

Rebuilding the Somali State: Recovery Initiatives and Long-Term Solutions for Development

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Introduction

For over two-decades, Somalia has endured prolonged periods of conflict and insecurity; characterized by intense clan based fighting, an unprecedented influx of refugees, food insecurity and periodic famine, humanitarian crises and the generalized collapse of legitimate governance institutions.

Today Somalia is at a “turning point”. Following the efforts between the “Group of Six” signatories to the Transition Roadmap, Somalia has entered a new phase of political development, peace-building, stability and recovery. The Federal Somali Government (FSG), the first internationally recognized government since state dissolution in 1991, was established in 2012 under a provisional Constitution that marked the end of the transitional period.

The Mogadishu government is making bold strides in fostering the conditions for national reconciliation and peace. Building on recent military gains and restoration of relative peace, security and stability, FSG has embarked on ambitious plans for economic transformation and restoration of state and governance institutions, through broad based democratic processes.

Going forward, FSG efforts to build a stable economic and political order will have to draw on the experiences gained from recent examples; including Somaliland (1991) and Puntland (1998). The two relatively stable regions were forged from a coalition of traditional, clan-based security and business interests, and now manage legitimate political processes. Other entities recently created through local ‘coalition-pacts’ include Galmudug, Jubbaland, Heeb and Hiraan. Early lessons point to these “regional” polities as building blocks of a stable and inclusive Federal Republic, and the basis upon

which power distribution and state legitimacy will have to be negotiated between the center and the periphery.

Rebuilding Somalia will entail efforts aimed at restoring a prudent and accountable government system and structures. Building partnerships, generating knowledge, and strengthening management of public finances will all be critical.

New Dispensation

There are a number of steps the FSG should take in its efforts to rebuild Somalia. It should fast-track political dialogue with regional entities on the role of the state, relations between center and periphery and political representation processes; establish (through legislation, personnel and financing) key independent commissions with potential to demonstrate to the public that they are committed to transparent, participatory and accountable government to include an Anti-Corruption Commission, National Human Rights Commission and National Independent Elections Commission; explore options for political dialogue with insurgents to reach a political settlement, rather than a military solution, to bring the conflict to an end across the country; and to ensure that national dialogue processes leading to stable settlement, state structure and agreement on new constitution are inclusive and participatory.

National Security

The re-building of functioning government institutions and processes is central to the return of stability and security at all levels. The nature, functions and scope of the state have been an important feature of Somali conflict since state dissolution; state building processes have often exacerbated this dynamic. Understanding and mitigating this risk is important and should inform the formation of administrations at regional and federal levels.

Mapping of the actors who have contributed to the instability is critical. These include criminal networks, particularly those involved in the trafficking of arms, people, and contraband; piracy; illegal fishing; money laundering; and misappropriation of public resources, including humanitarian and development assistance. In addition, security structures also need to be addressed, including groups who have developed businesses providing security in an insecure environment; traditional institutions,

such as clan councils and elders employing customary law; and women, youth groups and civil society actors who have assumed responsibility for public security.

Going forward, establishment of a state monopoly over legitimate use of force by security forces in support of state building will be of great importance. This action must be linked to the FSG political strategy and outreach program and will require political dialogue, legislation and agreements with federal states to integrate the functions, financing, accountability and legal coordination structures of security agencies.

Economic Foundations

Despite persistent conflict, natural disasters and an absence of an effective institutional framework, the Somali economy has demonstrated a remarkable vibrancy and global reach over the last 20 years. With greater stability, the opportunity for private sector development and economic transformation in Somalia is considerable. Economic development can improve the opportunities for peace through a broad-based engagement of the population in productive activity, generation of employment opportunities and shared prosperity. The economy has a critical role to play in state-building and peace-building.

Somalia's economy relies on rural foundations and sustainable management of natural resources. An estimated 80 percent of the population derives its livelihood from the country's natural resource base: improved management has a significant potential but exposes the economy to considerable vulnerabilities and risks. These are related to environmental degradation, drought, displacement, and fluctuations in trade conditions.

The FSG should also focus on promoting efficiency in the labor markets to create employment opportunities for the large numbers of unemployed young people. .. The state plays a critical role in facilitating dialogue between the service sector providers in the provision and regulation of public goods – this is a critical role for the FSG.

For the FSG to unlock the country's economic potential, it needs to tackle the effects of 'market failures'. These severely limit economic outcomes and employment opportunities. This includes management of key economic infrastructure, such as the ports in Kismayo, Mogadishu, Bosasso and

Berbera, airports, roads and border checkpoints. These have potential to provide revenue from custom fees and tax collection. The current transition offers the country an opportunity to begin the transformational process towards a more productive economy and build the basis for long term, sustainable growth and shared prosperity. Strengthening economic and financial governance, including institutions of accountability and transparency such as the Auditor General, Revenue Authority, National Tender Board and the office of Budget and Planning should be prioritized.

Revenue and Services

Establishment of the FSG has raised important questions about sources and sharing mechanisms of public revenues and the extent of the division of labor for public services among different levels of government. The creation of these instruments will specify intergovernmental relations in Somalia. Strained past experiences regarding public financial management (PFM) in Somalia are acknowledged by the FSG and highlighted as a core priority for Somalia's peace and state building process.

Currently, levels of public revenue vary across Somalia and are substantially supplemented by external donor resources. The expected revenue for the FSG in 2013 is US\$90 million and close to US\$100 million for Somaliland. These levels maintain a basic administration, but are insufficient to deliver basic services. Health, education, water and sanitation services are largely provided by private, charitable and international actors.

The share of external funding for basic services and government functions is substantial in Somalia. The absence of effective donor coordination both horizontal and vertical provides ample opportunity for improvement. Fragmented delivery of humanitarian and development services sidelines nascent and emerging country systems. Reforms in aid architecture and delivery mechanisms provide opportunity to improve on the status quo.

The FSG should facilitate dialogue on revenue sharing between the center and the periphery as well as identify what type of revenue is appropriate; transparency of revenue generation and accountability; the role of security sector in revenue generation; the role of the state in providing services and how international coordination can be more effective. The FSG should also make public finance information available and promote independence of the Auditor General.

African Development Bank Group Activities

The African Development Bank (ADB) has intensified its engagement in Somalia in recent years through dialogue and targeted support. The ADB Board approved the Somalia Country Brief in 2010. Somalia became eligible for the Fragile State Facility that targets support for capacity building, technical assistance and knowledge development, as well as other instruments not affected by the debt situation, such as Special Relief Funds, African Water Facility (AWF) and other trust funds. Somalia's allocation under African Development Fund ADF-12 is US\$3.7 million. This amount was partly used to finance the project "Rebuilding Financial Management Systems in Somalia" amounting to US \$2.0 million and to provide technical assistance to the Transitional Federal Government (TFG) in the area of PFM. The project covers several aspects of PFM aimed at improving budgeting, accounting, financial reporting, procurement, internal and external audit, including updating the Central Bank and Financial Institutions Acts and training for mid-level and senior staff. Main beneficiaries are the Ministry of Finance, Central Bank, Auditor General, and the Accountant General.

Inclusive dialogue with the Somali political leadership, including the TFG and other sub-entities was undertaken in 2011-2012. This activity included a consultation mission with Somali political leaders in Djibouti, project identification and preparation missions to Somaliland in March and May 2012, resulting in a water project appraisal as part of the "Water Resources Management and Investment Plan for Somaliland" for EUR 2.0 million under the AWF, and a roundtable on Somalia, "*Rebuilding the Somali State and Resilience within the Horn of Africa*" in Arusha, Tanzania in May 2012. This roundtable initiated discussions on a framework to mobilize resources for a special Somalia Enhanced Program through the Bank Group Financial Stability Forum (FSF) for effective, coordinated and scaled up engagement for long-term resilience, improved livelihoods for Somalia and the Horn of Africa.

Key Achievements of the ADB

The key successes are listed below with more efforts to be undertaken in the coming months including follow up assessments and more recommendations:

- A budget department established and operational at the Ministry of Finance, staffed with qualified professionals;

- Skill training and secondment for Treasury and Budget department staff, Ministry of Finance and line ministries in collaboration with the Ministries of Finance of Ethiopia, Kenya and Uganda;
- Central Bank and Financial Institutions Acts drafted, endorsed by Council of Ministers; approved by Parliament;
- The first national budget in two decades for 2011 formulated to international standards and executed by a Somali team from the budget department;
- A PFM bill drafted consultatively, endorsed by the Council of Ministers, submitted to Parliament for approval;
- Performance review for 2011 budget, formulation of 2012 budget with support of HESPI experts.

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