

## **Humanitarian Aid to Somalia: The Role of the Islamic Development Bank Group**

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Somalia is a founding member of the Islamic Development Bank (IDB), a Jeddah-based South-South development financing institution which was established in 1975. The basic function of IDB is to provide loans and grants to fight poverty in its member countries as well as in Muslim communities in non-member countries using instruments that conform to the principles of Shari'ah (Islamic law). Since its inception, the IDB has evolved into IDB Group with annual approvals of US\$9 billion, of which over fifty percent targets trade activities and the remainder is for project financing.

The IDB Group comprises five entities namely the Islamic Development Bank (IDB), the Islamic Research and Training Institute (IRTI) (established in 1401H -1981), which undertakes research, training and knowledge generation activities on economic, financial and banking issues, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) (set up in 1415H -1994), which provides export credit and investment insurance and reinsurance against country risk, the Islamic Corporation for the Development of the Private Sector (ICD) (established in 1420H -1999) to promote the development of the private sector in member countries and the International Islamic Trade Finance Corporation (ITFC) (established in 1426H -2005) to finance trade activities and facilitate intra-trade among OIC member countries.

Since its inception, the IDB Group has never abandoned Somalia at any time, even during the worst period of the crisis when there was no government in Mogadishu. Before the crisis in 1991, the cumulative approvals of IDB to Somalia totaled US\$ 37.8 million for seventeen projects; of which half of the amount went into the transport sector while the remaining benefited other sectors such as water and sanitation, agriculture, and Islamic finance for US\$7 million, US\$ 4 million, and US\$ 3.6 million respectively. During the post-1991 era, the IDB's interventions were mainly on humanitarian relief, special assistance projects, and scholarships. In particular, the special operations of IDB in the post-1991 era totaled US\$14.1 million for seventy

seven operations mainly benefiting education, health and agriculture (especially livestock) sectors.

The Bank Group has continuously provided humanitarian assistance and relief operations to the Somali people. Humanitarian assistance has so far totaled US\$3.2 million, with US\$1.3 million spent on food, medication and rehabilitation of water wells in famine-hit areas of the country. While, the relief operations provided emergency food and medicine to 7250 famine-stricken families in Northern and Southern Somalia, the Bank has also invested in Somali youth by providing one hundred and seventy three scholarships for undergraduate students in the fields of medicine, engineering and other scientific areas as well as offered twenty three science scholarships for Masters' degrees and three for PhD studies. In addition, the Bank has also provided grants from its ordinary capital resources totaling US\$9.27 million for nine projects in Somalia which benefitted dry land projects (US\$ 5 million), four health projects for US\$1.7 million, three agricultural projects for US\$1.13 million, one financial-related project for US\$1 million and one educational project for US\$0.44 million. The IDB Group will continue to stand by the Somali people in the post-conflict era as it did during the crisis-era.

More than two decades of war means that the country needs to be rebuilt from scratch with security, public finance management, and judiciary topping the priority list. The country cannot do this alone; it needs help from international and regional partners for financial and technical support. In this context, the IDB Group, in cooperation with the government of Somalia, is finalizing an "Interim Support Strategy (2013-2015)" entitled "Restoring Hope" which focuses on two pillars: (i) Reconstruction & Development and (ii) Humanitarian & Relief Support.

The Bank Group will enhance and restructure the country's public financial institutions through providing capacity development in the form of training staff, sharing knowledge, and facilitating technology transfer from other IDB member countries under IDB's Reverse Linkage program. It will also collaborate with the Government of Somalia in the area of Islamic banking and finance and will assist in developing investment legislation needed to create an enabling environment for the private sector to thrive. The IDB Group will also leverage on its experience and global outreach to provide support to build Islamic financial institutions (such as *zakat*, and *awqaf*). Moreover, the Bank Group will develop programs to help strengthen and diversify Somalia's

financial system in order to encourage the flow of foreign direct investment into the country as well as identify ways and means to benefit from the expertise of the Somalis in diaspora.

As part of the implementation of its interim strategy, the IDB Group will mobilize resources to help Somalia recover fully from the war and assist in post-crisis reconstruction efforts aimed at putting the country on the path of sustainable and inclusive development. In the near term, the IDB Group will focus on rebuilding the country's institutions, supporting the restoration of basic services, and rebuilding its infrastructure. It will also draw on lessons learned from its humanitarian assistance to Somalia in order to know what has worked and what has not with a view to apply best practices going forward.

Given the proliferation of humanitarian aid providers worldwide (comprising bilateral donors, philanthropist foundations, civil society organizations, regional and international institutions), it is prudent to coordinate humanitarian activities and share knowledge and experience. In this regard, the IDB stands ready to work with all donors and development partners to support the government of Somalia in addressing the challenges of post-crisis reconstruction.

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