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**SOMALI RECONSTRUCTION AND
DEVELOPMENT PROGRAMME**

**DEEPENING PEACE
AND REDUCING POVERTY**

VOLUME III: PUNTLAND

Draft –October 15, 2007

PREFACE

This Puntland Reconstruction and Development Programme (RDP) has been produced by an integrated team of Somali and other technical experts drawing on information from (a) existing sources, (b) consultation workshops, (c) selected field visits and meetings with a wide array of Somali groups and individuals, (d) consultations with aid agencies working in Somalia, and (e) questionnaire-based fieldwork undertaken by Somali experts in all regions, to review priority needs and develop reconstruction and development proposals to address those needs. It reflects the importance of three key cross-cutting issues – peace building and conflict prevention, capacity building and institution development, and human rights and gender – by addressing them as an integral part of the proposed initiatives to achieve desired reconstruction and development objectives.

The Somali Joint Needs Assessment (JNA) which underpins this RDP has been undertaken in a very participatory manner, reaching all parts of the country and involving extensive consultations with many Somali groups including, local authorities, parliamentarians, traditional authorities, women’s groups, youth groups, civil society organizations, non-governmental organizations, private sector business, and religious leaders in various locations. After agreement was reached on a concept paper in mid 2005, blended teams of international experts (two from the Diaspora plus others) together with local Somali experts were assembled for each of the following six clusters:

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

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

Cluster teams held in-depth discussions with key representatives from donors, international Non-Governmental Organizations (NGOs), as well as with UN agencies and WB missions. To ensure ownership and participation of Somali stakeholders, workshops were organized in collaboration with UN/WB to identify and discuss the JNA methodology, priority needs and proposed areas of interventions. Bilateral development partners and regional institutions – the African Union (AU), the Intergovernmental Authority on Development (IGAD) and the League of Arab States (LAS) - have been consulted and involved in the assessment process. The JNA’s technical needs assessment work has been financed by the EC, Italy, Norway, Sweden, UK, UN and World Bank.

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

regression from the Millennium Development Goals (MDGs), and advancing socioeconomic development for all Somalis.

The Somali RDP results from the priority needs, key strategies and priority actions and recommendations of the JNA. The RDP is a pro-poor instrument premised on three pillars of priority needs, covering:

- Deepening peace, improving security and establishing good governance
- Strengthening essential basic services and social protection
- Creating an enabling environment for private sector-led growth to expand employment and reduce poverty.

All three pillars are interdependent on each other for success, and for each, specific attention has been paid to defining a strategy and priority outcomes and related initiatives. For each area of intervention, the implementation and absorptive capacity, as well as detailed Results-Based Matrices (RBM's) can be found in the Cluster Reports, which are available at www.somali-jna.com.

To respond to the different situations of South-Central Somalia, Puntland and Somaliland, the overall RDP included not only a synthesis report (Volume I) but three geographic focused programmatic volumes, one for each of these three geographic areas, Puntland, Somaliland and South-Central Somalia. A fifth volume includes the six cluster reports. The geographic volumes (II-IV) represent contextualized presentations of priority needs and actions that, together with the synthesis report, could be used for programming assistance.

This Puntland RDP has four parts. The political, security and socioeconomic context is reviewed in Section I. Core objectives and prioritizing reconstruction and development initiatives are given in Section II. Key aspects of implementation, financing and coordination arrangements are discussed in Section III. Finally, a detailed RBM is given in Section IV. The draft Puntland RDP was reviewed at a consultative workshop at the state level by a range of Somali stakeholders representing women, youth, religious leaders, traditional leaders, intellectuals state and local authorities and businessmen. This was followed by a consultative workshop organized independently by the collaborating organization, Interpeace, involving Non-State Actors. The recommendations of these two workshops were reflected in the current version of this RDP report. The report also benefitted from the recommendations emanating from the review of the EC/Norway Country Strategy Note that took place back to back with the state consultative workshop.

GLOSSARY OF ACRONYMS

CEM	Country Economic Memorandum
CSO	Civil Society Organization
DDR	Disarmament, Demobilization and Reintegration
DDD&R	Directorate of De-mining, Demobilization and Reintegration
EC	European Community
EEZ	Exclusive Economic Zone
FAO	Food and Agriculture Organization
FGM/FGC	Female Genital Mutilation/Female Genital Cutting
FSAU	Food Security Analysis Unit
GAM	Global Acute Malnutrition
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GNP	Gross National Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IDPs	Internally Displaced Persons
IGAD	Intergovernmental Authority on Development
IWM	Integrated Water Management
JNA	Joint Needs Assessment
LAS	League of Arab States
LIS	Landmine Impact Surveys
MCH	Mother and Child Health Centre
MDG	Millennium Development Goal
NFE	Non-Formal Education
NGO	Non-Governmental Organization
NPV	Net Present Value
NRM	National Resource Management
NSSP	National Security and Stabilization Plan
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPD	Out-Patient Department
PA	Procurement Agent
PMAC	Puntland Mine Action Centre
PPP	Purchasing Power Parity
RDP	Reconstruction and Development Programme
SAC	Survey Action Centre
SACB	Somali Aid Coordination Body
SSA	Sub-Saharan Africa
TB	Tuberculosis
TFC	Transitional Federal Charter
TVET	Technical and Vocational Education and Training
UIC	Union of Islamic Courts
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOSOM	United Nations Operation in Somalia
UXO	Unexploded Ordnance
WB	World Bank
WHO	World Health Organization

CURRENCY EQUIVALENTS

(Exchange Rate Effective 31 March 2006)

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

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EXECUTIVE SUMMARY

BACKGROUND

Puntland's emergence as an autonomous region of Somalia is the result of experiences in pre-colonial self-governments; resistance to and survival from Siad Barre's despotic rule; ability to overcome and reconcile internal political differences; leadership to establish and manage political processes and government institutions and the capacity to provide limited basic social services, nurture an active civil society and promote a thriving enterprise. The State has planned its first democratic elections in 2008/2009 along with the ratification of its 2001 Constitution as an instrument for solidifying security, deepening peace and providing good governance and social services to its people.

Although the state does not have major outstanding internal disputes, the potential for conflict lies in its natural resources, including minerals, fishing, land, grazing, and water. Dispute with Somaliland over the disputed border regions of Sool and Sanaag and threats of incursions continue to preoccupy the state with security and political concerns. In addition the State's capacity is overstretched by the burden of absorbing and catering for the large number of indigenous Puntlanders who fled from the South during the 1990/1991 civil war and thousands of Ethiopian economic migrants. However, the effective use of the traditional conflict resolution mechanisms, known as *Xeer*, has helped maintain a degree of stability within Puntland.

OBJECTIVE

This geographic segment of the Programme for deepening peace and reducing poverty, set in the larger Somali context, attempts to capture the priority needs of Puntland and outlines a prioritized set of recommendations and development actions to address these needs. The regional Programme is designed to strengthen further the achievements of Puntland, like Somaliland, in restoring law and order, in re-establishing the nucleus of public institutions for good governance and social services delivery and for reviving the private sector. It builds on the positive experiences of Puntland in reconciliation, peace-building, recovery, reconstruction, and renewed development. This is reinforced by the remarkable resilience and resourcefulness of Puntlanders especially in creating a vibrant and engaged private sector and civil society capable of contributing significantly to development initiatives.

KEY NEEDS AND PRIORITY ACTIONS

Puntland's three-tiered decentralized system of government harmonizes with and is based on federalism with the potential of integration into a future federal Somali structure. Its inflated civil service and un-sustainable wage bill call for rightsizing and capacity building. The State has been able to contain, reconcile and resolve internal conflicts. Most social economic indicators show that overall Puntland fares worse than Somaliland but better than South-Central Somalia.

The vision of the Somali Reconstruction and Development Programme (RDP) to deepen peace and reduce poverty, premised on the three-pronged approach and structured on the three pillars, synchronizes with Puntland's priorities that focus on:

- A. Deepening peace and security and establishing good governance** through the establishment of core public and private sector institutions and conflict preventing and resolving mechanisms
- B. Investing in people through improved social services** (especially education, health, water and sanitation) to save lives and to raise human skills, and actions to address the needs of specific vulnerable groups such as IDPs.
- C. Establishing an enabling environment for rapid poverty-reducing development** by expanding opportunities for employment and improving food security through better infrastructure, policies and actions to overcome constraints facing the productive sectors, and ensuring protection of the environment and sustainable use of natural resources.

During January 2007, a consultative workshop was held in Puntland which involved legislative, executive and non state actors. The priorities contained within the Puntland Volume of the Reconstruction and Development Programme were discussed and debated and this revised Puntland Volume takes into account the priorities, recommendations and revisions from these consultations. In addition recommendations arising from the review of the EC/Norway Country Strategy Note, conducted back to back with the RDP review in the same state consultative workshop was also fed into this report.

Peace, security, the rule of law and good governance are the highest priorities, reflecting Puntland's need for stability and functioning governing institutions. To fully rebuild domestic and international confidence in Puntland, it is necessary to support institutions that effectively strengthen democratic governance, implementation of the rule of law and efforts to deepen peace. Rightsizing the existing civil service and deepening the decentralization process are important prerequisites for a creating a viable governance structure for the state. The state needs also to clarify its constitutional federal relationship with the rest of Somalia within the context of the Transitional Federal Charter.

Second, in view of the acute human need, it is not surprising that there is widespread focus on the basic provision of the social services such as education, health and water supply as the next priorities in all regions of Puntland. This requires the combined efforts of public initiatives working in close collaboration with existing private sector providers to address a range of basic social services needs by improving their coverage and quality. In addition, the special needs of IDPs and other vulnerable groups deserve attention.

The third top general priorities for Puntland are initiatives to expand economic and employment opportunities, with special focus on the key productive sectors, such as livestock, agriculture and fishing, but also on improvement of infrastructure, environmental management, and financial services. Sustainable income-earning and livelihood opportunities are an essential foundation for poverty reduction, the maintenance of peace, and the generation of resources for providing basic social

services. In all these sectors, drawing on the energy and capacity of the private sector will be a key to success.

In order to achieve a full comprehensive socio-economic development of Puntland it is very important that the interventions in all of the three macro-areas mentioned above take into account the needs and priorities for women, to finally ensure a gender balanced society with equal representation of women in key decision making political and economic sectors and to build the basis of a stable and prosperous society.

Whereas on-going uncertainties make immediate implementation of many of the elements of the RDP problematic especially in South-Central Somalia, given the progress already made in by Puntland and Somaliland, it is possible to implement programmes to improve governance and social services there and facilitate private sector-led economic development.

SOMALI RECONSTRUCTION AND DEVELOPMENT PROGRAMME

VOLUME III: PUNTLAND

1. BACKGROUND CONTEXT

A. INTRODUCTION

1.1 North-east Somalia's rich history of pre-colonial self-government - its resilience in surviving Siad Barre's rule, its leading political and military role in overthrowing the Barre regime, its ability to absorb and reintegrate thousands of its ethnic returnees following the fall of Mogadishu - culminated in the establishment of Puntland as an autonomous state of Somalia in 1998.

1.2 Despite episodes of violent internal conflicts, including the 1992 confrontation with Al-Ittihad al-Islamia, the 2001 disagreement over the transfer of power and the ongoing dispute with Somaliland over Sool and Sanaag, Puntland has managed to reconcile its internal differences and has maintained a degree of law and order. With the active involvement of the civil society and under the firm guidance of the traditional leadership, this has enabled the state to establish and manage political processes and government institutions - providing limited basic services, nurturing an active civil society and a growing private sector. The Mudug peace agreement, though fragile, with the active role of traditional leaders maintains peace and tranquillity and has shielded the state from the ongoing conflict in the south, allowing it to focus on strengthening its government institutions including security, justice and the rule of law. This success story in reconciliation and peace-building merits to be studied for replication in the South-Central Somalia. To the State's credit, promoting peace and reconciliation as well as preventing resource-based conflicts continues to rank high in Puntland's priorities. In the final analysis, it is the advanced level of development of public institutions in both Puntland and Somaliland that contributed significantly to preventing the spread of radicalism to the North.

1.3 Against this background, Puntland sees its democracy strengthening further, and has plans to carry out its first democratic elections in 2008/2009 along with ratification of the 2001 constitution. It values the constitution as the instrument for legitimizing and solidifying security,

deepening peace and providing good governance for its people. It is based on the principle of a decentralized governance system transferring power and responsibilities to district and local governments supported by civil society and the private sector.

1.4 Although the state does not have major outstanding internal disputes, potential for conflict lies in its natural resources, including minerals, fishing, land, grazing and water. It therefore gives high priority to the further establishment of effective government institutions embodying good governance, justice, rule of law, accountability and transparency. Its Disarmament, Demobilization and Reintegration (DDR) Programme has reintegrated a significant number of ex-combatants into the police force and related services, strongly supported by the Armo Police Academy that is also serving South-Central Somalia.

1.5 To address the high incidence of poverty, insufficient service delivery systems and infrastructure, Puntland gives high priority to investing in its people. Through expanding education with gender balance, improving health indicators and providing safe water and improved sanitation, Puntland hopes to ensure the delivery of efficient basic social services to its population.

1.6 Building infrastructure to connect the state's production centres, as well as linking it to the rest of Somalia, together with the maintenance of security and the rule of law, is key to harnessing its rich natural resources, reviving livestock and agriculture and developing a sustainable fishing industry. Puntland places a premium on creating an enabling environment for the sustainable use of natural resources and protection of its environment for economic recovery aimed at rebuilding livelihoods and reducing poverty.

B. POLITICAL CONTEXT AND GOVERNANCE

1.7 As a consequence of the civil war between 1988 and 1991, many people sought refuge within Somalia, in neighbouring countries and further abroad. Many of the people who fled Mogadishu and other parts of the South belonged to the northern and north-eastern regions, and many returned to their areas of origin in Puntland. These returnees more than doubled the populations in host communities, especially in urban areas. This stretched the capacities of the receiving communities, but the returnees also contributed skills and investments, resulting in a boom in urban private building and construction.

1.8 Meanwhile, following previous internal attempts to set up functioning regional administrations in the north-eastern regions, and the failure of various external national reconciliation efforts (in particular the 1996 Soddere process and the 1997 Cairo initiative), the Republic of Puntland was formally established in August 1998. This was the outcome of a nearly three-month-long consultative conference, involving both

political and traditional leadership from the three regions of the north-east as well as the regions of Sool and Sanaag. The State was set up as an autonomous self-governing entity - albeit with the objective of cooperating in the restoration of South-Central Somalia and, ultimately, the long-term goal of being part of a federated Somalia.

1.9 **Peace and conflict resolution.** Under the strong guidance and active involvement of traditional leaders (*isims*) Puntland has managed to maintain the levels of peace and security which has enabled it to establish political and administrative institutions, deliver some limited basic social services, encourage an active civil society and promote a thriving private enterprise community. The comparatively favourable security situation has further attracted economic immigrants from both South-Central Somalia and Ethiopia, who have settled in urban centres and engaged in low-income activities.

1.10 However, Puntland has witnessed two episodes of violent internal conflict: in 1992 the Al-Ittihad al-Islamia was defeated after an attempt to seize Bossaso port, and in June 2001 the failure to agree on a transfer of power at the end of the previous administration's term led to a constitutional crisis and a brief bout of factional fighting. This was resolved by an internally negotiated provisional settlement in 2003. The transfer issue was then resolved peacefully in July 2004, with an extension of the mandates of the parliament and the government by six months - instead of the two years originally proposed - and the appointment of a new, leaner cabinet. Puntland is now planning to hold its first presidential and parliamentary elections in 2008/09.

1.11 Along Puntland's southern borders, the Mudug peace agreement, albeit fragile, is still holding. It has greatly contributed to creating the largely peaceful situation. This success story in reconciliation and peace-building merits to be studied, adapted and applied to the more insecure parts of Somalia such as the South-Center. Along its western border, however, Puntland is involved in a dispute with Somaliland over the control of the border regions of Sool and Sanaag, where loyalties of the inhabitants themselves are divided to either side.

1.12 While Puntland aspires to be part of a federal Somalia, it can be argued that its relative success in maintaining stability has in large part been due to its homogeneity and also its *de facto* separation from the political developments of South-Central Somalia, for which Puntland's progress towards peace and democracy can serve as valuable lessons.

1.13 **Architecture of government.** Puntland's first Charter, ratified and implemented in 1998, was replaced by the current provisional Constitution in 2001. It specifies the Republic of Puntland as a temporary entity that will be incorporated as a federal state into the Republic of Somalia once a functional federal government is in place. This constitutional federal relationship with the rest of Somalia in the context of the Transitional Federal Charter requires to be clarified soon. Puntland has a three-tiered structure of government, consisting of the state executive,

regional administrations and district councils. There are currently seven administrative regions - an increase of three from 2004 - namely Nugaal, Bari, Mudug, Cayn and Karkar, Sool and Sanaag.

1.14 Puntland's structure of government harmonizes with the decentralized system of administration based on federalism. The key construct of a decentralized federal Somalia, specified in the Transitional Federal Charter (TFC) is a proposed four-tiered administration: federal institutions, state governments, regional administrations and district administrations. The TFC articulates a division of functions and powers of the federal and state governments but does not identify specific responsibilities for regional or district authorities, which are specified in Puntland's Constitution. It is important that the relationship between the Puntland State and Federal Somali Government constitutionally and structurally be defined and harmonized.

1.15 In January 2007, the Puntland President issued a decree on the democratization of the political system of the State including the completion of the constitutional review and its harmonization with the federal constitution; a study on the possibility to organize a referendum on the draft constitution; nomination of an Electoral Commission; registration regarding elections, multi-party formation and a study of modalities of voter registration. This decree was later rectified by the Puntland Parliament.

1.16 The public administration has an inflated civil service, with a majority staff lacking basic education and necessary skills. The cost of maintaining the inflated civil service is increasing and now accounts for 64 percent of the total wage bill. This is unsustainable in the long run, and there is a need for both rightsizing and capacity building of the public administration. Puntlanders are questioning the efficiency, transparency and accountability of their government and parliament. In addition, civil society including women's groups is playing an increasingly important role in holding government accountable through interacting and advocating with authorities.

1.17 The Puntland Ministry of Planning has nearly completed the preparation of a Regional Five-Year Development Plan, which, along with the RDP, will provide structured guidance through the transition from a humanitarian situation to one of increasing peace, stability and development.

1.18 **Decentralization.** The people of Puntland have expressed a strong desire for a decentralized system of governance where there is devolution of power and service delivery to district and local levels. This would also ensure that people are more actively involved in decision making and make the government more democratic, transparent and accountable. Consequently, Puntland is proceeding with a decentralization of financial and administrative functions. However, this change has been introduced without making the necessary fiscal transfer to enable the districts to provide much needed basic social services. Most districts are therefore under great fiscal stress, and face significant challenges in

finding the resources to pay for their legally mandated responsibilities. Popular support for the councils seems to be high, but risks being undermined by the impossibility of local government to fulfil its service delivery mandate in the absence of sufficient resources. At the same time there is a move from the Presidential appointment of councils and mayors to their being selected by clan elders in a consultative process. However, so far only fifteen out of 33 district councils have been selected following the new system. The cry for real decentralization and devolution of power and resources to the districts are becoming louder.

1.19 Another sign of the lack of genuine decentralization, and capacity to implement it, is that decision making in most ministries appears to remain with the minister. In addition, there is little evidence of ministries developing and implementing their own strategic plans. However, the recently created Ministry of Local Governance and Rural Development is an important initiative towards decentralization, as it is intended to build the financial, administrative and technical capacities of the local administration – and, it is hoped, redistribute the required resources.

1.20 **Potential sources of conflict.** While Puntland remains largely peaceful, key areas for potential conflict are (a) the right to explore and use the rich natural resources such as minerals, fishing and land, and (b) the above mentioned disputed border with Somaliland. Without transparent, accountable management and equitable distribution of revenue from these resources among communities, there is a possible risk of destabilization and conflict. In addition, scarce resources such as grazing and water are also potential causes of conflict. So far, however, the use of traditional conflict resolution mechanisms, known as *xeer*, has helped to maintain considerable stability within Puntland. There is growing interest to strengthen these traditional conflict reconciliation mechanisms especially to resolve traditional conflicts. In addition to *xeer*, there are other methods of settling disputes, *shari'a* and a secular justice system. Ideally, the close links between these justice systems mean that they can provide appropriate resolution mechanisms, thereby helping to maintain peace and stability. The secular court system has undergone institutional and physical rehabilitation, but is still in poor shape and covers only an estimated 25 percent of Puntland.

1.21 Certain security measures are needed to reduce the militarization of Puntland society. Actions that need particular consideration are the undertaking of a security sector study and reform process, including the DDR of about 6,000 ex-combatants, and the development of the reconstituted Puntland Police Force (PLPF), made up of former police and military personnel, together with ex-militia. The new Police Academy at Armo has the capacity to train 600 recruits per year for the PLPF. The Academy also caters for the rest of Somalia. The intention is to eventually amalgamate the PLPF with the Somalia Police Force (SPF) to form a civilian police force with at least 15 percent women police officers.

C. SOCIOECONOMIC PROFILE

1.22 Most socioeconomic indicators show that, overall, Puntland fares worse than Somaliland but better than South-Central Somalia. However, while Puntland has benefited from its stability through, for example, the trade and work generated by its thriving Red Sea port in Bossaso, this has not necessarily benefited all citizens. Income and employment opportunities have been unequally distributed and are gender unbalanced as have income and tax revenues. Puntland is also strained by the large number of displaced persons it hosts, as well as the loss of potential revenue from illegal foreign fishing. In addition, it is highly dependent on both foreign aid and remittances from the Diaspora, and this is not necessarily a sustainable system in the long term. Finally, the almost total lack of infrastructure is a severe constraint on the ability to transport people and goods and to provide basic services.

1.23 **Basic Facts.** Puntland has an area of 212,510 square km. Of its population, 65 percent are nomadic pastoralists. Split equally between male and female, the population is likely among the youngest in the world, and the population growth rate was estimated at 3.14 percent in 2004. A census is recommended within the RDP to take place in 2009. Over the last 15 years, there has been a discernible movement of populations towards towns and cities, with villages growing into towns, and towns becoming cities. The costed actions to address the needs as identified in the RDP Results Based Matrix are not calculated based on population size. Para 3.6 provides details of how the costed actions are calculated. The main sources of livelihoods and income are livestock, agriculture, fishing and remittances. Livestock exports contribute around 80 percent of foreign exchange earnings, 40 percent of the GDP and 60 percent of employment opportunities. In other words, Puntland relies heavily on the livestock sector, which is fragile even at the best of times due to the semi-arid to arid climate, recurring droughts and epizootic livestock diseases. Meanwhile, the fishing sector has huge potential for expansion; the Puntland coastline is around 1,640 km long, and has extremely rich grounds for fish and lobster. Diversification of the economy through expansion of the fishing industry would have a major benefit in making it less susceptible to the recurring disasters that Puntland has been subject to. Puntland is also one of the largest producers and exporters of frankincense in the world - an industry which provides livelihood to many communities. In addition, there are prospects for development in the extraction of unexploited natural resources such as coal; there are also likely to be reserves of industrial minerals, such as limestone, oil and natural gas resources which would need to be investigated. In addition to these sources of livelihood, remittances from the Diaspora provide a large part of household incomes. While it is hard to establish the exact amounts of these private transactions for Puntland, it is estimated that Somalis in South-Central, Puntland and Somaliland together receive around one billion US\$ annually in remittances. These remittances also provide substantial community funding, for small businesses and basic service provision, especially in and around towns. Puntland has a rapid urbanization rate, and it is estimated that 30 percent of the population live in the capitol of Garoowe and the other major towns of Bossaso, Gaalkacyo and Qardho.

1.24 **Poverty and inequality.** Poverty is very widespread, and it is estimated that 43 percent of the populations of South-Central Somalia, Puntland and Somaliland¹ live on less than one US\$/day. Geographically, there are disparities between regions: for example the average per capita income in Mudug and Nugaal is 150-200 US\$/annum, while in Bari, Sool and Sanaag it is estimated at 250-300 US\$/annum (see Table 1.1 below). Similarly, there are also some striking inequalities on the urban/rural spectrum, such as with unemployment, which stands at 65.5 percent in urban areas and 40.7 percent in rural areas². Conversely, however, urban centres tend to be better provided with services; for example, nearly half of all Puntland health personnel work in Bossaso town, while Eastern Sanaag region has only one doctor. Although nomadic populations constitute the largest part of the population, they are disadvantaged in their lack of access to education, health and other basic services, since conventional service provision is generally geared towards less mobile parts of the population. This disparity strengthens the case for decentralization of basic social services. Poverty and inequality are also reflected in the unbalanced gender access to income generation opportunities within the society. In the past, women have been denied access to economic development possibilities and today are even more disadvantaged because of lack of education and professional skills.

Table 1.1: Somalia Geographical Distribution of Per Capita Income (US\$)					
Location	100-150	151-200	201-250	251-300	301-350
Mogadishu					Banaadir
Puntland and Somaliland		Mudug	Nugaal	Sanaag	Awdal
				Sool	W. Galbeed
				Bari	Togdheer
South-Central Somalia	Hiraan	Middle Juba	Lower Juba	Galgaduud	
	Gedo		Lower Shabelle	Middle Shabelle	
	Bay				
	Bakool				
Source: Somalia: Socio-Economic Survey, 2002, UNDP and World Bank, 2003					

¹ There is a prevalent lack of disaggregated and/or baseline data for Puntland; the above is one of the cases where aggregated figures must therefore be used.

² UNDP/WB - Somalia Socio-Economic Survey 2002 (aggregated figures)

1.25 **Basic service delivery.** In 2005, the Puntland government had a budget of US\$ 18.8 million. Revenue is very limited, and customs duties and indirect taxes account for about 90 percent of the total, with “government service charges” making up most of the remainder. The main expenditures are security, wages and salaries; only 11 percent is spent on development and basic service delivery. Although this is a slight increase over previous years, it is still far too low to provide the basic minimum of services needed. Therefore, and due to limited expenditure and fiscal capacity at all administrative levels (see Table 1.1 above), the government has had little involvement with service delivery responsibilities. These have instead largely been left for the private sector such as the Diaspora, Islamic organizations, and initiatives by local communities, UN agencies and international NGOs. In education, for example, Islamic organizations are major financers and implementers of *madrassa* (Islamic) schools and tertiary education; a large part of remittances also go to education, primarily the payment of school fees.

1.26 **Basic social indicators.** Both quality of and access to basic services, although improving, is very low. For example, the gross enrolment rate (GER) at primary school level is one of the lowest in Sub-Saharan Africa at 24 percent, with a mere 19 percent of primary school graduates going on to secondary level. In addition, female students enrolment is very poor, especially at secondary and tertiary level. Puntland’s population of 1.1 million is served by just 19 hospitals with a total health staff of 1,123, over half of which are not qualified and a very small number are female. This results in, among other outcomes, under-five and infant mortality rates being among the worst in the world at a shocking 225 and 113 per 1,000 children/live births³. Another factor contributing to these high rates is that 74 percent of Puntlanders lack clean, safe drinking water, which puts both children and adults at risk of often fatal diarrhoeal diseases. In addition, women’s health is effected by the common practice of female genital mutilation/cutting (FGM/FGC), which is extremely widespread among Somalis with 98 percent of Somali girls and women haven undergone FGM. Finally, the use of khat and *khat*-chewing is extremely prevalent among men at high costs, both in terms of public health and family finances.

Table 1.2 Puntland: Selected Basic Social Indicators

Key Basic Social Indicators	Puntland baseline
Children underweight for age (percent of children under five)	26.8%
Gross enrolment ratio (percent of school age population)	24%
Under-five mortality rate (per 1,000)	225
Infant mortality rate (per 1,000 live births)	133
Births attended by skilled health staff (percent)	49.2%
Contraceptive prevalence (percent of women ages 15-49)	8.3%

³ UNDP Multiple Indicator Cluster Survey, 1999

Malaria prevalence (per 100,000)	113
Access to an improved water source (percent of population)	25.9%
Access to improved sanitation (percent of population)	41.5%

Source: WB World Development Indicators 2006; UNDP MDG Report Somalia, 2004; UNDP and the WB, Somalia Socio-Economic Survey 2002; UNDP Somalia Human Development Report, 2001; Multiple Indicator Cluster Survey, 1999; Conflict Analysis Regional Report: Puntland, 2004; UNICEF Primary School Survey 2004/05; Puntland Ministry of Planning, Facts and Figures 2004; WHO Annual World Health Report, 2004.

1.27 **Displaced persons and livelihoods.** Puntland has a large number of internally displaced persons (IDPs) at an estimated 60,000, most of whom have fled drought and conflict in South-Central Somalia. They tend to live on the margins of society, with even less access to basic services than the rest of the population, and are often clustered together with the urban poor and confined to dismal living conditions. It is estimated that there are also around 3,000 Ethiopian refugees in Puntland, living in similarly harsh conditions and lacking the right to earn an income. The authorities are concerned about their ability to absorb and sustain IDPs, refugees and returnees. The practice is for refugees to return to their places of origin or resettle in a third country, while IDPs and returnees are to be assisted to reintegrate and secure sustainable livelihoods internally. The Somali civil war forced a significant number of Puntlanders to flee their country and seek asylum in neighbouring countries. The majority of refugees would return if a conducive environment is created for them.

2. CORE OBJECTIVES AND PRIORITY ACTIONS

2.01 **Introduction.** The vision of the RDP is to deepen peace and reduce poverty. To achieve this, a three-pronged strategy for implementation is proposed. The three pillars of the RDP, which synchronize with Puntland's priorities, are:

- A. **Deepening peace and security and establishing good governance** through the establishment of core public and private sector institutions and conflict preventing and resolving mechanisms.
- B. **Investing in people through improved social services** (especially education, health, water and sanitation) to save lives and to raise human skills, and actions to address the needs of specific vulnerable groups such as IDPs.

C. Establishing an enabling environment for rapid poverty-reducing development by expanding opportunities for employment and improving food security through better infrastructure, policies and actions to overcome constraints facing the productive sectors, and ensuring protection of the environment and sustainable use of natural resources.

In keeping with the basic objective of the Somali JNA, the four criteria for selecting proposed priority actions from alternatives and for compiling specific initiatives under these three pillars are:

- **impact on peace building**
- contribution to sustained equitable poverty reduction.
- opportunity and absorptive capacity for effective implementation and
- cost-effectiveness and sustainability

These criteria are buttressed on broad principles and key basic assumptions including responsiveness to existing realities while maintaining equity; transparency and accountability; keeping the public sector small and land focused; decentralization; building on successes and recognizing specific challenges in the transition period.

2.02 Peace, security, the rule of law and good governance were identified by Puntland's stakeholders as the highest priorities, reflecting Puntland's need for stability and functioning government institutions. Currently, security continues to absorb a disproportionately large percentage of resources; increased stability would free more resources for other needs, such as basic social services. To fully rebuild domestic and international confidence in Puntland State and its institutions it is necessary to support institutions that effectively strengthen democratic governance, implementation of the rule of law and efforts to deepen peace.

2.03 Second, in view of the acute human need it is not surprising that there is widespread focus on the basic provision of social services such as education, health and water supply as the next priorities in all regions of Puntland. Social indicators are very low by global standards, and marketable human skills have been eroded over the past two decades, as the majority of an entire generation lack basic education and many experienced professionals have left the state for greener pastures elsewhere. Health services, especially for women and children, are very inadequate and most Puntlanders do not have access to safe drinking water. These are all basic rights which need to be provided and made accessible to all regions of Puntland.

2.04 The third top general priorities for Puntland are initiatives to expand economic and employment opportunities, with special focus on the key productive sectors, such as livestock, agriculture and fishing, but also on improvement of infrastructure, environmental management, and financial services. Sustainable income-earning and livelihood opportunities are an essential foundation for poverty reduction, the maintenance of peace, and the generation of resources for providing basic social services.

2.05 **Criteria used in prioritizing initiatives.** In keeping with the basic objectives of the RDP, and with global experience of post-conflict reconstruction and development initiatives, the four core criteria for prioritizing and selecting specific initiatives under the three pillars are:

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

2.06 The rationale for selecting these specific criteria and their impact are amplified in Volume I of the RDP. This is reinforced further by adopting a set of guiding principles and basic assumptions, including: responsiveness to existing realities while maintaining equity; transparency and accountability; keeping the public sector small and focused; decentralization; building on successes; and, finally, recognizing specific challenges in the transition period.

A. DEEPENING PEACE AND SECURITY AND ESTABLISHING GOOD GOVERNANCE

2.07 Ensuring continued peace and stability, while also building the capacity of governance institutions and civil society, is critical for continued reconstruction and development in Puntland, and permeates each of the policy and programme areas outlined below. It also raises key needs for consolidating a transparent and accountable system of democratic governance - such as professionalizing the civil service, continuing decentralization measures, and ensuring a stable macroeconomic framework taking into consideration the basic needs of all Puntlanders. The highest priorities identified by Puntlanders for their State under this pillar are:

- a) Promoting peace and reconciliation (including Sool and Sanaag) and Mudug as well as preventing resource-based conflict;

- b) Ensuring security through effective DDR and gun control;
- c) Promoting local governance and centralization, including the transfer of financial resources to districts.

Hence, the first pillar includes priority actions in the following areas:

- a. Conflict prevention, reconciliation and democratization;**
- b. Security, access to justice and the rule of law;**
- c. Administrative governance, financial management and accountability; and**
- d. Non-State Actors (civil society, private sector and media)**

(i) Conflict prevention, reconciliation and democratization

2.08 Since Puntland was established as an autonomous state with options to join the Federal State at the appropriate time, clarifying this constitutional relationship between Puntland and Somalia as a whole is crucial and depends on political developments and peace-building in South-Central Somalia,. At some point this will entail harmonizing the Puntland provisional constitution and institutions with the Federal Charter and its public structures. Puntland also needs to address the dispute with Somaliland over Sool and Sanaag regions.

2.09 There are also possible sources of internal conflict which need to be flagged such as land and property disputes in urban areas, and struggles over control of natural resources. Socioeconomic inequalities and unbalanced development among districts and regions, the exclusion of minorities and IDPs, returnees and refugees, and the lack of accountability in government affairs and misuse of public resources are also potential issues for conflict

2.10 Puntland elders, using the traditional mechanism known as *xeer*, have been able to maintain the degree of peace and stability which made possible the progress Puntland enjoys today. This mechanism needs to be promoted and strengthened further. Like many Somali traditions, *xeer* is influenced by Islamic methods of resolving disputes, drawing to a great extent on *shari'a* law. Analyses of Somali law and justice systems reveal that there are close links between *xeer*, *shari'a* and the secular juridical processes, and that these systems operate in complementary ways.

In reaching decisions, the *shari'a* courts have adopted the guiding principle of *suluh* which roughly translates as "resolution"⁴. Overall there is a need for the Puntland Legal Framework to be consolidated and harmonized with the Federal framework.

2.11 Non-State Actors (NSAs) comprising civil society, the private sector and medial, have played a significant role in the development and prosperity of Puntland. It is recommended that NSAs are included and involved in decision making at all levels

2.12 Key priority actions for conflict prevention, and reconciliation:

- a) Strengthen accountability mechanisms of parliament and judiciary organs;
- b) Clarify relationship between the Federal and Puntland State and further consolidate and deepen the 1993 Mudug peace agreement;
- c) Address possible sources of future conflicts such as the judicious and efficient utilization of natural resources to equitably benefit the Puntland population; and promote traditional mechanisms for conflict prevention; and
- d) Promote the reconciliation process between Puntland and Somaliland, encouraging inter-community dialogue.

2.13 **Deepening democracy.** Puntland is currently considering a three-party arrangement which would, to a great extent, follow Somaliland's model where a maximum of three parties are allowed. The first presidential and parliamentary elections are planned for 2008/2009. The authorities are in the process of establishing an electoral legal framework and an independent electoral commission, and discussions will need to take place on the future of such a commission in the context of a federal Somalia. Also, as these are Puntland's first elections, voter registration and civic education are needed to prepare for the electoral process. Against this background it is also desirable that the Puntland electoral and democratization process be linked with the wider process in Somalia. Low standards of democratization are also reflected in the unbalanced gender participation in decision making bodies both at central and local level and there is a clear gender disproportion in the representation mechanisms at political level. An empowerment process for women is needed to ensure that women needs and priorities are achieved.

2.14 The provisional Constitution replaces Puntland's first Charter (1998-2001), and as citizens go to cast their vote in the first democratic elections, they will also participate in a popular referendum on the Constitution which is expected to be preceded by a Constitutional Review. In February 2007 the President of Puntland appointed a --- person Constitution Review Commission to carry out review.

⁴ See further under (ii) – Security and the rule of law

2.15 Key priority actions for democratization:

- a) Draft and adopt the electoral legal framework that amongst other things ensures higher gender representation in Parliament; establish and develop the capacity of an independent electoral commission; build on lessons learned from Somaliland.
- b) Organize comprehensive civic and voter education, involving civil society and promoting in particular human rights issues and gender equity, including affirmative action.
- c) Complete presidential and parliamentary multiparty elections, along with a successful referendum on the constitution.

(ii) Security, justice and the rule of law

2.16 A security sector review is urgently needed as an initial step to correctly determine reform needs and to right-size the security forces which are required to ensure stability and respect for the rule of law.

2.17 There is need for continued disarmament, demobilization, and reintegration (DDR). When Puntland was formed in 1998, the authorities inherited about 15,000 former militia personnel. Over the past four years, some 6,500 of these have been absorbed by the security forces and civil service, while a further 3,000 have voluntarily demobilized and reintegrated into civilian life, leaving an estimated 6,000 ex-combatants unemployed and in need of reintegration assistance. To address this, the Puntland administration has established a Directorate of Demining, Demobilization and Reintegration (DDD&R). Although poorly resourced and understaffed, the DDD&R is a well managed body with the potential of developing a strong DDR capacity. At present, this capacity needs to be strengthened through training and technical assistance, particularly with regard to community organizations including the active involvement of youth and women, especially war widows. In addition further support will be required to address any residual disarmament exercise.

2.18 A Puntland Police Force (PLPF) is currently being trained, with the goal of amalgamation into a future Somalia Police Force (SPF). The SPF, which was active and highly regarded during the decade following independence - before being turned into an organ of the armed forces during the Barre regime - is being reactivated, although not yet effectively operational. Former police and military personnel, together with ex-militia, are brought together to constitute the PLPF, whose operating procedures and style mirror those of the old, civilian SPF. Establishing a system of community policing is considered necessary to bolster the Police Force. The training of custodial corps will complement the Police Force. To redress the low representation of women in the Police Force, a percentage higher than 15% is considered appropriate.

2.19 The problem of landmines and stockpiled unexploded ordnance (UXO) reflects the intermittent conflicts which Puntland has suffered. Phase II Landmine Impact Surveys (LIS) have been implemented by the Puntland Mine Action Centre (PMAC) in partnership with Survey Action Centre (SAC). Most affected areas were covered by the surveys, which showed that the problem is limited to a confined area in the south and western areas of Bari, Nugaal and Mudug. It is estimated that concerted action for a period of around three years will render these areas free from mines and UXO. However, the contested regions of Sool and Sanaag, and parts of Togdheer, were not included in the LIS, although funding is available and planning under way to complete these outstanding areas as Phase III.

2.20 Key priority actions for the Security Sectors:

- a) Undertake a comprehensive security sector review to form the basis of restructuring and reorganization.
- b) Train the Puntland Police Force, with continued absorption of informal and formal police, as well as former militia; ensure the inclusion of at least 15 percent women.
- c) Further develop mine-clearance capacity to deal with high priority mine-affected areas and UXO's; provide technical support to DDD&R and PMAC.

2.21 **Three systems of justice** coexist, often functioning in parallel, which regulate a wide range of affairs. All have facilitated the development of a private sector economy, a dynamic civil society and local peace-building initiatives. The three systems in operation are: (a) traditional, clan-based *xeer* system; (b) secular judiciary structures; and (c) *shari'a* courts. The lack of legal instruments and institutions for protection of vulnerable people including women, children and mentally disabled is considered a major gap in the Puntland Legal System.

2.22 Land and property rights issues constitute a majority of Puntland court cases. Land is managed by the local governments, and can potentially represent a significant source of income. However, since land is such an important resource for both livestock/pastoralism and agriculture, it can become a source of conflict or corruption, especially as cadastral records do not exist and the financial procedures of local public finance are not clear. There is no consistent and comprehensive legal framework for land and property management, but a mix of dispositions and practices stemming from the three sources of law. *Xeer* in particular is well adapted to regulate and manage common property such as pasture, grazing land, forests and water. *Suluh*, *shari'a*, *xeer* and relevant state laws can be combined to arrive at an outcome that is acceptable to all parties. The successful resolution and prevention of conflicts will require the reinforcement of this complementarity.⁵

⁵ See further above under (i) Conflict prevention

2.23 The secular law pertaining to land considers all land to be government land which can be leased by individuals for specific uses over a defined period of time. While these laws are out of phase with the practices of the land market, and run the risk of being difficult to enforce, they could improve land management in terms of assigning land titles and settling land disputes. The legislation needs to be codified to determine women's rights to land and property in marriage, divorce, inheritance, in general in accordance with Puntland's legal framework.

2.24 According to Islamic law, land cannot be the basis of a commercial transaction, only the investments made on it. This concept of land tenure could help settle the urban poor on private land with involvement of the municipality; a measure that is being considered in Bossaso. Draft land and planning laws, submitted to Parliament in February 2006, intend to regulate allocation of legal ownership of land, mediate land disputes and distribute planning responsibilities.

2.25 Secular judiciary structures are at an early stage with the construction/rehabilitation of buildings, co-locating of prosecution, district and higher level courts (such as in Bossaso and Qardho), and the provision of equipment and refresher training for all judges and support staff. It is estimated, however, that more than 75 percent of Puntland still lacks functioning primary courts, limiting the accessibility of justice to urban centres. The whole judiciary system still suffers from poor infrastructure, and a lack of basic equipment, qualified staff, and proper management and supervision systems.

2.26 High Judicial Councils are responsible for the appointment, transfer, and promotion of judges and disciplinary hearings for removing them, and for supervising the courts. While officially guaranteeing the independence of the judiciary, the councils are in fact often controlled by the government. Also, there is no body of laws which establishes how the legal system should operate, defines the jurisdiction and competence of the different courts, or sets required qualifications for judges, etc. In effect, while there are 55 judges, only 13 have law degrees since judges tend to only be trained in *shari'a*, as opposed to secular law. Local district courts are funded by local authorities, but judges, prosecutors and support staff are poorly and irregularly paid.

2.27 Key priority actions for justice and the rule of law:

- a) Strengthen the judiciary institutions, structures and systems;
- b) Parliament to ratify and implement the draft land and planning laws to legally regulate land ownership, mediate land disputes and define planning responsibilities;
- c) Clarify and coordinate the roles of the different legal systems, and the relationship between them;

- d) Review existing laws, develop new ones, ratify international and regional legal instruments and create institutions including paralegal networks, to better protect vulnerable people (women, children and mentally disabled);
- e) Improve access to justice by expanding the secular court capacity beyond the current 25 percent coverage, including infrastructure, training on gender equity, minority and human rights issues, legal materials development, and enhanced awareness of citizens' rights among the population; and
- f) Undertake a review of current interpretations of legislation to determine women's rights to shelter, land, and property in marriage, divorce and inheritance.

(iii) Administrative governance, financial management and accountability

2.28 While Puntland has developed a functioning government system, it still suffers from weak policy and regulatory functions for implementing the system properly. Puntland is managed by a president and has a three-tiered administrative structure: the state executive, regional administrations and district councils. At the executive level, the House of Parliament has 66 members who serve a six-year term. There are 14 ministries, each headed by a minister and either one or two vice-ministers⁶, and the three largest ministries are Health (419 staff), Finance (412) and Education (206). The need to achieve clan balance appears to influence appointments to both the political posts of minister and vice-minister and the senior civil service post of director general. Each ministry determines its own internal structures, which in some cases has led to a proliferation in the number and staffing sizes of departments, making them less than operationally viable and efficient. This is one of the reasons behind the public view that the state is not doing (or achieving) enough and that it lacks operational transparency. It should be noted, however, that Parliament has not received any systematic support to develop capacities, either for its representation and constituency functions, or for law-making or oversight functions.

2.29 Governors at regional level are appointed by the Puntland government and entrusted mainly with local security issues. At district level, councils are in charge and are currently at different levels of implementing a new, decentralized system⁷.

2.30 A comprehensive decentralization and local governance reform to devolve power to district councils has recently been approved and initiated. The framework for this is embedded in the 2003 Local Government Act, which provides a significant degree of devolution backed by

⁶ In addition, there are two state ministers: of Interior and Security and of the President's Office.

⁷ See further on decentralization and local governance below

revenue and expenditure assignments. The councils are now to be selected by clan elders in a consultative process (whereas previously, councils and mayors were appointed by the president). This change is yet to be fully implemented; so far, out of 33 districts, only seven district councils have been selected and are trying to deliver services and prepare and implement budgets.

2.31 District councils are given broad latitude to establish their own revenue base, including the choice of instruments and rates, such as fees and levies on markets, land and property, and fees collected for services delivered, as long as these do not interfere with state revenue collection. In practice, few of the assigned revenue sources are being tapped due to lack of capacity and political control, and districts are for the most part resorting to applying different mixes of local revenue sources. Financial resources are disproportionate to the new mandated responsibilities, with expenditure of just US\$ 0.7–2.5 per inhabitant per year (see Table 2.1 below). The budget is prepared by the executive committee, approved by the council, and is supposed to be posted outside the municipality. No prior consultation takes place, and the budget is not discussed in public. It is important to consider that decentralized governance is a relatively recent experience, and most districts have a very limited capacity to do budgeting; many do not yet have a budget. However, the recently created Ministry of Local Governance and Rural Development, which manages local administration issues at the central level, is an important initiative.

Table 2.1: Fiscal Flows in Puntland Regions (US\$)

District	Executed budget total	Wages & salaries	Salaries on total budget (percent)	Est. number of habitants	Budget/habitant
Gaalkacyo	360,000	106,800	29.67 percent	137,667	2.62
Garowe	82,470	38,700	46.93 percent	57,991	1.42
Burtinle	30,960	13,230	42.73 percent	34,674	0.89
Bossaso	664,610	114,965	17.30 percent	164,906	4.03
Qardho	52,133	15,600	29.92 percent	70,825	0.74
Total			33.31 percent		1.94

Source: Puntland district council budgets, 2005, JNA Puntland & UNDP

2.32 The Ministry of Labour, Youth and Sports is responsible for Civil Service affairs. However, at present the ministry does not possess the capacity to plan and execute policy in this field, lacking sufficiently detailed data, influence, skills and equipment to do so. The state government does not have an overall plan for the size of the civil service, with policy being developed in a piecemeal fashion, often as the result of intense lobbying of senior government figures. There is, however, a constitutional framework which clarifies the future of the Civil Service to some considerable extent. In addition, the Puntland Civil Service Commission has adopted a wide range of recommendations aimed at rationalizing and reforming the Civil Service. These recommendations need to be implemented as quickly as possible.

2.33 The civil service staff and wage bills have recently increased: 2,516 persons are on the government's payroll in 2006, up from 2,320 in 2004 (an increase of 8 percent). In addition, Puntland currently pays salaries to about 8,000-8,500 police and militias. The wage bill has gone up from 58 percent (US\$ 13.2 million) of the budget in 2004 to 63.6 percent (US\$ 12.3 million) in 2006, which is mainly due to an additional 200 teachers to be hired during the year.

2.34 There are no disaggregated figures by gender for civil servants, but it is clear that female civil servants are disproportionately under-represented, with most of them in subordinate posts. Hardly any women hold senior Civil Service posts or have been appointed to high political office. The majority of civil servants have no university or secondary education, and lack the basic skills to fulfil minimum requirements, and an ethos of client service appears to be only marginally developed. There is call to support trade unions in their role. Although recent remarks by the president have pointed to the need for a cultural change in the administration, decision making in a significant proportion of ministries appears to be centralized in the person of the minister, and there is little evidence of ministries developing and then implementing their own strategic plans.

2.35 The Auditor General is an autonomous government agency that operates under the overall direction of the Office of the President. Its purpose is to audit public institutions and report to Parliament on the way public resources have been managed. However, since its establishment it has recorded little significant achievement: budgets are audited and submitted to Parliament and the Office of the President, but no action has been taken to address issues raised in the reports.

2.36 The Puntland administration is currently in the final stages of formulating its Regional Five Year Development Plan (RFYDP), the objective of which is to take the step from ad hoc development interventions to the planning and implementation of structured and sustainable development. The Ministry of Planning began formulating the RFYDP in 2004, and is expected to finalize it by the end of 2007. A government High Level Coordination Committee was established to provide guidance and policy directives. The plan is expected to address various dimensions of the rehabilitation and development challenges in Puntland and set priorities and targets in line with the recommendations of the RDP.

2.37 **Data collection.** The major statistical need dominating all others is the census, since it is essential for socio- and economic policy analysis, design and monitoring. This could be complemented by household surveys targeted and specific data needed to refine and monitor policy initiatives and programmes. Currently, the only data available is for the exchange rate; limited data on market prices and on the volume of imports and exports.

2.38 Key priority actions for administrative governance:

- a) Review and complete decentralization of service delivery and its monitoring through the establishment of inclusive participatory local governance systems, and ensure access to services especially by women and children;
- b) Design and implement civil service reform together with capacity building for planning and policy analysis, and with affirmative action to ensure participation by women as well as supporting trade unions to discharge their role;
- c) Strengthen transparency and accountability to build public trust. Evaluate and enhance the office of the Auditor General; and
- d) Improve data collection, and disaggregation by gender and sex and undertake a population census, followed by the collection of economic and social data.

2.39 **Financial management.** No clearly defined system of financial transfers exists, although a series of different surcharges are placed on top of regular customs duty at Bossaso port. Of these, 2.5 percent is collected on behalf of the municipality of Bossaso, while another 3.5 percent is collected for the Ministry of Local Government and Rural Development to finance the process of electing district councils. Preliminary analysis shows that the surcharges are “off-budget”, and it is unlikely that the funds collected in fact reach the intended recipient.

2.40 The provision and coordination of services would benefit from increased public-private partnerships with state service providers teaming up with those already on the ground. Some district councils seem to be aware of the potential for such partnerships, but have only been recently appointed to conclude such arrangements. It is also hoped that with the ongoing push for decentralization, districts will coordinate planning, implementation and financing of their activities with private providers. So far, however, little progress has been made in this direction.

2.41 Current budget preparation processes, undertaken by the Ministry of Finance, fail to take into account the needs, priorities and participation of rights holders, particularly women, minority and low income groups. In 2005, the Puntland government had a budget of So.Sh. 281 billion (or US\$ 18.8 million). Only 11 percent was spent on public goods such as infrastructure and basic social services. While this is a slight improvement over previous years, it is insufficient to cover needs. In 2006, the government of Puntland reports a budget of So.Sh. 299.8 billion (US\$ 20 million). Of this amount, over 63 percent is allocated for salaries and allowances (see Table 2.2 below).

Table 2.2: Expenditure and Revenue, Puntland Budgets 2005

ITEMS	EXPENDITURE	
	SO.SH (MILLION)	PERCENT OF TOTAL
REVENUE		
CUSTOMS DUTY	228,427	80.1
INDIRECT TAXES	23,318	8.2
INCOME TAX	4,277	1.5
GOVERNMENT PROPERTY FEE (LAND TAX)	3,978	1.4
GOVERNMENT SERVICE CHARGE	24,835	8.7
OTHER	318	0.1
TOTAL REVENUE	285,151	100
IN US\$ MILLION	19.7	
EXPENDITURE		
WAGES AND SALARIES	179,676	62.0
OPERATIONAL AND GENERAL EXPENSES	60,554	20.9
REPAYMENT OF LOANS	38,931	13.4
WELFARE AND RECONSTRUCTION	4,800	1.7
GRANTS AND RESERVES	5,760	2.0
TOTAL EXPENDITURE	289,721	100

Source: Puntland Authorities

2.42 Since 1991, only limited information has been collected on fiscal flows in Puntland. Fiscal management suffers from low revenue collections, expenditures mostly for security and general administration, and poor planning and coordination of development projects. Customs duties at Bossaso port account for about 80 percent of total revenue collection, with indirect taxes and “government service charges” making up

most of the remainder. Annual revenues have fluctuated widely in recent years, but are currently around US\$ 16 million. Deficit financing is limited to semi-voluntary loans from major business people and repaid through tax exemptions.

2.43 Public finance management (PFM) has a number of weaknesses within the current system, in particular non-compliance with budgetary controls. Budget limits are violated when instructions to do so are issued by senior government officials, who normally attribute them to sensitive political considerations. The major constraint within PFM is the lack of accountability and transparency.

2.44 The procurement system is based on two pieces of legislation established by the administration in 1999 and 2000. In 2000, Parliament passed a law that created a Tender Board and outlines the responsibilities of other actors in public procurement processes and decisions, and prescribes the procurement procedures to be followed by government agencies. The Tender Board is an autonomous entity which reports to the president. Procuring entities have the authority to award contracts not exceeding the equivalent of US\$ 5,000. The law requires procuring entities to award contracts, as far as practicable, on the basis of price comparison. The system is adequate for implementation under the prevailing economic conditions of the administration. However, because of deficiencies in the legal frame and institutional arrangements for procurement management and law enforcement, the current system will not be suitable for handling large-scale activities. Puntland's overall pressing need in the financial management sphere is the development of a regulatory framework for financial services and institutions. The state has a vested interest in supporting the Federal Somali Government in an application for relief under the Highly Indebted Poor Countries (HIPC) initiative.

2.45 Key priority actions for financial management:

- a) Improve the Ministry of Finance's capacity to prepare budgets in a participatory manner and to implement treasury functions, macroeconomic and tax policies; rehabilitate physical infrastructure and provide essential equipment.
- b) Mobilize public revenue by increasing the capacity to administer customs duties (e.g. at Bossaso port), domestic sales tax and personal and corporate income taxes; enact tax laws on agreed revenue areas; and establish a transparent and accountable revenue administration agency.
- c) Provide redistribution mechanisms to enable district councils to deliver services. Replace the medium/long term investment funds by increased local revenue base and by fiscal transfer from central government. Introduce a process of selecting, implementing and monitoring recipients tied to the governance framework provided by elected district councils, where available.
- d) Strengthen public financial management and procurement.

(iv) Non-State Actors (Civil Society Private Sector and Media)

2.46 The upholding of accountability, transparency and public management of resources rests primarily with the government. However, in addition to their established role of providing basic social services, civil society organizations including women's groups and the private sector have emerged as an important social and political force in Puntland. They are contributing to peace and development, and have taken on many of the traditional functions of the state. However, non-governmental organizations (NGO's) tend to be concentrated in the urban centres, leaving rural/pastoral areas underserved, and there are few national NGOs with the exception of the Somali Red Crescent Society. At community level, elders and traditional leaders are primarily involved in peace building and dispute settlement. Religious groups have also emerged as a potent force within communities, especially in the fields of relief, education and justice. NGO's currently suffer from a range of constraints; as there is no registration or legal regulation of the sector, the foremost is poor legitimacy, which is inextricably linked to lack of accountability and inadequate transparency. Professional associations and networks are a relatively new category of civil society actors. These are often competitive and frequently more than one association claims to represent the interests of a particular group. This competition is usually over resources and organizational survival, taking the form of clan divisions.

2.47 The media is largely an unregulated market-oriented system that is expected to play an important role in creating public awareness and promoting accountability. Media businesses are currently run on a free-market basis with no regulation or self-regulation whatsoever. Radio stations are the main tool for delivering information and raising public awareness. However, coverage in rural and remote areas, where information is perhaps needed most, is limited. In addition, media coverage of women's concerns is negligible. Most media houses are managed by men and the majority of senior producers and journalists are men; women's issues and views on security, social-economic and political issues are largely ignored. Other issues are the lack of capacity, as training opportunities are insufficient, and reporting is sometimes affiliated to clan interest. Over all it is in the interest of Puntland State to support the establishment of professional associations to augment the contribution of civil society, the private sector and media.

2.48 Puntland enjoys a vibrant private sector concentrating its hub commercial activities around Bosasso port as well as trade with the hinterland. The Diaspora play a significant role in investing in the state. Given the right space in decision-making and incentives this sector could play a significant role in the economic growth of the state. Because of the significant economic role that the private sector supported by the Diaspora plays in the State, this sector with the NGOs and the media deserve to be given the necessary space to participate in decision-making. Therefore the State has a vested interest to ensure that such bodies as the Chambers of Commerce and Trade Councils should be encouraged to play active role in the larger NSA Sphere.

2.49 Key priority actions for civil society and the media:

- a) Strengthen transparency and accountability (including codes of conduct and standards of ethics, regulatory councils and independent arbitration bodies) of civil society and NGO organizations as well as business councils to enhance legitimacy and confidence;
- b) Encourage authorities to engage with civil society including women's groups and vice versa and design mechanisms to improve cooperation between them so that organizations and the business community can better support governance, accountability and effectively participate in national planning processes, policy-making and advocacy;
- c) Initiate capacity building for media professionals, in particular women who want to join the media sector;
- d) Set up low cost community radio stations, and repeating stations in rural areas, to widen media coverage;

B. INVESTING IN PEOPLE THROUGH IMPROVED SOCIAL SERVICES

2.50 This section highlights the provision of education and training, health services, water and sanitation services, as well as the adoption of specific measures to address the needs of IDPs and vulnerable population groups. The most basic elements of both a health care delivery system and educational services are present, and Puntland has made rapid improvements in water and sanitation service coverage. However, while the responsibility for planning, funding and provision of services is slowly being transferred from state level to district councils, these still lack the necessary resources and capacity. In addition, since the central government currently allocates just 11 percent of its budget to basic services, the progress made has been mainly due to community contributions, international funding and Diaspora initiatives. Such private initiatives continue to play a major role, particularly in urban centres. In general, a common issue throughout service delivery is the concentration in urban centres of both services available and qualified staff, which is to the detriment of the much larger rural population.

2.51 The five highest priorities identified by Puntlanders for improving social services in their state are:

- a) Improve access to quality basic and higher education through teacher training and curricula development and attention to girls' enrolment at all education levels;
- b) Improve and expand health services through investments in human resources and physical infrastructure, especially in rural areas, paying much attention to women health care needs;
- c) Improve access to safe drinking water for rural and urban communities and build capacity of government institutions taking into consideration poor families, displaced persons, female-headed households and minorities;

- d) Plan and implement effective and durable resettlement programs;
- e) Improve data collection, analysis and research; disaggregate data by gender and sex

The fifth of these is covered under data development initiatives in paragraphs 2.38 and 2.39 above. The other four give rise to the following five proposed areas of intervention:

- a. Expanding education and training**
- b. Expanding basic health services**
- c. Improving provision of water and sanitation**
- d. Providing solutions for displaced persons and returning refugees**
- e. Protecting vulnerable and disadvantaged groups**

The concern for resettlement is covered in the fourth and fifth of these priority interventions.

(i) Expanding education and training

2.52 There are 236 primary schools in Puntland, and a very low enrolment ratio of primary school age children. UNICEF reports that of the estimated 192,635 children of primary school age group in Puntland, only 46,595 pupils were enrolled in primary schools in the 2004/2005 school year. This represents just 24.2 percent of all primary school age children - 20.3 percent of girls and 28.1 percent of boys (see Table 2.3 below). Teaching at primary level is based around Quranic schools. The Puntland National Development Plan acknowledges that "affordability, ownership, gender disparities and unbalanced distribution in terms of urban vs rural are some of the major challenges that education in Puntland currently faces"⁸. In addition to these challenges, there is also the issue of costs: about 40 percent of primary schools charge fees of more than US\$ 25 per school year; in addition, non-school fee costs per child (stationary, uniform, etc) are around US\$ 30. This is in a context where the average household income is US\$ 250 per year and where families often have several school-age children.

Table 2.3: Primary Education Student/Teacher Population Projections

Total and gender	Total no of pupils	Current no of	Total current	Target no of	Target GER for	Target no of	Current no of	Current teacher	Target no of	Target teachers
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⁸ Puntland NDP 2005, p.122

	(2004)	schools	GER 2004/05	students 2011	2011	schools 2011	teachers	- pupil ratio	teachers 2011	recruitme nt and training
Total	46,595	236	24.2%	116,474	52.4%	259 ⁹	1,623	29.0	2,912 (1:40)	1280
Female	19,461		20.3%	62,371	56.3%		326			
Male	27,134		28.1%	58,089	52.1%		1,297			

2.53 At secondary level, even fewer children and youth are enrolled - only 3 percent of primary school students continue to this level. The provision of secondary education is limited, as there are only 12 functional schools, and schools do not yet have adequate teaching, learning facilities and materials. Teachers are mostly under-qualified and inadequately paid, and schools do not manage to attract and retain girls. Financing is mainly through fees and support from parents/community, the Diaspora and the international community. However, the government and communities are increasingly contributing to teachers' salaries. The role of the private sector and communities in supporting education needs to be strengthened further.

2.54 A separate education strategy for children from nomadic pastoral and coastal communities is proposed, similar to the successful three-year education programme which the Somali government provided in the late 1970s and early 1980s, where a separate curriculum and attendance record was offered, and children attended school for six months a year. During the rest of the year they accompanied their families with very little opportunity for schooling.

2.55 The Diaspora has played a significant role in financing education activities, contributing towards building and repairing schools and colleges, paying teachers' salaries, and providing scholarships, learning materials and equipment. Such investments are often directed towards Technical and Vocational Education and Training (TVET) and tertiary education. TVET is however not fully developed yet, even though it is critical for the development of a skilled labour force and particularly suitable for children and youth associated with armed conflict. TVET could also be diversified to private technical training in the major economic sectors of the state such as fisheries, livestock and public administration. The special educational needs of drop-outs, disabled children, female children and orphans require attention.

2.56 There are three tertiary institutions and one teacher training college, which, much like the TVET institutions, have been set up and are still funded by NGO's or the Diaspora, and none receive more than perfunctory government support.

⁹ 23 schools (450 pupils/school) targeted for construction or rehabilitation

2.57 Education infrastructure is inadequate and requires both research and massive investment. Adoption of a single unified curriculum is required. Puntland has a draft education policy ready for finalization, but as yet no Education Act. It will require continued and strengthened support to achieve the Millennium Development Goal (MDG) of universal primary education. While both the access to and quality of education at all levels need strengthening in the long term, increased access must be the first priority.

2.58 Key priority actions for Education and Training:

- a) Improve access, quality, and gender equity in primary education by rehabilitating schools (including providing clean water and sanitation facilities libraries and laboratories), increasing the number of trained teachers, including female teachers, developing an appropriate curriculum, improving supplies of teaching materials, and improving the learning environment. Introduce special initiatives to increase education for girls and the children of pastoralists.
- b) Improve access, quality and gender equity in secondary and tertiary education by rehabilitating schools, training teachers including female teachers, providing materials and developing special programmes to ensure access for children from poor families and nomadic, pastoral and coastal communities.
- c) Strengthen TVET programmes, particularly for women through women's development centres and for youth, and develop policy to allow children associated with armed conflict to pursue formal educational and/or professional development.
- d) Finalize draft educational policies; draft, and encourage Parliament to adopt an Education Act

(ii) Expanding basic health services

2.59 Despite progress made in improving the health sector, access to and quality of health care remains inequitable, with inadequate distribution of staff and resources to rural areas. An example of this is Eastern Sanaag region which has just one doctor, while 49 percent of all health personnel in Puntland are concentrated in Bossaso town. Infant, child and maternal mortality rates are amongst the highest in the world. All this means that Puntland has some way to go before achieving the MDGs of reducing the mortality rate of children under five by two-thirds; reducing by three-quarters the maternal mortality rate; and halting and beginning the reverse of HIV/AIDS, malaria and other major diseases. One measure is for Puntland to raise its current low budgetary allocation of just 2.5 percent to the health sector.

2.60 **Few institutions and a lack of staff.** Puntland's population of 1.1 million is served by 19 hospitals, with approximately 600 functioning beds, and a total health staff of 1,123. Over half of these (57 percent) are not qualified (i.e. auxiliary nurses, community health

workers and traditional birth attendants). There are 72 registered doctors, operating mainly in the urban centres of Garoowe, Bossaso and Gaalkacyo. The private health sector and pharmaceutical outlets are unregulated, concentrated in the major towns and provide mainly curative care. Health infrastructure is inadequate, lacking basic equipment, maintenance and basic hygiene and sanitation blocks.

Table 2.4: Health Staff (Public and Private Facilities)

	Doctors	Nurses	Mid-wives	Lab Technicians	X-Ray Technicians	Auxiliary Nurses	TBA	CHW	Total staff
Public	30	128	29	13	14				
Private	42	208	18	NA	NA	NA	NA	NA	
Total	72	336	47	13	14	159	287	195	1,123

NA = not available. TBA = Traditional Birth Attendant, CHW = Community Health Worker. NB: Some of the doctors who work in public hospitals also run private clinics or pharmacies.

2.61 Regarding capacity building, Puntland has one nursing school, in which midwives are also trained, in Bossaso. It is mainly funded by Islamic charities and institutions. There is one private medical school in Gaalkacyo, where the university in 2006 began a basic training for assistant physicians at the level of clinical officers. These officers are meant to be deployed to rural and remote areas, where more qualified staff are much needed. As for education the special needs of nomadic, pastoral and coastal communities for health care remains largely unmet. The Puntland Ministry of Health provides guidelines and regulations, but lacks capacity, funds and human resources to expand its role in the health sector. Developing health training institutions for nurses, paramedics and doctors is considered important.

2.62 Rehabilitation and expansion of the health system will mean that Puntland will be better positioned to deliver care and services. Focus naturally needs to be on major illnesses such as malaria, TB, diarrhoea, and respiratory diseases, but also on the prevention of FGM/FGC, HIV/AIDS and the abuse of khat. It is estimated that about 98 percent of Somali girls and women have undergone some form of genital mutilation, and about 90 percent have been subjected to the most severe type, known as infibulation or Pharaonic circumcision¹⁰. It is recommended to support communities to ban and eradicate gender-based violence including FGM. The results of a 2004 WHO sero-surveillance

¹⁰ Infibulation, also called Pharaonic circumcision, involves removing all or part of the external genitalia and stitching of the raw edges of the vulva together with thorns or catgut sutures, leaving a small opening to allow flow of urine and menstrual fluid. Infibulation is the most commonly practised type of female genital cutting in South-Central Somalia, Puntland and Somaliland.

survey showed a mean HIV prevalence of just one percent in Puntland. While this is quite low, experience from other Sub-Saharan countries shows that when the rate of HIV exceeds one percent, it could be doubled or tripled in two to three years, especially when there are large population movements. Infection rates among children above the age of five are not known, but the government would be well advised to develop plans to respond to paediatric AIDS. The use of khat (a mildly stimulating drug) is very common in Puntland. It affects many, if not all, parts of public and private life, such as health, culture, economy, infrastructure, business, politics, sexuality, livelihood and household economy. It is recommended that alternatives such as sports and culture be developed as part of a comprehensive response to khat and other narcotics.

2.63 It is recommended that the demonstrated strength of private sector and NGO initiatives in providing health services, be augmented further to free public spending to focus on: (a) preventative care facilities, particularly for child and maternal health care and communicable diseases, to complement existing relatively cost-effective interventions; (b) information campaigns such as child nutritional programmes; (c) primary health care centres and a tertiary health care system, and (d) a quality control centre for pharmaceuticals system. Private-public partnerships will be important to achieve the level of service expansion and improvement that is needed.

2.64 Key priority actions for expanding basic health services:

- a) Map existing private facilities and human resources in conjunction with other cross-sectoral research as basis for strengthening the health infrastructure and developing needed capacity for the medical personnel, paying special attention to women health care needs;
- b) Develop, finance and implement an equitable, effective and efficient decentralized package of health services which are available, accessible, and of reasonable quality, especially in rural areas and marginalized communities.
- c) Guarantee that communicable diseases (malaria, TB, HIV/AIDS and respiratory tract infections) receive necessary attention;
- d) Provide support to community-based initiatives to ban and eradicate gender-based violence, FGM and the abuse of khat;
- e) Strengthen services provided by the private sector and community-based communities as part of stronger private-public partnerships.

(iii) Improving provision of water and sanitation

2.65 A shortage of clean water and sanitation facilities is a recurring problem throughout Puntland, particularly in rural areas, although there have been great improvements in the provision of both. The public water supply system is weak or very poorly maintained in most of Puntland, and only 26 percent have access to safe drinking water although these figures are contested and Puntlanders favour a higher percentage. Even

when and where water is available, delivery and/or connection costs are often too high for the population at large. For example, when piped water was made available on the Garoowe and Bossaso supply lines, most people – particularly IDPs – could not afford the US\$ 60-80 connection fee. However, basic water sector institutions, division of responsibilities and regulations are in place in Puntland. The main body is the Puntland State Agency for Water, Energy and Natural Resources (PSAWEN), and ministries and the private sector are also involved in the urban water supply. There is a strong-sentiment amongst some Puntland stakeholders to support water harvesting measures owned by the government as opposed to individuals.

2.66 A strong but largely unregulated local private sector has emerged in urban areas as the principal service provider (see Box 2.1 below). Backed by external finance and 10-year concession agreements, supply systems have been rehabilitated, providing direct household connections and metered water, but mostly supplying water kiosks that have both significantly reduced the burden of water haulage, and, importantly, increased the volumes of water consumed by households for domestic needs. Maintaining sustainable standard water quality control through community water management and public-private partnerships is a pre-requisite to success. To complement and boost the public water supply there is need to strengthen services provided by the private sector.

Box 2.1: Example of a private water supplier in Gaalkacyo

The main private supplier is GUMCO (Golden Utilities Management Company). It was granted a 10-year lease contract by the municipalities of Gaalkacyo and Bossaso to operate the water supply system. GUMCO reports to a Board of Directors and to PSAWEN. With some success, it has invested in system improvements in Gaalkacyo. GUMCO has also constructed water kiosks in poorer areas of the city and provided cleaner and more affordable water for a larger population.

Since taking over the water supply management system in 2003, the Gaalkacyo water company has connected 2,300 houses to piped supply, constructed 50 water kiosks and seven truck-filling points. In addition, the network was extended from 25 km to 150 km. The price of water as been reduced from US\$ 8/m³ to US\$ 1/m³ for those connected to pipeline and to US\$ 0.6/m³ for those using water kiosks. GUMCO has prepared a complete, costed plan for further extension of the supply system.

GUMCO has finalized a proposal for the extension of Bossaso water supply system in January 2006, but the proposal and its costs have not been verified independently.

2.67 While the government lacks sufficient financial resources to develop urban water supply to the required extent, donor supported community-based operations and maintenance interventions have developed a rural coverage and water provision strategy, implemented by NGOs and UN agencies. The greatest challenges are faced by rural and nomadic inhabitants, who need water for personal use as well as for their livestock, and are most exposed to poor service standards such as distance, affordability, reliability and safety of water. Lacking permanent water sources, significant competition for scarce water is compounded by large numbers of livestock en route to export facilities on the coast.

2.68 Public service agencies have rehabilitated parts of the water supply network. In addition, many local interventions, supported by international assistance, have been pursued where the local security situation has permitted action to be taken. Significant investments have delivered service improvements for nearly 130,000 urban residents in the period 1999-2003. This has contributed to the fact that urban areas have a much higher coverage of clean drinking water than rural areas (see Table 2.5 below).

Table 2.5: Access to safe drinking water in 2000

	% served	% Unserved
Entire Puntland	26.0	74.0
Urban	46.8	53.2
Rural/nomadic	14.5	85.5

2.69 There is no national water policy or strategy and laws are weak or lack enforcement. No comprehensive sector plan has yet been developed for the water sector. Establishing and supporting training institutions for water experts and for improving the technical capacity of the sector should form an important part of this policy. The line Ministries (of Health, Water and Energy, Education and Women and Family Affairs) lack proper coordination on cross-cutting issues, such as water provision to schools and health facilities.

2.70 There are similar issues in sanitation: neither a policy nor a plan has been developed to date. There remains scope for clarification of institutional roles, and for strengthening mandated public services to transform them from traditional service providers to enablers of development. The public sector needs support to expand its capacity to take a greater role in garbage collection.

2.71 Key priority actions for water and sanitation:

- a) Improve access to safe drinking water for 100,000 rural and nomadic beneficiaries, and for 50,000 urban beneficiaries.

- b) Improve coverage in sanitation and hygiene for 170,000 rural beneficiaries, and for 30,000 urban beneficiaries.
- c) Enable government institutions to contribute to development through capacity building, the drafting of plans, policies and strategies for water and sanitation, and introduction of pro-poor tariffs and strategies as well as a framework for settling conflicts related to water use.
- d) Strengthen services provided by the private sector and community-based organizations.

(iv) Providing solutions for vulnerable groups - displaced persons and returning refugees

2.72 Somali civil war resulted in successive mass population. Many Somalis fleeing from conflict moved to the politically more stable environment of the Puntland State where there are now located as IDPs in large numbers in the major towns. Of the ----- number of refugees in the neighbouring countries about ---- percentage originate from Puntland is expected that if a conducive environment is created a significant percentage of refugees from Puntland would voluntarily return to their communities of origin. A relatively small percentage could and would benefit from resettlement to a third country.

2.73 The prolonged violence, recurrent droughts and high unemployment in South-Central Somalia have led to extensive population movements to Puntland, mainly of nomadic or rural agricultural populations. The current estimate of the number of IDPs is 60,000, of which 22,000 live in Bossaso, 12,600 in Garoowe, 10,000 in Gaalkacyo¹¹, and the rest live in smaller towns or in spontaneous settlements along major roads, mostly in unplanned and overcrowded temporary settlements, and have limited or no access to employment or basic services. A further classification of the IDPs on the basis of the standard universal definitions is necessary to speed up the resettlement process.

2.74 There are 3,000 documented Ethiopian asylum-seekers in Puntland, in addition to the large IDP population. The authorities are increasingly concerned about their absorption capacity in meeting the needs of the huge influx of IDPs and returnees. They are therefore imposing stringent policies with regard to local integration for non-Puntlanders, unless they demonstrate clan or family linkages to Puntland. Where local integration is not a viable option, refugees who cannot prove such linkages are recommended for resettlement. As of 2006, some of these refugees began leaving Puntland.

2.75 IDPs and the urban poor usually face very poor living conditions, such as severely inadequate shelter. Land and property issues, including restitution, are the main obstacle for displaced households, who are vulnerable to harassment, extortion and eviction because government

¹¹ Source: OCHA, 22 November 2005, unless otherwise stated. Numbers are rough estimates.

institutions have little or no authority to protect or assist them. Conditions in the settlements vary between permanent/official sites and temporary/unofficial ones, such as destroyed and abandoned former government structures or privately-owned land where they pay rent and living conditions are much harsher. The latter is the predominant situation on the ground. Regardless of the conditions in settlements, the majority of IDPs want to settle permanently, mainly due to long duration of displacement (over 10 years on average). However, insecure land tenure halts investment in durable shelter and basic infrastructure by the local authorities and landowners. This reluctance links to the perception that improvement of settlements will make them permanent and discourage IDPs from returning to their origin, or even attract more people from other locations. In addition, IDPs will not make investments in their shelter construction without access to appropriate land and sufficient security of tenure.

2.76 Key priority actions for assisting the displaced and returning refugees:

- a) Ensure that 40 percent of refugees of Puntland origin return voluntarily to their communities or alternative place of choice and that 10 percent benefit from resettlement to a third country.
- b) Provide direct assistance, such as education and vocational training with special attention to young girls and women, to IDPs and returnees to enable them to reintegrate and secure sustainable livelihoods.
- c) Promote a conducive legal environment for IDPs and refugees, including adoption of the Guiding Principles on Internal Displacement and promulgation of refugee legislation.
- d) Plan local durable resettlement, facilitating access to land especially to widows or unattended young girls, as part of an integrated urban development plan, including provision of shelter through a self-help community-driven approach. Involve and train target communities to produce affordable housing units using local construction materials.
- e) Upgrade temporary settlements to secure basic living standards, starting from clear agreements that consider both the rights of IDPs and the interests of landowners, e.g. large-scale housing production using land sharing schemes.

(v) Protecting vulnerable and disadvantaged groups

2.77 Vulnerability is judged by the ability of an individual or household to manage risks or to prevent a severe decline in their living standards. The most vulnerable and disadvantaged groups in Puntland include the following:

- children, with a specific emphasis on girls and orphans;
- child-headed households;

- physically and mentally challenged/disabled;
- people affected by/living with HIV/AIDS, TB;
- marginalized populations from minority clans;
- elderly returnees, IDPs and refugees;
- any other individual not covered by a reciprocal network of protection (e.g. stranded Somali migrants).

2.78 It is estimated that around 11 percent of all children in Puntland are orphans, the majority of them paternal orphans (i.e. without a father)¹². Vulnerable children, whether orphans or not, are affected economically, socially and psychologically. Economic and social impacts include malnutrition, reduced access to education and health care, child labour, migration and homelessness. Psychological impacts include depression, guilt and fear, possibly leading to long-term problems.

2.79 Assisted by a highly complex extended family structure, Puntlanders have traditionally been able to absorb and take care, to some degree of these groups. However, such coping strategies are increasingly overburdened. This has prompted the international community as well as the Diaspora, community organizations, religious bodies and other civil society members to step in to provide financial and human resources, information, vocational skills training, basic education, medical care and counselling. Women are the primary care-givers in the traditional Puntland family, and investing in women's education is central to reducing children's vulnerability and promoting economic development.

2.80 Key priority actions for protecting vulnerable and disadvantaged groups:

- a) Increase public awareness of protection issues, including improving the community-based identification of disadvantaged individuals/groups, and establish indicators and data systems to monitor, coordinate and evaluate implementation of initiatives.
- b) Establish family and/or community-based networks for the care and protection of vulnerable children.
- c) Develop legislative, policy, and regulatory frameworks, including protection standards, and increase access to services such as legal aid, family tracing and reunification for vulnerable groups

C. ESTABLISHING AN ENABLING ENVIRONMENT FOR POVERTY-REDUCING DEVELOPMENT

¹² Children on the Brink 2004 - UNICEF, UNAIDS and USAID.

2.81 The key to equitable economic growth will be to support the already vibrant private sector and to expand productive capacity in the traditional agriculture, livestock and fishery sectors - particularly the latter, which has a huge potential. Diversifying and increasing livelihood sectors are crucial for Puntland. In addition, as mentioned in previous sections, there is large scope for increased private-public partnerships in Puntland, which requires a conducive environment for private enterprise. This calls for large investments in infrastructure to expand access to markets (such as Bossaso port), the establishment of a transparent and stable regulatory framework and actions to address specific constraints, such as the lack of fishing regulation services. Financial and insurance services must be made available to facilitate investment opportunities for both domestic and international companies.

2.82 This third pillar complements the other two in providing a sufficient set of actions to achieve the overall objectives of the RDP for Puntland. The five highest priorities identified by Puntlanders under this pillar are:

- i) Build institutional capacity to manage public policy on sustainable use of natural resources and launch study on the state of the environment;
- ii) Improve service to pastoralists and establish efficient and internationally accepted export inspection systems for livestock;
- iii) Expand capacity of Bosasso and Puntland ports;
- iv) Rehabilitate major corridors and bridges; and
- v) Establish public-private partnership.

Reflecting these concerns the priorities for this third pillar fall into the following four areas:

- (i) Improving infrastructure (ports, roads, bridges and energy);**
- (ii) Expanding key productive sectors (e.g. livestock) and improving livelihood and food security;**
- (iii) Expanding financial services and non-traditional productive sectors; and**
- (iv) Ensuring sustainable natural resource management.**

(i) Improving infrastructure

2.83 **Roads.** Although the road infrastructure has not been developed, and the capital stock has been depleted, road transport remains the most widely used mode of movement. Legislation and institutions have been put in place to manage infrastructure¹³. For example, the Puntland Highway Authority (PHA) is mandated to formulate and implement road and airport rehabilitation programmes, and to secure transport sector funding from a fuel levy and from international and national stakeholders. It is a viable entity with the basic required structure for programming and maintenance tasks, although it needs technical and financial assistance to attain its full potential. The PHA, which is linked to the Ministry of Public Works, manages all the road networks. The municipalities are responsible for urban road development but lack resources, planning systems or capacities.

2.84 **Airports.** Puntland has three domestic airports, although no international airport. Investing in and expanding the capacity of these airports and air navigation infrastructure will require policy coordination and support from the ministerial set-up, under a Ministry of Transport. This should build on the strengths of the working institutional arrangements. Moreover, there needs to be an effective civil aviation regulatory authority.

2.85 **Ports.** The relative security of the northern corridor, and the unresolved border dispute between Eritrea and Ethiopia, has made the port of Bossaso (and Berbera in Somaliland) the main focus of maritime activity. Taking into consideration the limited number of deep ports available, and the high capital cost of their rehabilitation, it is essential that any plans made regarding rehabilitating Bossaso port including improving navigation lights along the coast, will require prior consultation and agreement with all the authorities (potentially) involved. These consultations would have to form part of the envisaged political arrangements with the Somaliland and South-Central Somali authorities, and might need to include Ethiopia, who could be the principal user of Bossaso port. As fisheries is an important source of livelihood and economic enterprise for Puntland, rehabilitating and expanding fisheries infrastructure including jetties is also a priority.

2.86 **Energy.** Puntlanders use charcoal and firewood as their main source of domestic energy - particularly in rural areas where electricity is often in short supply - and it is estimated that about 87 percent of energy consumption is biomass fuel. Petroleum products account for about 11 percent of the total energy used, while electric power generation, using diesel, accounts for about 2 percent. Electric power is used mainly for the residential, commercial and industrial sectors, and most of the borehole pumps in the rural areas. In urban areas, electric power supplies up to 40 percent of the total energy used, and firewood and charcoal provide the rest.

¹³ It should be noted that this is a not a stand alone sector, but rather one where Puntland needs to connect to both South-Central Somalia and Somaliland.

2.87 Most power plants in urban and rural areas are owned and run by NGOs or by private enterprises, which generally supply electricity on a commercial basis. The government focal point for data collection and policy setting is the Electric Energy Authority, which is in need of strengthening to implement its policies. It owns the Bossaso, Qardho and Garoowe power stations and has recently signed up a private enterprise to manage the power stations and distribution network. Meanwhile, publicly owned power plants and distribution networks are operated by government electricity supply agencies.

2.88 The heavy use of firewood and charcoal is of great concern due to the resulting deforestation, which in turn has severe environmental consequences such as land erosion, and exacerbates droughts. A progressive switch to renewable energy is therefore critical, and steps are required to reduce reliance on biomass fuel. Potential sources of renewable energy are solar and wind power. These are mostly untapped, and their implementation will take time and will be capital intensive. Other alternatives are liquid petroleum gas (LPG) and kerosene, which will require a legal framework for storage and distribution.

2.89 Increased public-private partnerships in the energy sector, beginning with the electricity supply industry, would make it more efficient, as would regulation to provide safe and affordable electricity to the public on a sound commercial basis.

2.90 **Urban infrastructure.** The urban growth rate in Puntland is very high and has happened haphazardly over the past 15 years. It is estimated that around 30 percent of the population now lives in the fast-growing towns of Bossaso, Qardho, Garoowe and Gaalkacyo¹⁴. As there has been minimal spatial planning, infrastructure in all urban centres requires major investment. Municipal institutions and management systems have inadequate functional capacities, and in the absence of clear governmental structures, central and local authorities, only basic rehabilitation initiatives and development projects have taken place. These have mainly been in the sectors of water, energy, waste management, roads and housing, and carried out through small-scale community or private sector-led local initiatives, or international aid programmes. Such projects have tended to be on an *ad hoc* basis and need improved planning and coordination.

2.91 Key priority actions for transport, energy and urban infrastructure:

- a) Expand technical assistance to the Puntland Highway Authority, and improve capacity for generating and managing revenues;
- b) Improve primary roads and gravel feeder roads, thereby increasing basic accessibility to major productive centres such as livestock hubs and fish processing centres;

¹⁴ "Puntland Facts and Figures 2003", Puntland Ministry of Planning and Statistics

- c) Expand and improve capacity of Puntland airports;
- d) Expand capacity of Bossaso port (taking into consideration the likely increase in demand from South-Central Somalia and the hinterland), improving port infrastructure and shipping services and rehabilitate coastal navigation lights;
- e) Rehabilitate and expand fisheries infrastructures including jetties;
- f) Increase the use of renewable energy (solar and wind), as well as LPG and kerosene; and
- g) Establish varying management models for public-private partnerships and non-governmental actors' involvement in different levels of infrastructure development and basic service delivery (water supply, energy, transport, housing, solid waste management, and urban planning)

(ii) Expanding key productive sectors, livelihood and food security¹⁵

2.92 The livestock market has not yet fully recovered from the four-year drought and the ongoing ban on the import of Somali livestock into the Kingdom of Saudi Arabia. However, thanks to a substantial diversification in the market for sheep and goats to several other Gulf countries, the sector has begun to recover. While its future as the main productive sector seems assured, it needs to be considered in relation to the most effective use of natural resources. Given the degradation of the rangelands to mainly treeless shrub land, it is not likely that sheep, goat, cattle and camel herds can increase much beyond current levels. In addition, Puntland will not achieve increased turn-off rate and higher incomes unless export inspection and certification are improved and made cheaper than the current rolling inspection method. Ultimately, however, none of this will be possible unless there is a substantial improvement in animal health and the main livestock diseases are eradicated.

2.93 Puntland has an arid to semi-arid climate with rainfall ranging from 50 mm in the eastern lowland up to 400 mm in the west and mountain areas. The soil is rocky, sandy and shallow, there is poor access to groundwater, and rainfall is erratic and unreliable. This severely limits rainfed crop production to the west, while some oasis agriculture is practised throughout about 27 date palm oases in drier areas. Crop production has expanded over the past years along with the construction of the Bossaso port and road, and also with the influx of experienced farmers fleeing South-Central Somalia, who are often involved in small-scale horticultural production. However, Puntland still needs to improve irrigation systems, pest control and the quality and quantity of specialized areas of rainfed and oasis agriculture to increase yields and achieve multiple cropping. Increasing the production of fruit, including tree crops such as dates, frankincense, gums, vegetables and forage crops, would

¹⁵ Please note that this section links up with “Natural resource management“ below.

meet growing urban demand and diversify and improve the livelihood of both farming communities and pastoralists. A national agriculture policy is needed to guide the development of the state's rich agriculture base as is a strategy for capacity building in all aspects of agriculture management and development.

2.94 The fishing industry has grown rapidly in recent years. With a coastline of about 1,300 km, a substantial continental shelf that is well suited to varied fish species and is, estimated to be capable of an annual sustainable catch of almost 200,000 tonnes.¹⁶ Yet the large harvests provide few direct benefits for Puntlanders, as most profits go to private large-scale fishing operations owned by foreign companies. These pay very little – if indeed anything - for their fish and lobster harvest, and generate no value added to their catches as the processing is not done in Puntland. It is also suspected that fishery resources are under serious threat of permanent destruction as a result of illegal trawling and overfishing, which could be helped by the establishment of a strong coastguard. Post-harvest losses of fish and shark catches along the Puntland coast are estimated at 60 percent and 70 percent respectively by weight. Stakeholders in Bossaso have advocated the establishment of fish processing factories to help reduce waste from post-harvest losses. While Puntland has a Fisheries Regulation and a Fisheries/Marine Policy and Strategy, these are not being enforced. If properly regulated, however, Puntland could develop one of the world's most important sustainable fishing grounds, thereby also making it the basis for a major diversification of the economy and a substantial source of increased income and employment, and hence an important contributor to poverty reduction and improved food security. Quality control, especially of food-based attractives, is a requirement for sustaining Somali products in a growing competitive market.

2.95 Puntland has several light manufacturing industries: water bottling, pasta, sweets, foam mattresses, soft drinks, and camel milk processing. The main small enterprises are in tailoring, masonry, blacksmithing, construction, carpentry, shoemaking, various repair services, pottery, traditional weaving and crafts. These livelihoods are dominated by socially disadvantaged groups. The construction industry provides the bulk of employment in the urban service industry, and has been largely funded by remittances. While these remittances from relatives living abroad is an important source of income for some families, reports suggest that it is mainly middle and better-off income groups in urban areas that benefit from these, and that only a small proportion of remittances reach urban destitutes or the rural poor.

2.96 Prospects for mineral development lie mainly in Puntland's rich reserves of coal, oil, natural gas, limestone and industrial minerals. There are coal reserves along the Gulf of Aden coastline at Alula, Qandala and Dhurbo. These are interesting mineral and energy exploitation opportunities that would not be feasible for artisanal mining because of their size, but could be attractive to international junior mining

¹⁶ Survey by the PRV Dr. Fridtjof Nansen Expedition (1975-76). See FAO Fisheries Technical Paper No. 391, FAO, Rome, 1999.

companies - if the existing cumbersome mining code were simplified in a way that would allow domestic small-scale activities to flourish alongside.

2.97 Key priority actions for productive sectors:

- a) Develop and implement livestock disease eradication programmes and strengthen adherence to international export inspection and certification standards.
- b) Improve agricultural irrigation systems, pest control and the quality and quantity of specialized areas of rainfed and oasis agriculture to increase and diversify the sector.
- c) Gather information on marine resources and establish rules and regulations for industrial and artisanal fishermen; conduct inventory of the fisheries resources to inform an effective licensing system, backed up by an authoritative coastguard; and government to encourage the private sector to invest in ice plants and fish processing factories along the coast.
- d) Simplify mining codes and encourage junior mining companies to research mineral development.

2.98 **Livelihoods and food security.** As discussed above, the productive sector in conjunction with social services and infrastructure, have addressed the key strategies and priorities for reviving and rebuilding livelihoods for the disadvantaged populations of Puntland. While the main sources of livelihood and income in Puntland are livestock, agriculture and fishing, there are several other sectors which provide livelihoods, and different population groups use different means of providing or supplementing their income (see Table 2.6 below). The livestock and agriculture sectors have recovered to a large extent from the long drought cycle of 2001-2004, but they have suffered severely. Because of the extent and duration of the drought, normal coping mechanisms were overwhelmed; assistance from other clan members for restocking was much reduced; and many pastoralists have thus been unable to fully regain productive and sustainable livelihoods. However, food availability can be improved through increased local agricultural production, gardening and food processing, and marketing skills. Water availability lies at the base of these types of intervention, and Puntland needs to expand its water harvesting projects and oasis agriculture.

Table 2.6: Summary of Livelihood Issues and Interventions

Livelihood Group	Issues	Policies/ Strategies	Priority Interventions
Pastoralist/ Agro-Pastoralist	Water, Pastureland, livestock diseases	Sustainable use of natural	Land use planning, rainwater harvesting, boreholes,,rangeland

		resources	management, fodder banks and livestock disease control.
Urban	Skills, credit, employment	Livelihood diversification	Training, microcredit, income generation schemes
IDPs	Ownership, credit, employment	Land tenure	Land titles, microcredit, income generation schemes
Coastal/Fishermen	Skills, fishing gear, credit, illegal and over-fishing	Technology transfer; ensure resource sustainability	Training, credit, regulation of fishing
All groups	Malnutrition	Awareness raising	Nutrition education, food aid, supplementary/ therapeutic feeding
Food Insecure Areas	Access	Market integration	Rural roads, markets, regional warehouses

2.99 Forestry is fundamental to the pastoralist livelihood which is so common in Puntland. Livestock eat the leaves, pods and fruits from a wide range of tree and shrub species, which are of particular importance during the dry season. Collection of wild tree fruits for direct consumption or for marketing in urban centres can also, seasonally and locally, make a significant contribution to the rural household economy. The result has been a rapidly growing industry, causing serious environmental destruction¹⁷. The Puntland government banned the export of charcoal from Bossaso in early 2000, but it still continues from coastal villages. There is increasing conflict between those who depend on charcoal production to sustain local livelihoods and those who depend on range resources for other uses.

2.100 Aromatic gum harvesting, especially frankincense, is a very important supplementary livelihood for pastoralists in coastal areas of Sanaag and Bari regions. It is an arduous occupation practised mainly by impoverished households, but frankincense represents a major source of income for a majority of the households in Alula and Bargaal districts. Small quantities of myrrh and opoponax are also harvested in eastern Sanaag region and exported via Bossaso. There is also a low level of harvesting of gum Arabic in Sanaag, which is sold in Bossaso. While much

¹⁷ See further under “Natural resource management below

of Puntland is too arid for honey bees, honey harvesting and bee-keeping is successful in traditional oases, in the forests of Eastern Sanaag and in Qardho district.

2.101 Key priority actions for livelihood and food security:

- a) Expand water harvesting projects, dams and bunds; improve the quality and quantity of specialized areas of rainfed and oasis agriculture to increase yields and achieve multiple and diversified cropping possibly through cash for work or food for assets (FFA) interventions; and
- b) Increase food availability through local agricultural production, improved aromatic gum harvesting, forestry and gardening, as well as food processing and marketing skills. This type of training initiatives could be linked to more general education programmes and/or to food for training, with special focus on women.

(iii) Expanding financial services and non-traditional sectors.

2.102 In January 1991, the state institutions that provided and regulated financial services collapsed, including the entire banking system. Since then, many remittance companies and microfinance institutions (MFI's) have taken on some of the banking roles. The MFI's in Puntland make up a small sector, and activity is focused on relief and reintegration through a number of NGO projects which are generally characterized by very poor outreach, unacceptable repayment rates, and unsustainable operations. To successfully develop the existing microfinance sector on a sustainable basis, with affordable service charges, the needs of the potentially economically active poor must be well understood, and demand-driven products need to be developed to increase customer base¹⁸. Appropriate business support services should be made available to micro and small entrepreneurs and vulnerable segments of the population, such as IDPs and demobilized militia. In the early stages of developing the microfinance sector, the essential need for funding towards capacity building of both individuals and new or existing MFI's is massive. In the short to medium term, the government should look to introduce a national policy to facilitate the development of the microfinance industry.

2.103 The collapsed banking system needs to be revived supported by an improved *Hawala* system to foster joint ventures. A strong viable banking system will promote *Hawala* compliance with international standards for user friendly regulatory environment. This will in turn provide investment support using revolving fund mechanisms.

¹⁸ See further under "Livelihoods" below

2.104 Key priority actions to expand financial services:

- a) Build on *hawala* companies to expand financial services through joint ventures; and
- b) Establish microfinance institutions which are sound, efficient, and competitive.

2.105 **Developing non-traditional productive sectors.** When the government collapsed in 1991 the economy was freed of all controls and regulations, and soon the private sector was taking over and investing in activities previously retained within the state's domain. The extent of this transfer of service provision varied between regions: Bossaso town developed rapidly as its port became a hub for exports and imports, following the effective closure of Mogadishu's port, whereas most rural areas took longer to develop (and, as mentioned previously, many still have not got the provision needed). Investments by the private sector, where they were made, resulted in the delivery of goods and services such as electricity, telecommunications, domestic water supplies, and urban waste disposal.

2.106 Puntland now needs to first establish a stimulating investment climate; second, increase foreign direct investment; and third, reconstruct effective and independent Chambers of Commerce that will, in collaboration with the government, take a leadership role in addressing constraints impeding private sector development. The final intermediate outcome should be an increase in employment in the private sector.

2.107 In addition to the peace, security and stable macroeconomic management that are so essential to containing the cost of doing business, investment laws will need to be reviewed and a simple, transparent and user friendly regulatory environment established to generate an enabling environment for private sector investment. In terms of information on actual investments by way of the registration of firms, there is limited data available. Currently, the only legal basis for the registration of foreign businesses is the Foreign Investment Law of Puntland, while for Puntland companies the old Somalia company legislation still applies. Registration is with the Ministry of Commerce and Industry, but municipalities issue business licenses. Socioeconomic mapping studies completed in Puntland during 2004-05 confirm that business licensing is not pro-poor; for example, the annual cost of daily petty trade fees is substantially higher than annual license fees for larger enterprises. The Chamber of Commerce at present is weak in terms of services offered, and it is too dependent on the government. The Chamber would be more effective if it made major changes in its management structure, leaving it free of government appointees, and broadened its membership amongst the business community, focusing on becoming an effective advocate on its behalf.. To do this successfully, it will need to broaden its scope of activities, strengthen its capacity to identify and analyze the concerns of the private sector, and strengthen its ability to represent their members with the government.

2.108 International trade related transactions and large domestic transactions are settled entirely in foreign currency, while the Somali Shilling is mainly used for dealing with small- and medium-scale domestic transactions. As a result, in the case of exchange rate depreciation, the pass-through effect of higher import prices on inflation is limited as there is little impact on the prices of non-tradables, which are settled in local currency.

2.110 Key priority actions for developing other productive sectors:

- a) Establish and maintain a simple, transparent, user-friendly and low cost regulatory environment;
- b) Establish sound and clear opportunities for public-private partnerships, along with capacity building for the screening of investment proposals;
- c) Facilitate insurance services, and open and transparent trade and tariff policies to reduce transaction costs and encourage the private sector to invest; and
- d) A simple and stable regulatory environment for telecommunications.

(vi) Ensuring sustainable natural resource management

2.111 Environmental damage has been severe in recent years because of the absence of effective regulations, irresponsibility on the part of powerful groups and individuals exploiting the fragile environment, and the desperate search for livelihoods by the poor. Soil erosion is common and areas that were once tree covered rangelands have been reduced to treeless plains, with the result that wildlife has all but disappeared. Arguably the biggest threat to Puntland's environment is the cutting of trees for charcoal, which is still being exported, despite the existence of an export ban¹⁹.

2.112 A UN technical fact-finding mission visited Puntland in May 2005 to investigate allegations of toxic waste hazards uncovered by the tsunami. The mission visited three key populated coastal locations at Hafun, Bandar Beyla and Eyl. No traces of toxic waste were found, but the mission recommended that "the urgent need remained for a more comprehensive assessment of the natural environment of Somalia, which would include further investigations of alleged toxic waste sites on land, and dumping of toxic waste at sea"²⁰.

¹⁹ See further on charcoal above, under "Productive Sectors and Improving Livelihood and Food Security"

²⁰ UN Multi Agency report 2005

2.113 Key priority actions for ensuring sustainable natural resource management:

- a) Conduct a thorough field-based State of the Environment report to assess the status of natural resources and develop a Puntland Environment Policy to guide future resource management and development decisions;
- b) Enforce the ban on charcoal exports and intensify reforestation pilot programmes in different soils and climatic environments;
- c) Draft policies, plans and strategies for disaster preparedness; and
- d) Investigate the alleged toxic waste sites on land, and dumping of toxic waste at sea, followed by clean-ups if and where toxins are found.

3. IMPLEMENTATION, FUNDING AND MONITORING

3.1 As mentioned earlier, all three pillars of this RDP are interrelated and mutually reinforcing. Hence, ideally, all three would be implemented concurrently, to ensure positive externalities and synergies to be formed. The benefits achieved by partial implementation would be fragile and could exacerbate tensions.

3.2 In keeping with the current situation and progress made in Puntland and experience from other transitional situations the following key **guiding principles** should be practiced in implementation:

- a. **Transparency and accountability.** Implementation and monitoring arrangements need to be inclusive and transparent and provide for full accountability to beneficiaries (communities/claim holders), national stakeholders, and participating donors (those providing funds).
- b. **Keep the public sector small and focused.** Encourage the continued development of a lean, transparent and efficient public sector complementing the existing strengths of the private sector and NGOs. This means strengthening the government's capacity to perform core regulatory functions, establishing smart and innovative public-private partnerships, and consolidating the regulatory framework.
- c. **Building sound fiscal management.** Although external development partners can be expected to contribute substantially to transitional funding needs, the planned use of these funds should be linked to the government's own budget and planning processes. This will enable greater capacity transfer, and ensure greater understanding and ownership of the development priorities also after the transition period.
- d. **Continue administrative and fiscal decentralization.** Every effort should be made to ensure that the commitment to a decentralized system of governance and service delivery is implemented. Clearly defined functional and revenue assignments at different tiers of

government will enable further empowerment of local communities and administrations to respond to the needs in service delivery, thereby reducing the risk of localized conflict over resources;

- e. ***Build on successes.*** Lessons learned from recent achievements should be incorporated and built upon. In this, the achievements of civil society, NGOs, religious groups, and the private sector in providing services can be built upon.
- f. ***Recognize specific challenges in the transition period.*** The implementation of proposed initiatives will have a distinct impact on the future sustainability of the reconstruction and development process. Given limitations to absorptive capacity and financing, it is important to note that, while international partners will initially be crucial to ensure the improvement of people's daily life, such initial arrangements should be transitional and have a clear sunset clause.

3.3 Coordination arrangements. International experience highlights the importance of having (a) a Strategic Oversight Committee responsible for approving the overall work program, appraising projects and implementing agencies, providing general oversight, and (b) an Executive Committee responsible for mobilizing resources, endorsing priorities, general criteria used to determine geographical, sectoral and temporal allocations, and reviewing performance and results. In addition there needs to be an Administrator and Secretariat responsible for day-to-day management, ensuring the rules and regulations for the financing and monitoring mechanism are respected and followed, and reporting on implementation.

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

3.5 Some aspects of implementation, coordination and monitoring can be outsourced to lessen the burden on limited existing capacity, especially public sector capacity. Possibilities for this include procurement, accounting and public finance management. And an added benefit to this can be the avoidance of accusation of favoritism among local interest groups. However, such initial arrangements that respond to specific implementation challenges need to be transitional and be phased out as local capacity is developed.

3.6 **Costing.** A unit cost approach was used to prepare the Results Based Matrix utilizing the actual present day costs of inputs as the primary means of calculation of the RBM financial requirements. The 5-year cost structure was based on the sequencing of prioritized needs, the opportunity for effective implementation and the fact that far more outputs are expected to be delivered in the last 3 years of the RDP, largely because of increased absorption capacity. Population data were drawn on and relevant only to approximately 20% of activities outlined in the RBM.

3.7 As part of local capacity development and to ensure continued Somali ownership, there would ideally be one or more aid coordination bodies within government. The number of such bodies would depend on implementation arrangements and agreements to be reached regarding the possible decentralization of implementation. This body (or these bodies) would be closely linked with management of the fund(s) and with overall coordination of reconstruction and development initiatives. Over time, the capacity of such an aid coordination body (or bodies) would develop into an ongoing focal agency for continued international assistance. A common set of Indicators for the RDP, adopted by all stakeholders would enable clearer performance monitoring with respect to the implementation of the RDP, as would a common Information Management System for the RDP that all stakeholders would use and contribute to.