microfinance through existing well-performing organizations. The Somali Bank for reconstruction and Development (SBRD) have recently funded a Pilot Microfinance programme, which is underway in the 17 districts which constitute the Benadir Regions. SBRD is planning to expand it

across the country within the coming two years. The Government, through the SBRD, would seek to provide seed capital and technical support to a number of existing or new Microfinance institutions with a good track record in this sector in Somalia or in similar context abroad. This MFI fund could be provided on a competitive basis. SBRD should also receive technical assistance to upgrade its capacity to manage the programme.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
<b>Developing business legal and regulatory framework:</b> Regulatory framework development = \$700,000; Rehabilitation of selected key local markets = \$400,000; Vocational and business literacy institute = \$1,200,000	2,300,000
<b>Trade facilitation and promotion:</b> International Trade promotion = \$400,000; Certification and standardization = \$300,000; Rehabilitation and building of livestock transit facilities = \$1,800,000	2,500,000
<b>Reconstitution of basic manufacturing base through public private partnerships:</b> Survey of government business and manufacturing assets = \$300,000; Rehabilitation of selected manufacturing facilities = \$7,500,000	7,800,000
<b>Microfinance</b> Institution Fund to provide capital and technical assistance to MFIs in Somalia (with SBRD)	13,200,000
<b>Total</b>	<b>25,800,000</b>

*Source: Submissions from Ministry of Industry and Commerce and Somali Bank for Reconstruction and Development (SBRD).*



## 13 Infrastructure Sector

Somalia's infrastructure (including energy, roads, airports, sea ports, urban services and settlements) has been destroyed during the years of conflict and is in urgent need of rehabilitation. Weak infrastructure limits livelihood opportunities and puts a serious constraint on economic growth. Given the expected scale of investment required, donor support will be important in augmenting existing diaspora-backed private sector investments, which are largely limited to small/local projects.

### 13.1 Energy (Electricity Generation and Distribution)

#### *Background and Main Constraints to Economic Recovery*

##### Status and context

Access to electricity and finance, and political instability are the main obstacles for enterprises in fragile and conflict-affected economies, and a possible binding constraint of growth. Somali's rely on charcoal and firewood as their primary source of domestic energy, and it is estimated that 87% of the country's energy consumption comes from these biomass fuels. Petroleum products account for about 11% of the total energy use, while electric power generation, using diesel fuel generators, accounts for about 2% of the total energy use. Electric power is used mainly in residential, commercial and industrial sectors and is used to run borehole pumps in rural areas.

##### Generation

The Somali Government National Energy Document of June 1988 stated that the total installed capacity in the country was 55,300 kW of which 38,000 kW (69%) was in Mogadishu. Unfortunately, most of the generators that were installed then have either been looted, damaged or are out-of-service due to a lack of parts. As a result, most of the electric generation plants in urban and rural areas today are owned and run by private enterprises or NGOs. In the majority of cases, privately owned and operated generators supply electricity on a commercial basis. For some private generators though, the primary objective is to supply their own premises (telephone companies, hotels, small industry etc.) and spare capacity may be sold over a very rudimentary and fragmented network to supply consumers in that locality. Access to electric power in rural areas is particularly dire.

Potential sources of electric power in Somalia are solar, wind, coal and hydropower, but these are mostly untapped. Fenole in the south has a 4.6MW hydroelectric plant, which is currently out of commission. The generation from this power plant had been unreliable due to the seasonal flow of the Jubba River and the agricultural needs upstream of the plant. Work was about to start on a major hydroelectric

scheme at Bardhere dam, but construction came to a halt in 1989. The development of renewable energies and, thus, reducing charcoal consumed, will be critical to ensure a sustainable energy mix for Somalia. However, these developments will take time and required significant capital investments.

### Transmission and distribution

An electrical grid that connects major load centers to more than one power source is non-existent in Somalia. Some 15kV feeder lines exist in major regional centers that transmit power from a single power station to the load areas with step-down transformers of 15kV/380V. Given that the feeder lines are built of bare aluminum or copper conductors, and strung on wood or concrete poles, the system is not safe or reliable. The subsequent 380V distribution networks are also very rudimentary and unreliable.

### Institutional and Legal framework

In the absence of public investment in the sector, Somali private sector took the lead in providing electricity to the public. Although following the years of conflict, most of the power generation in South Central Somalia is provided by small-scale private operators, the sector is not regulated. As a result, there is no Government electricity authority functioning in this part of the country. While private companies provide electricity at the local level, there is also no legal framework enforced, and no authority to enforce basic standards or safety criteria. Capacity building is, thus, one key requirement for rehabilitating, operating and maintaining electrical infrastructure in Somalia. Some basic electrical skills are available in limited numbers at technician level, however, these numbers and skill levels need to be increased in order to expand the generation capacity and network reach, and for subsequent operation and maintenance of the system.

### Immediate needs

For starters, a clear legal, policy and operational framework needs to be created to avoid the further haphazard development of the energy sub-sector and to encourage private sector investment. The regulatory framework should include standards of practice and safety. Furthermore, the authority should develop capacity to audit and permit household and industrial connections. Related to this, a *federal level Energy Authority*, with sub-regional representation, needs to be established and properly capacitated, in terms of skills and machinery, in order to develop, operate and manage the sub-sector.

Despite their merits, private sector generators have small generation capacity and relatively more expensive than standard. The country's generating capacity needs to be expanded including: large power stations (initial priority locations for these would include regional centers and port cities), cooperative ventures between small scale operators, and micro level renewable power solutions. The electricity



transmission and distribution network needs to be developed and expanded. This will allow electricity distribution over a larger area and longer distances. Cables on a power line that are sized and constructed correctly will also reduce voltage drop and power losses. Moreover, building a network will immediately connect more people and, with reduced losses, will add revenue to existing suppliers, with an overall improvement in the quality of supply. Additional distribution transformers (15kV/380V) are also required as an integral part of the network.

Together with addressing these fundamental challenges, the authorities face the task, in time, of setting up a clear metering, billing and customer service system. Such a system and the necessary generation, transmission and distribution infrastructure investments will also require a clear idea of current demand and growth projections. Finally, Somalia will also need to start planning towards significant opportunities provided by *regional cross-border connectivity*, particularly from the Eastern Africa Power Pool.

### **Strategies to Address Constraints**

In order to start addressing the dire state of the energy sub-sector in Somalia, an *Energy Sub-sector Status Update and Needs Assessment* will be undertaken. The purpose of this assessment will be roughly to: (i) provide a comprehensive review of the current state of energy infrastructure in Somalia; (ii) identify shortfalls and propose measures to strengthen the legal framework and institutional structure, as well as policies and operational guidelines, in order to develop the sub-sector and operate the related infrastructure; (iii) identify emergency short-term needs and predict growth patterns, and the impact this will have for rehabilitating or developing basic energy infrastructure; and (iv) identify a list of critical projects to be delivered in the short, medium and long term in order to ensure the appropriate and sustainable development of the energy sector. The African Development Bank is already providing initial support to undertake an *Energy Sector Needs Assessment*, which can potentially be scaled up and expanded.

Following the needs assessment, three key interventions will commence in parallel. Firstly, a *Policy Framework and Energy Sector Strategy* will be developed. This framework and strategy will address key issues such as: (i) basic regulations to ensure electricity supply that is safe, affordable and of a high quality, (ii) generation, grid and customer distribution/service ownership structures, and (iii) guidelines for Public Private Partnerships.

Secondly, a Federal Level Energy Authority will be established and capacitated. This will require the development of a clear legal and operational mandate. It will also require significant training of personnel, as well as the recruitment of short/medium-term experts to provide initial guidance and management support. Given this authority will be tasked with the planning, rehabilitation and subsequent operation of certain aspects in the sub-sector, an Electrical Regulation and Standards Committee will also be established to provide regulatory oversight and ensure safety, quality and affordability standards are respected.

Thirdly, following the needs assessment, a number of Design and Feasibility Studies will be conducted for priority projects. Suggested projects at this stage include the rehabilitation of the Mogadishu Power Station and the construction of a Mogadishu Grid. Regarding the hydroelectric plant at Fenola, a joint assessment will likely be undertaken with the irrigation/agriculture sector to determine the serviceability of the plant, along with the cost and economic viability of re-commissioning the Fenola hydropower scheme.

Once these preceding interventions are under way, most likely by the end of the first year of this ERP, a *Solar Lighting Programme* will be launched in each of the eleven regional capitals of South Central Somalia. This will target the provision of street lighting on major roads within these urban centers.

### Cost of Strategic Plans

The approximate cost of the proposed energy sub-sector strategic plan for the next two years is shown below. The costs for the first two line items (needs assessment etc. and policy/strategy development) and line item four (design and feasibility studies) includes the relevant consultants, consultations and travel etc. required. The setting up and staffing of the authority and committee (line item three) includes the development of a clear legal framework and operational mandates, as well as the significant training of personnel and the recruitment of technical expertise. Finally, the solar lighting programme includes the materials, transport, security and wage costs.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
Undertake an Energy Sub-sector Status Update and Needs Assessment: Consultants, broad stakeholder consultations and travel	400,000
Create an Energy Policy Framework and Sub-sector Strategy: Consultants, broad stakeholder consultations and travel	300,000
Establish a Federal Level Energy Authority and Electrical Regulation and Standards Committee: Development of clear legal and operational mandates, training of staff and recruitment of experts	10,000,000
Undertake Design and Feasibility Studies for critical projects: Consultants, broad stakeholder consultations and travel	4,000,000
Launch the Regional Centre Solar Lighting Programme: Materials, transport, security and wages [FLAGSHIP PROGRAMME]	24,000,000
<b>Total</b>	<b>38,700,000</b>

Source: Submission from Ministry of Public Works, Ports, Marine Transport and Energy on Energy (Electricity Generation and Distribution).



## 13.2 Transportation (Roads, Airports, Ports)

Transportation infrastructure performs an important role in the Somali economy. Rehabilitation of ports, airports, roads and bridges will help provide Somalis with new business and job opportunities, as well as better access for vulnerable and poor communities.

### *Background and Main Constraints to Economic Recovery*

Since the late 1980s, there has been no major investment in the development of transport infrastructure and very limited maintenance of the existing infrastructure. This has resulted in a severe depletion of the capital infrastructure stock that Somalia had built up by the late 1980s. Road transport continues to be the principal mode of internal transport due to a lack of railway infrastructure and limited coastal shipping. However, the provision of transport services has declined steadily due to limited investment, aging equipment and prevailing insecurity. Animal transport – including camels and donkeys – continue to be the most important and only means of transport for many people. With insecurity, and a deteriorating road network, air transport also continues to play an important role.

### Roads

The road network is classified into: (a) primary, (b) secondary, and (c) rural/feeder roads. The primary road network, which used to be mostly paved, serves major population centres and the secondary road network connects settlements of local significance to one another and to the primary road network, and is predominantly earth roads or tracks. Rural/feeder roads are mostly low volume earth roads, which serve as access to the primary and secondary road network and no inventory exists covering these roads. Some of the more productive regions of the country do not have all-weather roads crossing them and this, in part, greatly hinders access to markets for farmers' products particularly from the south in regions like Gedo and Middle and Lower Juba.

Up until 1991, the Ministry of Public Works and Housing, through its Directorate of Highways (formerly Civil Engineering Department), was responsible for planning, constructing and maintaining roads. The Ministry of Land and Air Transport was responsible for vehicle registration and the Ministry of National Planning was responsible for general planning of the sector and for monitoring project implementation. Today, however, these responsibilities fall within the Ministry of Public Works and Reconstruction (including Ports, Marine Transport, Energy and Roads and Bridges), which has very limited capacity. Thus, efforts will be required to design an effective institutional model(s) to manage the road transport sector both at the federal level and across the regions. In addition to the institutional challenges, the legal and policy framework under which the roads sector functions is also not fully defined. Importantly, this would also involve the linking of policies and regulations to those of recognised international and Africa



regional associations, such as the Common Market for Eastern and Southern Africa (COMESA), and the framework of the New Partnership for Africa's Development (NEPAD).

### Airports

Airport infrastructure remains critical for trade in high value economic commodities and communications with neighbouring countries and the outside world. With roads in poor condition, poor law and order in large parts of the country, airports are also essential for the movement of humanitarian and commercial goods within Somalia. The Civil Aviation Caretaker Authority for Somalia (CACAS) was formed in 1996 to ensure the safety of air transport operations in the absence of a functioning central government. CACAS was jointly managed by UNDP and the International Civil Aviation Organisation (ICAO), and operated from a facility in Nairobi, Kenya, and from field stations within Somalia. CACAS had been responsible for basic air navigation services and the development of air navigation infrastructure will need to be closely coordinated with the reconstruction of airport infrastructure to provide safer passenger and freight services in Somalia. When a sound institutional structure is established, with appropriate rules and procedures, all interventions regarding air transport in general would need to be made under the overall oversight, management and policy framework of the ICAO.



## Immediate needs

As has been noted, a clear legal, policy and operational framework needs to be created for the transport sector as a whole and the relevant sub-sectors such as roads, airports and ports to ensure the systematic development of the sector and to facilitate private sector investment. Furthermore, the current limited institutional and human capacity is a major constraint to prepare, coordinate and implement an infrastructure recovery and development programme, and needs to be addressed. This has implications for all transport sub-sectors to varying degrees.

The cumulative effect of limited investment over the last 15 years together with the progressive deterioration of the road network means that the reconstruction and development needs of the road sector are large. However, taking into consideration the inherently high costs of rehabilitating/reconstructing road infrastructure, the need to carefully prioritize and sequence the required investments is essential. This prioritisation will also need to consider poverty reduction goals, regional equity, connectedness amongst regions and districts, and available implementation capacity. Likewise, the situation in the airports sub-sector is quite similar following the years of neglect, with all international and regional airports in a varying state of disrepair.

## Ports

Somalia has the longest coastline in Africa and annual exports of livestock heads are estimated to count for 40% of GDP. Customs at Somali ports have also provided major fiscal resources for Government (see Section 6).

### **Strategies to Address Constraints**

In order to fully understand the needs in the transport sector a status update and needs assessment will be conducted for both the roads/bridges and airports sub-sectors. For example, one of the priority actions in the airports sub-sector will be to refine and confirm the inventory of existing airports, their number, condition and needs. This will then help in prioritising the sequence of rehabilitation that will be required, given the high costs of reconstructing airport infrastructure. Needs assessment activities will also take into consideration gender-differentiated travel and mobility patterns. The African Development Bank is already providing initial support for a transport sector needs assessment, which can be scaled up and expanded as appropriate.

Following the needs assessment, two key interventions will commence. Firstly, an overall *Transport Sector Policy Framework and Sector Strategy* will be developed, which will involve the development in parallel of sections on all sub-sectors, including roads/bridges, airports and ports. This would include setting the mandates of different institutions, setting standards, and establishing basic guidelines for procurement, tendering and contract administration. The aim would be to build and establish the culture of transparency, accountability, as well as the guidelines, procedures and arrangements for monitoring the same.



Somalis enjoy food and drink by the Indian Ocean © Pete Muller

Secondly, and in tandem with the policy/strategy development, the *relevant institutions will be established and capacitated*. This would include, for example, a sound institutional model(s) to manage the road transport sector both at the federal level (e.g. *Federal Level Highways and Roads Authority*) and across the regions, as well as to start building some basic institutional capacity for policy development and investment programme planning, preparation and implementation. The federal authority would then be responsible mainly for national sector policy, and manage the primary road network while regional road authorities would be responsible for the secondary and feeder road networks within their respective regions. By the end of the ERP period, the various parts of Somalia must have the basic institutional framework to manage the bulk of road rehabilitation and reconstruction.

In order to reach this goal, significant training of personnel will be required, as well as the recruitment of short/medium-term experts to provide initial guidance and management support. Related to this, there will be a broad need for the infrastructure reconstruction programme to assess the availability of qualified domestic contractors to undertake the necessary works. Some contractors have already been operating in parts of Somalia, including Somaliland, and during the ERP a *database will be developed of Somali engineers and technicians*, which could lead to the establishment of a professional organisation that could facilitate mentoring, training etc. with international engineer associations.

At the same time that these 'softer' issues are being resolved, the Government will need to be seen to be delivering some basic, and high impact, infrastructure services with the limited capacity and systems that are currently available (major road works are not possible). The targeted programmes in the *roads and bridges sub-sector* are two-fold: (i) to *upgrade and establish at least 10km of asphalt grade road in each Regional Capital*, and (ii) to *rehabilitate some of the major bridges across the South Central region*. The road works in each regional centre will provide visibility that the Government is trying to provide services even given its limited capacity, will facilitate better movement around urban centres and will also help improve or re-establish basic access to commercial centres and markets for rural communities (agriculture, livestock etc.). The rehabilitation of the bridges in rural areas will address some of the main restrictions on regional transport networks and trade routes, and are also small and manageable enough projects for the project implementation capacity that currently exists. The details and indicative costing's of these interventions are shown in the Table below.

The targeted programme in the *airports sub-sector* is the *re-establishment of Mogadishu airport meteorological station and eight regional airports*. These airports are listed in the indicative costing table below and have been selected given their distance from Mogadishu, being within an important regional centre, and to circumvent the security challenges of currently moving between major regional centres themselves and with Mogadishu. The rehabilitation will include the repair and extension of runways, taxiways, aprons and terminals.

Where feasible the programmes in both the roads/bridges and airports sub-sectors will be undertaken with the aim of *creating basic jobs in the regions where they are delivered*. Models such as those already piloted by the International Labour Organisation (ILO) – e.g. Community Contracting and Employment Intensive Infrastructure Programmes – will be employed. In addition, these programmes themselves will also aim to increase institutional capacity to manage larger infrastructure programmes down the line.

Finally, as part of the two year ERP, a number of *Design and Feasibility Studies* will be conducted for priority projects. Potential projects already include the rehabilitation and construction along major transit and trade corridors (e.g. Mogadishu-Baidoa-Dolow, Bardhere-Jilib-Kismayo, and Galkaio-Garowe-Bosasso and onwards into Somaliland).

<b>Cost of Strategic Plans: Roads and Bridges</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Undertake a Roads/Bridges Sub-sector Status Update and Needs Assessment	700,000
Create a Roads/Bridges Policy Framework and Sub-sector Strategy	300,000
Establish a Federal (and Sub-regional) Level Highways and Roads Authority	12,000,000
Undertake Design and Feasibility Studies for critical projects	5,000,000
Upgrade/establish 10 km of asphalt grade road in each Regional Capital	120,000,000
Rehabilitate Bardheere River Bridge (est. 75% damaged)	120,000
Rehabilitate Jilib River Bridge (est. 20% damaged)	70,000
Rehabilitate Buulo-Burde River Bridge (est. 20% damaged)	70,000
Rehabilitate Sunguni River Bridge (est. 20% damaged)	70,000
Rehabilitate Qoryooley River Bridge (est. 50% damaged)	70,000
Rehabilitate Buurdhubo River Bridge (est.50% damaged)	80,000
<b>Total</b>	<b>78,480,000</b>

*Source: Submission from Ministry of Public Works, Ports, Marine Transport and Energy on Roads and Bridges.*

<b>Cost of Strategic Plans: Airports</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Undertake an Airports Sub-sector Status Update and Needs Assessment	150,000
Create an Airports Policy Framework and Sub-sector Strategy	100,000
Enhance capacity of the Civil Aviation Authority to take over from CACAS and extend to all regions	2,000,000
Re-establishment of the meteorological station in Mogadishu	5,000,000
Rehabilitate Baidoa (Baay) Airport	3,000,000
Rehabilitate Beled-Weyn (Hiraan) Airport	2,500,000
Rehabilitate Bu'aale (Middle Jubba) Airport	1,500,000
Rehabilitate Dhusa-mareeb (Galgadud) Airport	2,000,000
Rehabilitate Galkacio (Mudug) Airport	3,000,000
Rehabilitate Garbahaare (Gedo) Airport	1,500,000
Rehabilitate Kismaayo (Lower Jubba) Airport	3,000,000
Rehabilitate Jowhar Airport	2,500,000
Equipment for regional airports	8,000,000
<b>Total</b>	<b>34,250,000</b>

*Source: Submission from Ministry of Public Works, Ports, Marine Transport and Energy on Airports.*



<b>Cost of Strategic Plans: Ports</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Emergency rehabilitation of major ports and jetties (phase 1), coordinated with linkages to markets [FLAGSHIP PROGRAMME]	25,000,000
IMO conventions implementation for all seaports of Somalia	300,000
Feasibility study for establishment of Board of Somali Maritime Administration	100,000
Technical Assistance for institutional capacity building and	1,000,000
Rehabilitation of seamarks and lighthouses along Somali coastline	1,000,000
<b>Total</b>	<b>27,400,000</b>

*Source: Submission from Ministry of Public Works, Ports, Marine Transport and Energy on Ports.*

### 13.3 Urban Infrastructure (Water, Sanitation and Solid Waste Management)

**Background**

Urban Water Supply and Sanitation and Solid Waste Management is the mandate of the respective Municipalities under the Ministry of Natural Resources. Data on water and sanitation coverage is very limited with only 3 representative surveys and an additional partial inventory of water sources across Somalia under the SWALIM project having been carried out in the recent past (1999-2005). Nationally, only 23% of the population has access to sanitation facilities, with access rates of 52% in urban centers and only 6% in rural areas (World Development Indicators, 2010)

Rapid urban growth, accelerated by internal displacement has resulted in a steadily growing demand on water services in larger towns and cities. Private businesses have taken over some of the urban water utilities. Where regulated, water for the poor is often heavily subsidized, but where they rely on small-scale water vendors poor people can pay as much as five times more for water than those who can access a piped system. In cities affected by the protracted conflict in the South no functional utilities of any significant size exist, and water is mostly provided in small neighborhood networks or through private vendors with water carts.

**Main constraints to Economic Recovery**

The main challenges facing the urban water sector are sustaining the existing scare water resources, strengthening government institutions mandated with water supply, sanitation and solid waste development, rehabilitation and management including water wells in secondary and major cities and establishing an efficient water supply, sanitation and solid waste network within the major urban areas including Mogadishu.

### **Strategies to Address Constraints**

The ERP aims to build the foundation for establishment of an efficient water supply and sanitation network and solid waste management system within the major urban areas including Mogadishu based on active private sector investment and an improved water policy, planning and regulatory framework.

Firstly, the sustainable and integrated management of water resources must be governed by enforceable law and include constructive engagement with neighboring countries that host the majority of catchment areas for Somalia's water. This should extend to environmental management, catchment protection, conservation of water resources, enforcement of water quality and safety standards, and social aspects of water resource management.

Urban water and sanitation supply and solid waste collection and disposal systems must build on functional and/or demonstrated service delivery models (which include varieties of PPPs) and equally promote context-specific decentralized solutions for better service delivery to all groups, including the urban poor.

The government at state level must be supported to enforce (where they exist) or establish sound water and sanitation supply and solid waste policies and legislation that govern extraction rights, access rights, water conservation, water quality, sustainable service delivery including cost recovery mechanisms and tariff guidelines, equitable access and pro-poor water and sanitation supply mechanisms (including cross-subsidies), sound sector management and coordination. At the federal level, government aims to enact sound legislation to ensure integrated water resource management across the country and in close constructive cooperation with its neighbors



<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Establish laws and enact sound legislation for integrated management of water resources management across the country and with the neighbors	500,000
Rehabilitation and extension of urban water and sanitation supply infrastructure in major cities and secondary towns (reticulation, trunk mains, sewer systems and storm drainage). Develop master plans for urban water and sanitation supply and solid waste management. [FLAGSHIP PROGRAMME]	18,000,000
Rehabilitation and extension of Solid waste management collection, transportation, disposal mechanisms and controlled dumping sites.	13,650,000
Establish sound water policies, legislation and functional service delivery models (which include varieties of PPPs) that govern extraction rights, access rights, water conservation, water quality, cost recovery mechanisms, tariff guidelines, equitable access and pro-poor water supply mechanisms.	800,000
<b>Total</b>	<b>32,950,000</b>
<p><i>Note: Prepared in dialogue with Benadir Regional Administration, but intended to benefit other municipalities in South Central Somalia.</i></p> <p><i>Sources: Benadir Regional Administration and Ministry of Finance and Planning.</i></p>	

## 14 Social Sector

### 14.1 Health and Nutrition

#### **Background**

As with most public services, over the last 2 decades the health system in Somalia collapsed with human development indicators now among the worst in the world. As of 2009, there were an estimated 625 health posts and 225 maternal and child health centers in Somalia. Assuming a population of 9 million, this amounts to just one health post per 15,200 people. Existing services are provided by the private sector and other service providers, including pharmacies and drug stores, often with high service fees. Life expectancy at birth is 51 years and infant mortality rates are estimated to be 108 deaths per 1,000 live births (or 180 per 1,000 live births for under-5's). Under-5 mortality is very high (in the range of 180 to 225 per 1,000 live births) (UNICEF 2012) and there has been little or no progress in reducing child mortality in the last 20 years. Maternal mortality rates are estimated to be 1,400 out of 100,000 live births (Department of Health), although these rates are likely higher given that 90 percent of births take place at home and are therefore not recorded. Child and maternal under nutrition in their acute and chronic forms remain an enduring problem in Somalia. Data from 2001 to 2009 show that over this period median rates of global acute malnutrition have remained at Serious (10 to <15%) or Critical (15 to <20%) levels (WHO Classification 2000). However, with the new Government and improving security across the country there is now an excellent opportunity to start rebuilding our health system.

The Government has developed a Health Sector Strategic Plan (HSSP) 2013-16 under the leadership of the Directorate of Health in the Ministry of Human Development and Public Services (MoHD). Through a consultative process the Health Sector Strategic Plan has identified the key Somali health priorities, being (1) Leadership and Governance, (2) Human Resources, (3) Service Delivery, (4) Health Financing, (5) Medical Products and Technologies, and (6) Information and Research. This ERP targets those top few priorities that most directly contribute to short-term economic recovery, and is therefore in alignment with the Health Sector Strategic Plan 2013-16.

#### **Main Constraints to Economic Recovery**

##### Limited leadership and governance capacity in Ministry of Human Development and Public Services

Management and planning of the health sector is poorly developed. A central Ministry and eleven Regional Health Teams are responsible for the health sector. A small planning unit is tasked with system-wide development, but most managers in the Ministry of Health are occupied with donor-funded projects. There is no sound health planning and budgeting system. The result is that decisions on health sector programming and funding in South Central Somalia are often made by international



agencies with little or no involvement and consultation with the Directorate of Health (HSSP, 2013).

### Severely limited availability of qualified, skilled and adequate human resources

There is a severe shortage of qualified health staff of all disciplines - medical doctors, nurses, midwives and other cadres. Community Health Workers provide a limited service in rural areas; this will need to be expanded as well as developing facility-based services at health centres, referral health centres and hospitals (HSSP, 2012).

### Lack of health services and inadequate fiscal space

Coverage of public health services in rural areas, and for nomadic populations, is very limited; it is estimated that less than 15% of the rural population has access to any health provider. Immunization rates remain low and skilled providers attend less than 10% of births. The quality of care provided by private providers is variable and often poor (HSSP, 2012). There is also negligible fiscal space with little of the national budget spent on health and no health financing framework to ensure adequate and predictable funding to the sector or sound financial management by the ministry.

### Inadequate medical products and technologies

Critical medicines and consumables are externally financed and procured. Agencies and organizations provide vaccines and injection material, a regular donation of essential medicines and basic equipment in the form of kit to Referral Health Centres, Health Centres and for Primary Health Units (HSSP, 2012).

### **Strategies to Address Constraints**

In accordance with the Government's Health Sector Strategic Plan 2013-16, the strategies to address the main constraints to economic recovery have been identified as follows.

First, in response to the limited leadership and governance capacity in the Ministry of Health, the HSSP aims to build capacity in governance and leadership to better manage the rebuilding of the health system and improve services to the whole population. The Ministry of Health will implement as a matter of priority a leadership and management development programme that has already been designed and agreed. The draft National Health Policy will be finalised and an annual planning, budgeting and reporting cycle to implement this strategic plan will be introduced. Harmonization of external support to the health sector through a new government-donor coordination system will begin. Improved citizens' engagement in the management and financing of the health services will be built through health boards and committees. The leadership and governance programme aims to equip the senior management level with the skills and tools to better regulate and manage the health system across the country (HSSP, 2012).

The phased roll out of essential services is dependent on having sufficient qualified health staff. For this reason, human resources issues are high priority in the HSSP. In response to the lack of qualified and skilled personnel, the Ministry aims to (i) develop a human resource management plan, (ii) revise and harmonize remuneration levels between providers, (iii) revive and strengthen health professional associations, (iv) train personnel to provide services in line with the essential package of health services (EPHS) programmes.

In response to poor service delivery, the HSSP aims to (i) provide 3 core Essential Package of Health Services (EPHS) programmes including nutrition across all regions, (ii) provide 6 core EPHS programmes in selected districts within accessible regions, (iii) strengthen and harmonize community service delivery capacity, and (iv) develop national and regional referral capacity for obstetric and surgical emergencies and trauma.

Finally, in response to the lack of medical products and technologies, to (i) ensure provision of appropriate and sufficient drugs and medical and essential nutrition supplies to health facilities, (ii) promote rational use and management of drugs and medical supplies, (iii) improve health facilities physical infrastructure, equipment and supplies, (iv) introduce new technologies (solar, water catchment, waste management) in line with service delivery roll-out.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
<b>Governance Leadership Management:</b> Establish a policy and legal framework for the health sector; Establish effective planning and budgetary framework and processes; Effective governance, leadership and management and institutional capacity at all levels of the Ministry of Health; Build community governance arrangements; Health sector coordination and partnership; Agreements with service providers for health services; Emergency preparedness and response capacity.	1,996,622
<b>Human Resources:</b> Human resource management plan and policy; Revised standard remuneration levels; Revive health professional associations; Training and Capacity building for HR.	2,531,000
<b>Health Services:</b> Basic EPHS available in all regions; EPHS within accessible regions; Community service delivery capacity; National and regional referral capacity [FLAGSHIP PROGRAMME].	46,669,960 of which, 30,000,000 for FLAGSHIP PROGRAMME
<b>Medical Products Technologies:</b> Quality of drugs and medical supplies; management of drugs and medical supplies; Improve health facilities physical infrastructure, equipment and supplies; New technologies	458,985
<b>Total [FLAGSHIP PROGRAMME]</b>	<b>51,656,567*</b>
<p>Note: * This does not include supply costs for health and nutrition currently covered by implementing partners in South Central Somalia. The costing of supplies has not yet been agreed and included in the HSSP document.</p> <p>Source: Submission from Ministry of Human Development and Public Services. For more detail refer to Federal Government of Somalia (2012), 'Health Sector Strategic Plan (HSSP), January 2013 – December 2016.'</p>	



## 14.2 Education

### **Background**

The collapse of the Somali state resulted in the disappearance of formal education systems, leaving most children without an opportunity to receive an education. This has had a dramatic impact on education indicators to date and has exacerbated severe gender disparities in literacy and enrolment. With a weak formal education system, secondary school participation is at only 6% for boys and 3% for girls (UNESCO 2007/08 Secondary School Survey), with girls in particular less likely to attend school due to domestic responsibilities and other cultural constraints. Nearly 75 percent of young women are illiterate. In addition to poor access, the quality of education and curricula are generally very poor. There are also poor controls, management and planning capacity and financing in the education sector. At present, service provision is mostly provided by a mix of local and international NGOs, both Islamic and Western, and by the private sector. The burden of teacher costs is currently placed on the Community Education Committees, private investors (remittances), and donor programme. The core funding source for Community Education Committees comes from school fees collected from families and communities. This is prohibiting the majority of children from poor families from accessing education, hindering progress towards the MDG goal of achieving universal primary education.

An Education Sector Committee was officially established in November 2012, where many local stakeholders, including the private sectors, local and international NGOs, and donors, are able to share information on education initiatives. Many consultations have already been conducted among the Education Sector Committee (ESC) members for establishing the Interim Education Sector Strategic Plan 2013 (ESSP).

### **Main constraints to Economic Recovery**

Lack of institutional capacity and systems including policies, procedures and other related legal framework is a major challenge. This is attributed to the long conflict in Somalia that wasted children opportunity to gain skills and knowledge that would lift them out of poverty and lead the country to prosperity resulting in a lost generation. In the absence of a coherent policy direction, schools emerged that provided education according to their abilities. The ESC members are taking more responsibility in the policy formulation process where views of Somali education partners (local NGOs, INGOs, implementation partners, donors, etc.) are reflected in the national education strategies.

The sector faces a severe lack of sufficient and skilled Human Resources to restore the formal basic education system. The long civil war destroyed not only the physical infrastructure but also its social dynamics and human resource capacity. The education system suffered seriously from large-scale attrition of teachers even before the collapse of the state. The collapse aggravated the situation and led to a massive flight of teachers. Gender disparities extend into the teaching force as only 15 percent of trained educators are women (ESSP 2012). As the sector re-emerges

from the vestiges of the civil war, it is severely handicapped by the lack of facilities and trained personnel.

The number of students in basic primary education and secondary education in South Central Somalia has risen at approximately 42 percent for boys and 36 percent for girls<sup>3</sup>. However, the quality of the education they receive has become a major priority at the national level. The knowledge base of teachers and their motivation are extremely low. In comparison to the increasing enrolment of students, teachers need more support in recruitment, training, professional development, and incentive payments. Incentive payment is not only an essential element for recruiting and retaining teachers, but to contribute to poverty reduction. As of today, no teachers are registered under the government payroll. The burden of teacher costs is currently placed on the Community Education Committees (CECs), private investors (remittances), and donor programmes. The core funding source for CECs is the school fees collected from families and communities. This is prohibiting the majority of children from poor families from accessing education, hindering progress towards the MDG Goal of achieving universal primary education.

This sector is also faced with lack of a functional, credible, coherent, and equitable education system in the country, particularly in the South-Central Somalia. As a result of the civil war, the number of out-of-school and at-risk children and youth aged 6-18 years has been estimated as being 4.4 million. In addition, an estimated 90% of the infrastructure has been destroyed, whilst that which remains requires major reconstruction and refurbishment. Furthermore, very limited efforts have gone into curriculum development, which requires expertise and resources that are beyond the capacities of many education providers in Somalia today.

### **Strategies to Address Constraints**

The main objective of the ERP is to have 1 million (of which 500,000 for South Central alone) going back to school in the next 1- 3 years by restoring basic education through rehabilitation of schools, teacher recruitment, training and incentives. There will be a redistribution of essential supplies including furniture and teaching materials. The Directorate of Education will design and implement technology aided education programmes geared towards drawing as many children as possible in to formal schooling.

To ensure the restoration of the basic education, the Directorate of Education will undertake sector level projects aimed at the creation of systems necessary to developing, managing and providing effective service delivery. These will include restoring basic education (early childhood education, primary and secondary levels), addressing the needs of marginalized children, developing a livelihoods-orientated curriculum and developing youth empowerment programmes.

Overall, the Directorate of Education aims to develop its capacity and functionality by establishing more effective leadership and better governance in the education



sector delivery systems. The already designed and agreed upon leadership and governance programme will aim to equip senior management at central, regional, and district-level with the requisite skills and tools, especially through provision of Technical Advisors, to better regulate and manage the education services system across the country.

The Directorate of Education will also oversee a targeted increase in the Directorate of Education staff and specifically teacher workforce, with an improved skills balance and strengthened capacity. The Directorate of Education will develop and implement a comprehensive workforce development plan with long term perspectives and strategies that will promote the teachers and other education workers deployment in more rural districts. The Directorate of Education will focus on developing a teaching staff human resource policy and development master plan, designing and keeping an up-to-date record of all its public workers, their place of work and their qualifications and in coordination with the Ministry of Labour, Youth and Sport and Civil Service Commission agree on a standard remuneration package based on clearly defined job descriptions that require all donor agencies and NGOs to adhere to the set standards. Design and development of policies and plans should include in particular consideration for provisions incentivizing and promoting recruitment and retention of female teachers, particularly in rural areas, as part of any strategy to improve enrolment rates for girls and young women.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
One million back to school children programme (500,000 in South Central) – funding for first two years in South Central Somalia. Activities under formal education, Alternative Basic Education, pastoralist education, Non-formal Education, Early Childhood Development (ECD), teacher training, Teacher incentives, school supplies, and support to education sector coordination [FLAGSHIP PROGRAMME]	51,000,000 of which, 30,000,000 for FLAGSHIP PROGRAMME
Establishment of more effective leadership and good governance in education sector delivery systems; Develop education sub-sector policies and frameworks based on the Interim ESSP (including gender policy).	580,000
Increase the social services workforce, improve their skill balance and strengthen their capacity; Adopting measures to provide school accommodation, teachers and materials so as to draw in as many children as possible in formal schooling including Mapping and programmes for special needs education and emergency preparedness and response.	11,000,000
<b>Total</b>	<b>62,580,000</b>
Sources: Submission from Ministry of Human Development and Public Services. For more detail see also MoHD (2013), 'Interim Education Sector Strategic Plan 2013 (ESSP).'	

## 14.3 Gender, Social Protection and Resilience

### Background

Social Protection is the set of public and private policies and programmes aimed at preventing, reducing and eliminating economic and social vulnerabilities to poverty and deprivation<sup>4</sup>. For the Federal Government of Somalia, social protection falls under the mandate of the Ministry of Human Development and Public Services, along with health, education, youth, labour/employment and gender. Despite commitment and recognition by the Ministry that social protection is a critical policy tool to contribute to economic recovery, equity and resilience in Somalia, the government is still in its initial stages of development and thus lacks adequate human, financial and institutional capacity to develop and manage social protection systems. However, given the strong support provided by partners, including UNICEF, FAO, WFP and NGOs, in the implementation and delivery of cash transfers for people affected by emergencies, there are existing structures and systems in place that could be strengthened and used as building blocks for a future nation-wide system.

In Somalia, social protection has generally taken two forms to date, (1) the community-led and traditional systems that provide essential support to those in need, and (2) the humanitarian and development aid that has been provided by external organizations and institutions. Non-formal social protection includes: the flow of remittances (within Somalia and coming in from the diaspora abroad), as well as the traditional zakat system. It is important to note that, since 2011, it is estimated that the total volume of such traditional social protection systems has far outweighed that of more formal aid.

Formal social protection includes the aid response over recent years, which was scaled-up in response to the food security crises of 2011. Of particular note here is the Emergency Cash and Voucher Programme which was implemented in South-Central, reaching an estimated maximum of 1.5 million individuals in October 2011. This programme provided unconditional cash grants or vouchers, enabling households to meet their basic food and non-food needs in the aftermath of the famine. UNICEF has played a key role in leading this programme, which was implemented by international and local NGOs. The UN Food and Agriculture Organization (FAO) and the UN World Food Programme (WFP) have also been strongly involved in social protection objectives, through the implementation of a large-scale cash for work (CFW) programme and the provision of food or food vouchers as a safety net, particularly in times of seasonal hardship. The current Resilience Strategy, led by these three UN agencies, also includes social safety nets as one of its core components.

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<sup>4</sup> UNICEF 2012, Integrated Social Protection Systems, Enhancing Equity for Children, UNICEF Social Protection Strategic Framework. Executive Summary.



### **Main constraints to Economic Recovery**

There are a number of practical challenges to implementing social protection systems in Somalia. There is limited institutional capacity to develop and manage a social protection system, and a weak institutional framework to support the development of such system (i.e. social protection policies, procedures and other related legal framework). There is also limited up-to-date census information on population statistics (the last national census was in 1975). Data on the needs and vulnerabilities at individual and household level needs to be reinforced. Figures for birth registration are low and many individuals lack any formal identification, potentially making the access to social transfers and other basic social services, a challenge. Access to formal banking systems for saving, insurance, or credit schemes is also a huge barrier for most Somalis, limiting their capacity to securely manage their household economy and mitigate against future shocks. Delivery systems for basic services (i.e. health, education, other) are extremely weak across the country, particularly in Central South-Somalia, so even when families have the economic means, the services available to them are often very limited.

### **Strategies to Address Constraints**

In light of the context and the challenges outlined above, three main strategies are proposed here to build the foundations of social protection in Somalia. The below strategies will be elaborated following consultations with key ministries, and will form a key part of this ERP for the Government.

#### **Development of a Social Protection Framework**

The development of a Social Protection Framework, action plan (identification of priority areas and commitment) and costing exercise for a minimum social protection floor for social protection is necessary as a starting point for a national approach. As stated under PSG 5 (priority 1) creating a regulatory environment is a key step toward the provision of social protection. The Ministry of Human Development and Public Services, as well as the Ministry for Gender and Social Affairs will be involved in the development of the Social Protection Framework (in line with the commitment to social protection under PSG5.), with support from UNICEF and other UN agencies.

#### **Capacity development assessment and plan**

Under PSG 5, reference is made to the low capacity of public institutions to deliver services in Somalia. An assessment is necessary; on the basis of strengths and weaknesses identified a capacity development plan should be elaborated. Concrete actions will be proposed in order to build the capacity of the Ministry of Human Development and Public Services (both at central and regional level).and implementing agencies.

## Design and Implementation of a pilot Social Transfer Programme

While the development of the Social Protection Framework is underway (as above), existing efforts to support a transition from emergency cash transfers to long-term support to the most vulnerable households in South-Central (in the form of a Social Transfer programme), should be supported. An initial social transfer pilot in two regions (approximately 25,000 households) is recommended for a period of two years, covering most vulnerable households. Specific design (targeting, social transfer modalities, benefit size and M&E framework) will be developed based on priorities identified in the Strategic Framework. This transition will build on the experience and systems developed in the emergency cash and voucher programme that has been led by UNICEF since 2011. Based on results and evaluations of the pilot, expansion of the programme to additional districts will be considered, linkages with other services, as well as the feasibility of government ownership and management.

Cost of Strategic Plans	
Plan / Description	Estimated Indicative Cost (\$)
Development of a Social Protection Framework	200,000
Capacity development assessment and plan	100,000
Design and Implementation of a pilot Social Safety Net Programme	20,000,000
<b>Total</b>	<b>20,300,000</b>

*Source: Submission from Ministry of Human Development and Public Services.*

## 14.4 Youth and Labour

### Background

The Directorates of Labour, Youth and Sport are under the cabinet portfolio of the Ministry of Social Development Services. After long period of the absence of a national government due to civil war, the strategy of the Directorate of Labour, Youth and Sport is to re-vitalize and develop the services that are mandated to provide services to the public by the constitution. Like other public institutions, the Directorate has numerous challenges that pose obstacles in efficiently discharging its functions.

### Main Constraints to Economic Recovery

One of the main challenges the Directorate is facing is weak human resource capacity and inadequate operational support facilities. Before the civil war, Somalia had a well established civil service management system such as labour laws that regulate the process of recruitment, career development, labour related dispute





settlement and retirement benefits. All the systems are lost, the professional and experienced staff are either not in the country or died/aged.

The youth are the back bone for the development of any country and represent the potential workforce of every society. During the civil war the youth have lost opportunities for formal education and employment. Unskilled, uneducated youth populations are most vulnerable to economic shocks and least likely to find work in the formal economy. Frustrated ambitions and feelings of deprivation contribute to a breakdown in community participation and social cohesion and as a result, youth are vulnerable to recruitment into criminal or illicit networks, as militia for warlords and fighters for Al-Shabaab. Youth employment creation is therefore absolutely essential to reducing one of the main drivers of conflict in Somalia.

The civil war has also created a loss of social cohesion among the communities particularly the youth who were in the front line of the inter-clan fighting's. The conflict has undermined traditional forms of social cohesion and trust across communities and has destroyed opportunities for positive interactions among youth.

**Strategies to Address Constraints**

To address the challenge of weak human resource capacity, the Directorate is aiming to re-establish a strong and more skilled labour force and reconstruct the labour laws, re-establish a database for job opportunities within the public civil service. More particularly, develop skill training programmes in the areas of leadership, management, and good governance by reviving the former management and administration institute.

To provide youth employment, the government's policy is to provide youth with alternatives to engaging in violence and joining criminal networks and terrorist groups like Al-Shabaab. To realize that goal, the Directorate in collaboration with other concerned government institutions, is to create employment and livelihood opportunities with direct access to employment and to develop the necessary opportunities for vocational training in order to improve youth employability, reinvigorating the work ethic and contributing to broader societal goals, and allow them to improve their employability.

To promote social cohesion, the Directorate is planning to rebuild enough play grounds to promote social cohesion and interaction among youth and at the same time create sources of income generated through public attendance in games at play grounds. The practice of sport can promote peace, as it can be structured to bypass political, economic and social barriers and promote the ideals of cohesion, solidarity, non-violence, tolerance, and fair play. Rehabilitation of playgrounds will enable community interaction and development of inter-group bonds among youth and communities.

<b>Cost of Strategic Plans</b>	
<b>Plan / Description</b>	<b>Estimated Indicative Cost (\$)</b>
Government official leadership and Management Training programme; Health, education, finance and state offices.	2,650,000
Government Administration Training programme	1,000,000
Rehabilitation and equipment of 2 govt. vocational training centres	2,500,000
Enterprise Based Training	5,000,000
Rehabilitation of 500 Playgrounds	750,000
National Sports Tournament Programme	1,000,000
<b>Total</b>	<b>12,900,000</b>

*Source: Submission from Ministry of Labour, Youth and Sport.*



## Part C

### Implementation and Way Forward



*Airport employees track plane arrivals*  
© Pete Muller

## 15 Roles and Responsibilities for ERP Implementation

The following roles and responsibilities are assigned to implementing bodies:

### ***Council of Ministers***

The Intra-Government Coordination Arrangements will consist of the regular Council of Ministers Inter Ministerial Committee Structure. These committees will be the principal mechanism for policy management and coordination at Cabinet level. The Federal Government of Somalia recognizes that some technical assistance may usefully be brought to bear to help strengthen/build the capacity of Government at cabinet level to make collective Cabinet decisions that are evidence-based, leading to more systematic policy-making that will better contribute to national development goals, poverty reduction and improved quality of life for Somali citizens.

### ***Ministry of Finance and Planning***

MoFP will have primary responsibility for both managing the implementation of this ERP through a single integrated planning and budget framework, the aid and coordination framework. MoFP will be responsible for ensuring that the ERP is shared at both the regional and federal levels as a basis for discussion on key implementation issues, and in particular to promote a shared understanding of critical economic recovery issues. MoFP will be responsible to review and report on the fulfilment of all conditions attached to grant and loan agreements under the proposed SDRF. MoFP will also ensure the timely execution and release of financing to line agencies in accordance with the allocations approved in the national budget. MoFP will also be responsible for implementation and outcome level monitoring and will require line agencies to submit progress reports on regular basis. These reports will provide the basis for discussion about the implementation of this ERP at relevant Working Groups. For all off-treasury projects, line ministries will work with MoFP to monitor and report on performance and results.

### ***Working Groups Including Sector Line Ministries***

Working Groups will be established to move forward the respective components of this ERP as part of a broader annual planning and budget framework. Costing of Strategic Plans will consist of Federal Line Ministries, regional representation and development partners. Following the Brussels Conference new terms of reference for the Working Groups will be drafted. Line Ministries will be responsible for the execution of programmes and will be accountable for budget expenditures. These groups will form the basis for the Federal Government of Somalia's planning and budget process.



### **Regions and Districts**

Regions and Districts will play a crucial role in the further development and implementation of the ERP. They will be engaged after the Brussels conference in further consultations to inform the allocation of programmes and will form part of the M&E framework that will also be developed.

### **Development Partners**

Development partners will play a crucial role in ERP implementation. Not only will they be asked to provide direct financing to the ERP, but they will be encouraged to – wherever possible – use flexible procedures or channel funding through innovative aid instruments such as the Somalia Development and Reconstruction Facility (SDRF) in order to ensure ERP projects are implemented. In order for this Facility to enable delivery within the ERP time frame, development partners will need to be prepared to act quickly and flexibly, learning the lessons from pooled funding mechanisms in other fragile and conflict-affected countries (see Commins et al., 2013). Development partners also contribute far more than financing alone: their representatives can play an active role in ERP implementation by participating actively in relevant Working Groups, providing information in a timely manner for inclusion in budget documents and M&E processes, and working with counterparts in the Federal Government to build capacity.

All actors involved in the implementation of the ERP will work together to ensure that it is implemented in a transparent and accountable manner, putting in place and enforcing measures to prevent corruption and ensure conflict sensitivity.

## 16 Financing Arrangements

### **16.1 Financing for Rapid Implementation**

The two-year time frame for implementation of the ERP is rightly an ambitious one. In order to have the best chance of successful implementation, the ERP seeks to wherever possible build on existing sector strategies, plans, and implementation modalities. The Government is pragmatic about the need for ERP programmes to be, in many cases, delivered through service providers. The important point is that the programmes should be delivered under a Government coordinated framework and it should be clear to beneficiaries that the resulting infrastructure and services are being delivered by the state (either Federal, regional or local government depending upon the level of government to which the function is assigned).

Where there is no established implementation modality for an ERP programme, the Government's preferred implementation channel is the Somalia Development and Reconstruction Facility (SDRF). However, the Government wishes to emphasise that the top priority is successful implementation under Government coordination, and therefore recognises that other aid instruments could be used.

All aid flows in support of the ERP must be captured in annual budget documents and reports. This will require a timely response from development partners in providing information on pledges, commitments and disbursements in response to and in the format requested by the Ministry of Finance and Planning. All ERP funding should be 'on plan' (i.e. included in an amended version of the ERP itself to be issued following the Brussels Conference), 'on budget' (included in budget documents submitted to parliament), and 'on report' under the ERP M&E framework.

## 16.2 Somalia Development and Reconstruction Facility (SDRF)

The Federal Government of Somalia and its international development partners have agreed to a "paradigm shift" in the way in which international resources are managed in Somalia. The new paradigm will have the following key principles:

- Partnership between development partners and government to align international resources with Somali priorities;
- Somali leadership and accountability for the design, delivery and monitoring of priority programmes in Somalia;
- A national and inclusive approach to design and delivery of resources.

Both donors and the Government have discussed the importance of including aid flows on budget. The primary vehicle to achieve this will be the proposed Somalia Development and Reconstruction Facility (SDRF). If agreed, the SDRF would form the centerpiece of a new partnership between the international community and the Government ensuring a coordinated effort to support the delivery of Compact, ERP and other agreed priorities in line with New Deal principles.

While the SDRF is the "preferred channel" for international assistance, the Government recognizes that the share of international assistance using the SDRF would be modest in the first instance and then increase over time based on the facility's ability to deliver and its track record. Beyond its support to delivering on Government priorities, the two key objectives of the SDRF would be (i) to encourage the coordination and alignment of development assistance to ensure greater aid effectiveness; and (ii) to encourage the increased use of country systems over time in order to build the capacity of Somali institutions and to provide the starting point



and platform for mutual accountability. The SDRF would also establish close links with the budget process.

The SDRF consists of two levels: (i) a delivery platform that includes several core pooled funds or “windows” positioned to develop and deliver projects and programmes; and (ii) a governance or strategic level that provides a platform for coordination, decision-making and information sharing linked to the broader aid architecture.

### ***Level one: SDRF Governance Platform***

The governance level of the SDRF consists of a high level Compact Steering Committee and a smaller Management Committee and Technical Secretariat. These bodies are described in greater detail in the Compact document. Their key objective is to support the coherence of the international assistance, under government leadership and put in place a platform for transparent information sharing on all activities. The Compact Steering Committee would be government-led and would convene the major contributors to the SDRF together with key ministries. It would establish and oversee a government-led Technical Secretariat to support the Steering Committee to review progress on the overall compact implementation, including PSG progress and related donor commitments.

### ***Level two: The SDRF Delivery Platform***

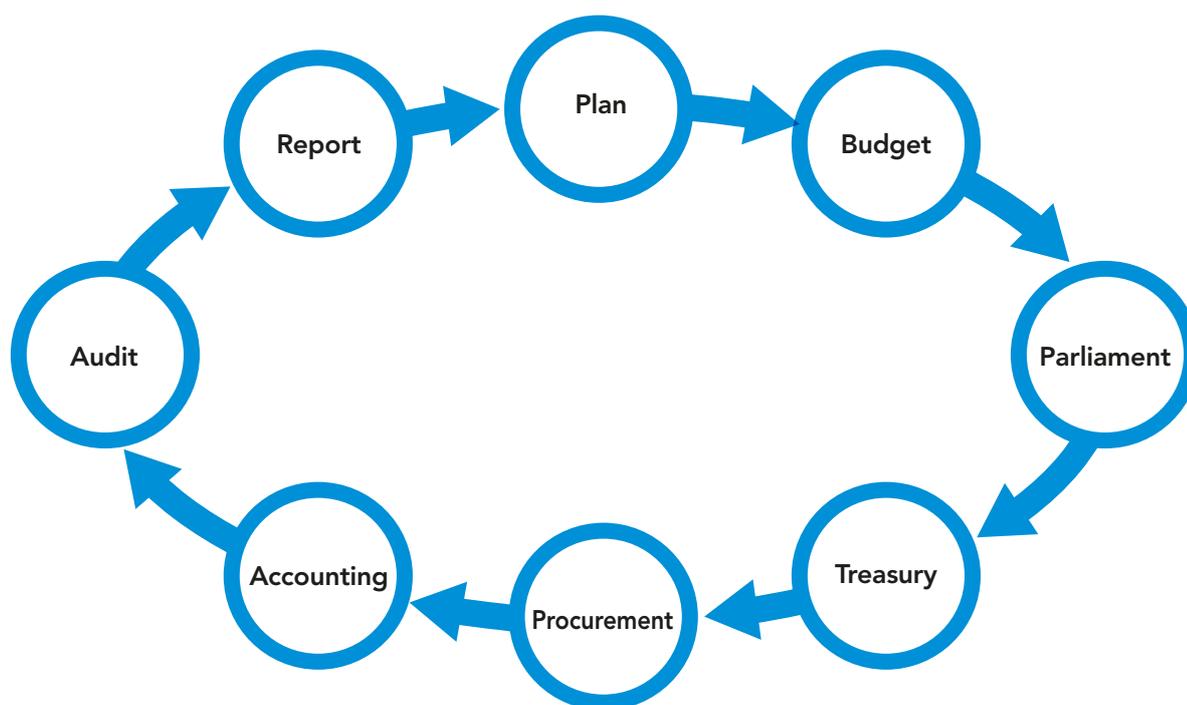
The SDRF will bring together several funds (“windows”) under the governance platform. The windows would be administered by three technical agencies in areas based on comparative advantage: the UN, the World Bank and the African Development Bank. All window administrators will agree on their operating procedures with the Government and development partners. The operational pipelines would be developed with the Management Committee for endorsement by the Compact Steering Committee. The windows will ensure that technical work on design and delivery is undertaken with federal and regional institutions at the technical level as appropriate. In its first phase, the SDRF will also include the Special Financing Facility (SFF) to cover critical recurrent costs of government and quick impact projects. The SFF will also initiate the use of core PFM country systems in alignment with the PFM Reform Action Plan.

Development partners and the Government recognize that the establishment of the SDRF will initially run in parallel to existing activities, funds and programmes that are outside the SDRF. This will allow these activities to continue their important delivery based on funding already allocated and planned for. During this start-up period, the SDRF will aim to facilitate information sharing through the governance platform. Over time, financing and decision-making may increasingly transition towards the SDRF framework as a preferred channel. However, this will depend on the effectiveness of the SDRF as a mechanism. Beyond the SFF, the early priorities of the SDRF are likely to include PFM reforms, Rule of Law, and ERP priority projects including basic infrastructure rehabilitation and employment generation.

### **Use of country systems within the SDRF and ERP**

For the Federal Government of Somalia and for regional governments, the strengthening of country systems for more accountable and sustainable institutions, starting with the public finance function, is a priority feature of the new paradigm and a core objective of the ERP and SDRF. 'Country systems' refers not just to the use of a single treasury account but to a broader set of functions within the PFM operational cycle (see Figure 16.1). Within this cycle, the three systems for (i) alignment behind a national plan, (ii) adherence to a budget framework and (iii) common reporting standards, would be common to all windows within the facility from the start. In addition, the SFF and the World Bank-administered windows would also likely use the single treasury account, as well as country systems for accounting and auditing, for a core of the funding, based on a clear fiduciary framework.

**Figure 16.1: Dimensions of Use of Country Systems – Not Just 'On-Treasury'**



Source: Ministry of Finance and Planning.

The SDRF will offer a framework for monitoring and benchmarking the performance of government institutions in the use of country systems as a basis for policy dialogue, coordination and trust-building.

### ***Ensuring inclusive and balanced delivery***

The SDRF will aim to ensure an inclusive and balanced approach to delivery through (a) ensuring transparency in the allocation of resources; (b) devolving responsibilities for design and delivery to appropriate technical institutions, depending on capacity and with appropriate technical assistance; and (c) laying the foundations for future fiscal arrangements in line with the implementation of the constitution.

### ***Transparency in Resource Allocation***

One of the intended objectives of the SDRF is to ensure more transparency in how international resources are allocated across the country through improved access to information. The SDRF can also deliver a more focused analytical programme to develop statistical and analytical capacity in government institutions. In turn, this can improve policy-making by making it evidence-based; for example through the use of household surveys. It may also provide the basis for transparent dialogue on the allocation and use of SDRF – and other – resources across the Somali territory.

### ***Design and Delivery***

SDRF allows for coherent coordination at the federal level, but the design and delivery of individual activities will be devolved to the appropriate technical institutions at regional or district level, depending on capacity (and access). As articulated in the Compact, federal institutions will increasingly play a role to set standards and policy and will undertake monitoring and coordination. This approach will allow for regional authorities to take ownership of SDRF-financed programmes and for technical dialogue to continue where necessary at the technical level between regions, as is currently the case in the health sector in Somalia. It will also allow government the space and capacity to design, implement and monitor flexible partnerships for delivery with private sector organizations as well as non-state actors such as NGOs.

Over time, and in line with efforts to bring clarity and consensus on the operationalization of federal structures in Somalia, the SDRF can support policy dialogue on the emerging inter-governmental fiscal framework.

## 17 Monitoring and Evaluation

A new dedicated mechanism will be established to facilitate implementation monitoring of this ERP Results Framework (see Table 3 above) and the planning and budget process as a whole. Led by MoFP, a ministerial level ERP Steering Committee will be responsible for review, endorsement and management of government plans as well as for taking corrective action in case of any bottlenecks to implementation. The annual planning and budget process will provide the foundation of monitoring and the ERP Steering Committee will also produce quarterly implementation reports using international TA to support the process.

This process centres on the conducting and drafting of an annual progress review and evaluations resulting in adjustment of programme and project proposals reflecting lessons-learned. The detail of the process in principle is set out below though it is likely that changes will emerge in the light of experience:

### **Annual Progress Review**

This sub-process covers the review of the activities of the last FY by sector line ministries to determine the implementation progress of last years' plans as well as to evaluate the progress or lack of progress to identify (structural) problems, impact assessments and lessons-learned. The annual progress review will accord with a template format set by MoFP. MoFP will support the collection of data on capital investment expenditure. The Review will include factual overviews of the progress, budget expenditure and results achieved as well as encountered problems, delays and structural issues, which should be analyzed and evaluated. This in turn will lead to the drafting of an adjustment plan where the ministries have an opportunity to adjust the existing ministry strategies. The Minister/Agency director approves annual progress review.

### **Summary ERP Annual Progress Review**

MoFP will conduct the annual progress review of the ERP. This will be based on the ministry and regional administrations progress reviews. The report should pay particular attention to cross-cutting issues as well as issues of cooperation and coordination between and across institutions and levels of government. The ministerial level ERP Steering Committee will be responsible for review, endorsement and management of as well as for taking corrective action in case of bottlenecks to implementation. The Council of Ministers reviews and discusses the annual progress reports internally. The Council of Ministers holds the relevant ministries and MoFP accountable for their activities and for the achievement of the overall plans. It also allows the Council of Ministers to determine how to address any problems and how to communicate pertinent issues to the International Community and the general public.



## 18 Roadmap for the way forward

Following the Somalia Conference in Brussels September 2013, this ERP will be revised to incorporate feedback from the conference, formalise development partner pledges and further develop M&E arrangements. The ERP provides the starting point for a single integrated annual planning and budget process for the Federal Government of Somalia, and it will therefore also be important to ensure clear links to the 2014 budget process. The Government along with donors and federal states and regions will hold further discussions to agree the final version of this ERP, and other related programme financing architecture. This ERP assumes all parties are committed to build the necessary trust and partnerships that will be critical to ensuring strong and sustained international engagement. In connection with this the governance arrangements for aid financing mechanisms in particular will need refinement.

One characteristic of this ERP is that it also substantially meets the requirements for an Interim-PRSP, which comprise:

- (i) Statement of the government's commitment to poverty reduction and to progress towards the MDGs (see sections on Vision, Economic Recovery Strategy and Part B details);
- (ii) Description of the current extent and patterns of poverty (see Current Economic and Social Context);
- (iii) Macro-fiscal framework with two-year forward projections (see Fiscal Section);
- (iv) Identification of key data and analytical gaps (see Part B details);
- (v) Description of participatory processes already undertaken (see Introduction and Part B details);
- (vi) Discussion of policy measures necessary to promote sustained, rapid inclusive growth (see Fiscal, Part B details and Part C); and
- (vii) Timeline and process for preparing a full medium-term Poverty Reduction Strategy Paper (PRSP) (see this section)

In order to fully meet the requirements, two areas will receive additional attention: additional consultation and broader geographical coverage. In order to achieve broader geographic coverage, the Federal Government will seek to work with Federal Member States and regions to capture any further priorities for the whole country, which will include those within this ERP as well as other development

plans. The Government commits in particular to engaging with Somaliland and Puntland to identify such priorities

During the course of the ERP (2014-16), the Government will start designing a full PRSP which could take 18-24 months to prepare based upon the sensible assumption that a certain amount of new data collection will be required. The Government requests assistance from the World Bank, other multilateral organizations and supporting donors to prepare a full PRSP which will also act as a single strategic plan incorporating peacebuilding and statebuilding goals for the whole of Somalia.

The full PRSP will address the gaps in the poverty data and analysis used to underpin this ERP. The Government expects to enter into a fully participatory process to inform the PRSP. Consultation will be widespread with federal states and regions, elected representatives, key domestic stakeholders, civil society and external development partners on (i) the poverty reduction goals for Somalia, (ii) the priority public actions to achieve those goals, and (iii) setting up a participatory system for monitoring the implementation of the PRSP once developed. The Government will design terms of reference for preparation of the PRSP, including the required technical support and a budget, following the Brussels Conference. These terms of reference will include: (i) a listing of principal stakeholders to be consulted— membership organizations of the poor (in particular of women) and those with an established track record regarding programmes to assist the poor; (ii) milestones that give an indication of progress in the participatory process; and (iii) working arrangements with Federal member states.

The track record associated with implementing an I-PRSP, and subsequently full PRSP, are important milestones towards HIPC debt relief, which, through arrears clearance, will unlock financing from international financial institutions and open the way for more sustained and greater levels of international support. The Federal Government of Somalia regards this as a crucial priority and summarizes below key aspects, with details of the 4 key stages set out in Annex 2:

- (i) In designing and implementing this ERP the Federal Government of Somalia is taking steps to demonstrate its strong commitment and leadership to the process
- (ii) The Federal Government of Somalia requests support and involvement in the process by the World Bank, IMF, AfDB and, as much as possible, all other creditors
- (iii) Implementation of the HIPC process does not follow a set time frame, and is dependent upon country circumstances, availability of financial resources, and progress on agreed benchmarks. The Federal Government of Somalia is committed to this and has already undertaken a bilateral debt reconciliation exercise to start identifying who holds what debt.



# ERP Annexes



## Annex 1

# List of Sector Strategies, Policies and Key References

### *Core State Functions*

Office of the Prime Minister (Unpublished), 'Framework for Capacity Development of the Public Sector in Somalia,' National Institutional Capacity Development Directorate, Draft.

Federal Government of Somalia (2013) 'Public Financial Management (PFM) Self-assessment Report and Proposed Public Financial Management Strengthening Initiative (2013-2016)' Somalia.

Ministry of Interior and Security (2013), 'Programme Document on Stabilization Through the Establishment of Local Councils and Administrations.'

Ministry of Interior and Security (2013), 'The Government's View In Supporting The Establishment Of Community Based Local District/Regional Administrations And Federal States.'

Federal Government of Somalia, 'Resettlement Strategy: Enabling the displaced to rebuild their lives back in their communities with safety and dignity,' Ministry of Interior and Security

Inter-Ministerial Task Force On Disengaging Combatants (2013), 'National Programme for The Treatment and Handling of Disengaging Combatants and Youth at Risk in Somalia.'

Federal Government of Somalia (2013), 'Somalia Stabilization Strategy.'

UN-JPLG (2013), 'Joint Joint Programme on Local Governance and Decentralised Service Delivery,' United Nations Joint Programme Document.

Federal Government of Somalia (Unpublished), 'A New Deal Financing Architecture for Somalia: the Somalia Development and Reconstruction Facility,' Draft.

### *Natural Resources and Productive*

Ministry of National Resources (2013), 'Strategic Plan – 2013-2016.'

FAO (2013), 'FAO Somalia's Strategy 2013 – 2015.'



## **Social**

Federal Government of Somalia (2012), 'Health Sector Strategic Plan (HSSP), 2013 – 2016.'

Ministry of Human Development and Public Services (2013), 'Interim Education Sector Strategic Plan 2013 (ESSP)'

Go-2-School Initiative 2013-2016 – Educating for Resilience, Somalia

UNICEF (2012), 'Integrated Social Protection Systems, Enhancing Equity for Children', UNICEF Social Protection Strategic Framework.

## **Security and Justice**

Revival of the Somali Traditional and Religious Justice System, Somalia

Somalia Justice Sector Action Plan 2013-2015, Somalia

National Security and Stabilization Plan (NSSP) 2011 to 2014, Somalia

Strategic Action Plan for Policing 2013-2017, Somalia

Stabilization through peacebuilding and peace dividends - Pathway to local governance, Somalia

## **Major Regional and Federal Member State Documents for Reference**

National Development Plan, Somaliland

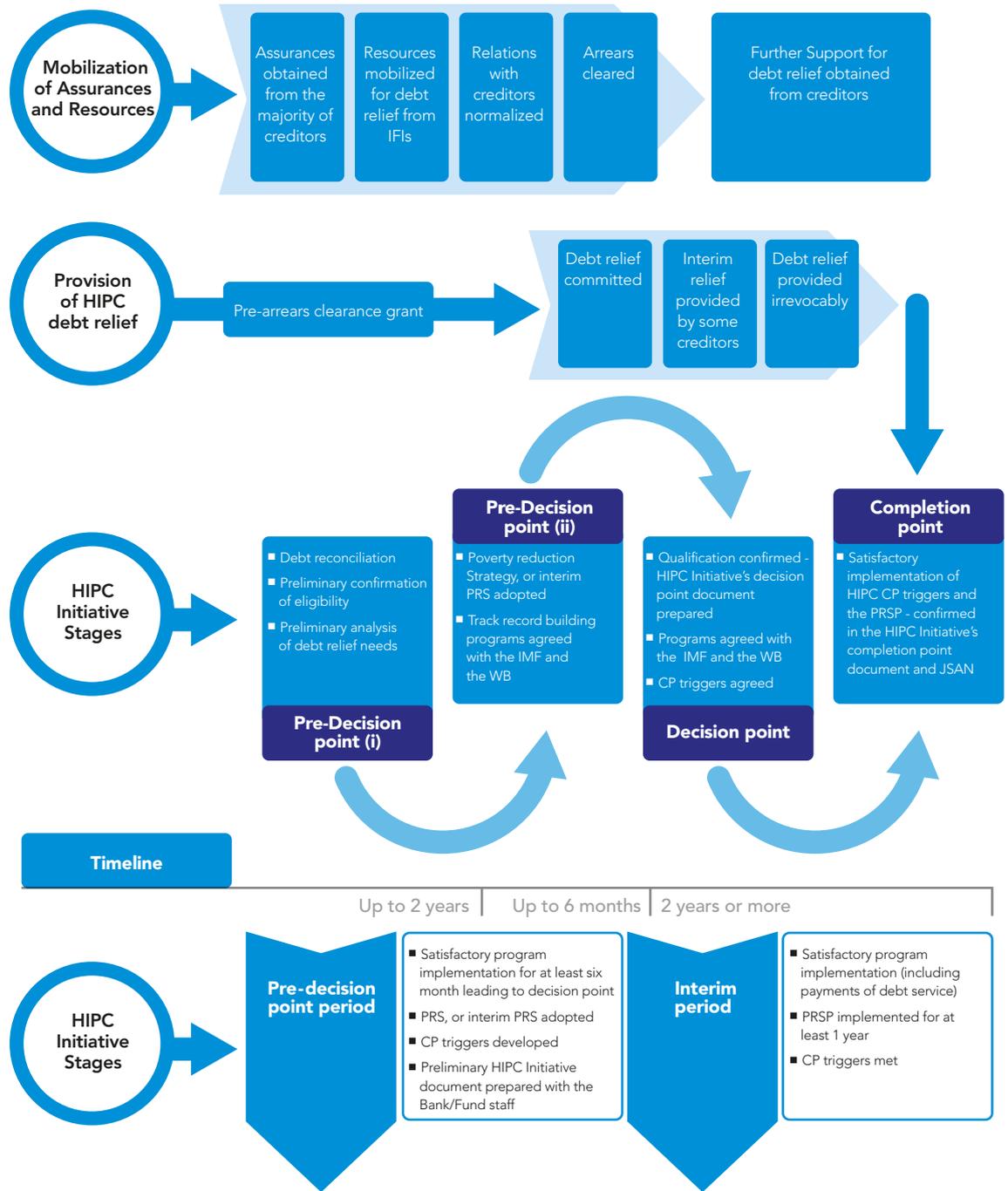
Five-Year Development Plan, Puntland

Education Sector Strategic Plan (2012-2016), Puntland

Education Sector Strategic Plan (2012–2016), Somaliland

# Annex 2 HIPC Debt Relief Milestones

## Somalia Roadmap to HIPC Debt Relief



Source: World Bank

## 4 main stages in the HIPC Debt Relief process

### 1. Pre-Decision Point

The pre-decision point stage typically takes between 6 months and 2 years. This stage is initiated once creditors representing at least 80% of total debt provide formal assurances that they are willing to provide HIPC debt relief. The key steps comprise:

- a. Preliminary confirmation of eligibility (meeting indebtedness criteria and performance criteria)
- b. Debt reconciliation and determination of required debt relief
- c. Government developing an interim PRSP or full PRSP and track record of programmes supported by IMF/World Bank.
- d. Pre-decision point document (in other countries this happened 3-6 months before Decision Point)
- e. An arrears clearance plan is in place; major international financial institutions prepare for arrears clearance.

### 2. Decision Point

The Decision Point is reached after satisfactory implementation of macroeconomic reform programme for at least 6 months and at least an interim-PRSP has been prepared. The key steps comprise:

- a. A qualifying programme supported by the IMF be put in place
- b. Completion Point triggers are agreed, including the formal adoption of an interim or full PRSP by the government
- c. Debt relief is committed by creditors representing at least 80% of eligible debt, also through arrears clearance
- d. Boards of international financial institutions approve Decision Point document, including Completion Point triggers
- e. Creditors provide interim relief (that is before Completion Point) on a voluntary basis (e.g., some multilaterals, Paris Club)

### 3. Interim Period

Although the length of the Interim Period (between the Decision Point and the Completion Point) is to be evaluated flexibly, the Interim Period lasts between 2 and 6 years, reflecting a number of factors, including the time needed to implement the various measures. The key steps comprise:

- a. Further policy and poverty reduction track record through implementation of PRSP for at least 1 year, and macro-economic programme.
- b. Progress towards achievement of Completion Point triggers
- c. Interim debt relief delivered usually through debt service reduction

### 4. Completion Point

The Completion Point is reached once the Executive Boards of the World Bank (IDA) and the IMF determine whether a country has met the requirements established at the decision point. The key steps comprise:

- a. Performance relative to Completion Point triggers confirmed;
- b. Debt relief delivered irrevocably, through on equitable burden sharing among creditors, based on a common debt reduction factor.
- c. After countries reach the HIPC completion point countries become eligible for 100% debt relief on their eligible obligations toward the AfDB, IDA, and the IMF under the Multilateral Debt Relief Initiative (MDRI).



## Annex 3

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