

PUNTLAND FIVE-YEAR DEVELOPMENT PLAN



2007-2011

**Ministry of Planning and International Cooperation
Puntland State of Somalia**

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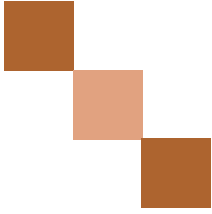
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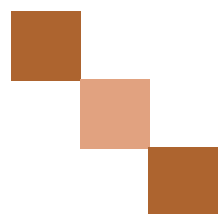
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2007-2011



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GLOSSARY

AEC	Agricultural Extension Centre
AIDS	Acquired Immune Deficiency Syndrome
CIA	Central Intelligence Agency
CSO	Civil Society Organization
DDR	Disarmament, Demobilisation, and Reintegration
DOTS	Directly Observed Short Course Treatment
EC	European Commission/Community
EEZ	Exclusive Economic Zone
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FDG	Focus group discussion
FGM	Female Genital Mutilation
FSAU	Food Security Assessment Unit
FYDP	Five-Year Development Plan
GDP	Gross Domestic Product
GEF	Global Environment Facility
GER	Gross Enrolment Ratio
GTEC	Garowe Technical Education College
GUMCO	Golden Utilities Management Company
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICT	Information and communication technology
ICRC	International Committee of the Red Cross
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
IMO	International Maritime Organization
IT	Information technology
IDP	Internally Displaced People
ILO	International Labour Organization
JNA	Joint Needs Assessment
LPG	Liquefied Petroleum Gas
LQ	Location Quotient
M&E	Monitoring and evaluation
MCH	Maternal and Child Health Centres
MMR	Maternal Mortality Ratio
MDGs	Millennium Development Goals
MoE	Ministry of Environment
MoF	Ministry of Finance
MoH	Ministry of Health
MOLAE	Ministry of Livestock, Agriculture and Environmental
MOPIC	Ministry of Planning and International Cooperation
MoWFA	Ministry of Women and Family Affairs
NDP	National Development Plan
NESHA	Puntland Highway Authority
NGO	Non-governmental Organization
OCHA	Office for the Coordination of Humanitarian Affairs
PI	Progressive Interventions
PIDAM	Puntland Institute for Development of Administration and Management
PAR	Public Administration Reform
PDRC	Puntland Development and Research Centre
PMAC	Puntland Mine Action Project
PMAS	Poverty/MDG Monitoring and Analysis System
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSAO	Puntland State Audit Office
PSAWEN	Puntland State Agency for Water, Energy, and Natural Resources
PSPF	Puntland State Police Force

PSS	Puntland State of Somalia
PSU	Puntland State University
RBME	Resource-based monitoring and evaluation
RDP	Reconstruction and Development Programme
RIDF	Rural Infrastructure Development Fund
SBP	State Bank of Puntland
SES	Socio-Economic Survey
SPF	Somali Police Force
SSB	State Statistical Bureau
STD	Sexually Transmitted Disease
SWB	Somalia Watching Brief
SWOT	Strengths, weaknesses, opportunities, and threats
TB	Tuberculosis
TBA	Traditional Birth Attendant
TVET	Technical and vocational education and training
UAE	United Arab Emirates
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UXO	Unexploded ordnance
VSAT	Very Small Aperture Terminal
WAMY	World Assembly of Muslim Youth
WFP	World Food Programme
WHO	World Health Organization

FOREWORD

Formulating and implementing a socio-economic development plan for a war-ravaged country is a complex task that requires multi-dimensional endeavours, including resonant development-oriented policies and strategies, committed leadership, and a clear vision for the future.

On 15 June 2005, the Ministry of Planning and International Cooperation (MOPIC) undertook the preliminary initiative for preparing the government's policy guidelines, to be adopted as the base for formulating the FYDP on behalf of the government. Given the paramount importance of this work, the MOPIC then appointed a Technical Unit (TU), comprising key Somali and diaspora experts, selected on the basis of their fields of specialisation, to complete the whole process. Consultative workshops were organized, where all relevant stakeholders were invited with the aim of creating a sense of ownership and inclusiveness. In addition, UNDP also deployed technical experts to participate in the editing and the finalisation of the plan.

Subsequently, on 26 June 2005, the government of Puntland launched its Five Year Development Plan (FYDP) in the first consultative workshop, presenting the government's policy and commitment paper at the opening session of the project, bearing in mind the notion of primacy of politics over development. The first consultative workshop, held in Garowe, saw the participation of the President of PSS, Cabinet Ministers, members of the PSS parliament, and numerous representatives from the private sector, civil society, local non-governmental organizations (LNGOs), UN, and other international organizations, among other groups. The overall purpose of the workshop was to discuss the government development policies and strategies, as well as to identify available data, and the draft formats for sectoral and sub-sectoral allocations and working groups.

The first sectoral workshop on the FYDP was organized on 27 July 2005. The overall objective of the workshop was to strengthen collaboration between sectoral working groups and consultants, fostering a sense of cooperation for stakeholders — including the state, private sector, civil, local and international agencies — as well as reaching maximum output in the development of the FYDP.

On 24 August 2005, the second sectoral workshop of the Puntland Five-Year Development Plan was organized. The main objective of this workshop was to perform a critical analysis of the sectoral plans in order to ensure good quality, consistency, and precise content. The workshop was also aimed at reviewing sectoral projects and analyzing the availability of financing sources, priorities, and prospects. The write-up of the first draft of the plan was finally completed on 30 September 2005, and presented to the Ministerial Steering Committee for consultation and review, to be later submitted to the legislative Council for final endorsement.

An economic policy of high quality creates a conducive climate to foster economic growth, and creates the mechanism through which the development process works. A war-torn country needs a post-conflict recovery program to meet the socio-economic development challenges ahead, in terms of obtaining the required resources to implement the development project, including the know-how of its own human resources.

The civil war in Somalia has had considerable adverse consequences on its economy and social structure, causing destructions of its social and economic infrastructure, as well as the loss of the knowledgeable and experienced human resources of the country. The war strife created political and social upheavals, which scarred the lives of millions of people. It uprooted entire populations from their habitual residence areas, creating an exodus that either crossed the boundaries to flee to neighboring countries or became internally displaced in various regions within the country.

The Puntland State of Somalia (PSS) has hosted an influx of Somalis from other regions, which makes the state a home to difficult-to-support internally displaced persons, which impacts negatively on the state's socio-economic development. The lack of proper infrastructure also created barriers to the economic development and delivery of social services in the state. For example, throughout the Puntland State of Somalia — about one third of Somalia's surface area — there is not a single tarmac-paved airport to suit all kinds of weather, where jet airplanes can land.

Despite the above-mentioned problems, Puntland's socio-economic status is now better off than most of the regions of Somalia, as a result of relative stability and security, and the rebuilding of public institutions. The Puntland State of Somalia has established an environment conducive to growth, which has enabled the private

sector to flourish and play a major role in key responsibilities, such as education and health sectors, electricity and water supply, telecommunications, and money transfers and exchange.

Although the private sector has assumed this leading role, there is still a large development gap which neither the humanitarian-oriented contribution from international agencies nor the government's scanty resources are able to fill. This requires a major international recovery intervention programme. The World Bank and UN Joint Needs Assessment (JNA) programme, recently launched for post-conflict recovery, reconstruction and development program for Somalia will serve as an opportunity for Puntland to fill the gap, as it is coherent with the current FYDP.

In the light of this, we believe that it was appropriate to formulate a development plan for Puntland; its main purpose being to prioritise in a concise and methodical way the short-term, medium-term and long-term needs of the state in all sectors, to establish targets for development goals, and set up a strategic plan to overcome barriers to achieve the desired development goals.

To fill the current socio-economic development gaps in Puntland, the government has committed itself to encourage and reinforce the achievements acquired over the past years and to conform, as far as it can, to the Millennium Development Goals.

Furthermore, as Somalia has opted to use a Federal System of government, it is the responsibility of the Puntland State of Somalia government to prepare independently its own development-planning project. Therefore, Puntland cannot move in conjunction with regions that will enter a long-term rehabilitation process. We are now ready to step into a developmental stage, and without a proper planning it will be impossible to achieve this. For this purpose, the government has instituted a policy-making and problem-solving Ministerial Steering Committee for the FYDP.

We wish to extend our gratitude to all those who have assisted the people of Puntland, and Somalia at large, during this difficult time of history. The Puntland State of Somalia recognises the role of the TU in putting great efforts in drafting the PFYDP, and enduring many hardships in the successive consultations during the planning process.

Particular thanks also go to UNDP (the Poverty Reduction and Sustainable Livelihoods Programme) for deploying technical experts and providing financial assistance, and to UNICEF for their support to the services of the Somali consultants (the Technical Unit).

We also remain grateful to the business community and civil society of Puntland, which participated in and contributed to the present level of socio-economic development in the country.



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EXECUTIVE SUMMARY

Puntland State of Somalia has been dominated by negative political and socio-economic events for several years. The successive administrations that ruled the country in the 20th century — British and Italian colonial authorities and Somali governments — did not allocate any tangible development programs to these regions, as most of the country's resources and development projects were concentrated in the capital. In fact, most of PSS was referred to as “gaari waa”, a local term which literally means ‘remote and inaccessible portion of the country’.

After the collapse of the central government in Mogadishu, periods of disorder with ferocious armed conflict were experienced, especially in the southern part. However, with the creation of Puntland's administration in 1998, a new era began for ‘Puntlanders’. The basic institutions of the state, based on just and equitable power sharing, were established. As sanctioned in its charter, the PSS has chosen to pursue varying political, economic and social development paths. The PSS is committed to and strives to pursue the principle of national unity and territorial integrity. In fact, the state has paved the ground for the Federal Transitional government by promulgating a regional constitution, based on federalism and a decentralised system of governance.

PSS has been successful in maintaining peace and security, as well as economic and social progress despite the fact that the country had been severely affected by recurrent droughts, natural disasters, and an influx of displaced persons from other regions and economic migrants from neighboring countries. Nevertheless, although the socio-economic and political conditions of Puntland are better than in many parts of Somalia, the state still suffers from underdevelopment, mainly due to weak public institutions and inadequate infrastructure, which serve as substantial barriers to stable economic and social development of the state. Indeed, there is a greater need to build a solid foundation for economic growth strategy and poverty reduction, and create employment opportunities for Puntlanders.

As an integral part of the development agenda for the state, the Ministry of Planning and International Cooperation initiated the formulation of the Five-Year Development Plan, which will guide future development efforts in the state.

Any plan must have policy guidelines, and these must rest on certain assumptions. The basic assumption behind the formulation of the FYDP for PSS is the recognition by the government of conditions under which Puntlanders' lives must be improved. Moreover, the FYDP reflects the government's determination to establish a coherent and realistic development strategy framework that would respond to the development challenges facing Puntland. The FYDP is an attempt to mobilise popular support for the country's development process and ensure effective use of scarce resources.

Puntland Vision:

A strong and secure Puntland State within the Somali Federal System, preserving its Islamic and cultural heritage, developing human resources, preserving the environment, and exploiting natural resources equitably and sustainably.

FYDP Strategic Vision:

The strategic vision for the FYDP for PSS is to facilitate the development of the state by government institutions, agencies, organizations, and citizens. The ultimate goal, however, is a peaceful and secure Puntland State respecting the rule of law with an effective, sound, and decentralised administrative system protecting the environment, developing critical facilities and infrastructure, and providing basic social services for all. Furthermore, the FYDP aims at empowering the citizens with all the necessary skills and capacities that will improve their living standards through expanding citizens' participation in decision-making within an environment where stability and social justice prevail.

FYDP Policy Guidelines:

The FYDP is an attempt to define the objectives of various sectors for the period 2007-2011 within the range of resources available to finance them. The plan aims at improving human development and raising living standards for all Puntlanders. This cannot be realized without a holistic approach towards development that addresses the social, educational, cultural and political dimensions that the state holds.

The following are the major government policy objectives, aimed at achieving the desired goals of socio-economic development in Puntland:

- To ensure good governance by enhancing the capacity and efficiency of government institutions, as well as keeping under control the government budget, by reducing wasteful expenditure and enhancing revenue collection; and to hasten the demobilisation process to reduce the excessive number of policemen on the payroll.
- To facilitate free enterprise economy within the context of social welfare, by encouraging healthy competition embedded with environmental preservation.
- To maintain security and create a conducive environment to encourage domestic and foreign investment in the country, especially in small- and medium-scale industries, raw materials for which are available in Puntland; and to enhance cooperation with the international aid communities.
- To develop viable and sustainable mechanisms to combat development obstacles, such as corruption, terrorism, and all kinds of drugs (including “*khat/qat*”) and other social evils.
- To work towards eliminating discrimination against women and enable them to actively participate in policy decision-making and administrative management.
- To improve the health conditions of the people by supporting public health centres and encouraging private ones, to combat contagious diseases.
- To enhance human resource development by supporting the education sector, with the aim of ensuring free primary education for school-aged children, as well as reducing unemployment among the youth.
- To improve and upgrade the existing physical infrastructure of the country through sound resource management, allocating funds to this end, and for the establishment of new development projects.
- To collect the necessary statistical information from all sectors during the preparation period of the FYDP, and lay down procedures enabling the state to have reliable databases at hand, without which it would be difficult to plan and address developmental issues.
- To increase the decentralisation of power among communities at district and village levels, which is a clear indication of Puntland’s leadership commitment to be responsive to the needs of the public at large; and to establish local government councils, with local government efforts.

How the FYDP for Puntland is organized:

It is clustered into seven major chapters, where each chapter covers a number of inter-related sub-sectors.

- Chapter one is devoted to the introduction of the plan. The chapter covers the background, major development challenges, the strategic development vision for 2010, and guidelines for Puntland’s strategic vision, economic growth, and trends.
- Chapter two presents the governance sector. The sub-sectors that are covered under this chapter are the local governments, president’s office, public sector, and civil society.
- Chapter three deals with security and the judiciary sector. Three sub-sectors are covered in this chapter, namely interior and security, justice and endowment (*Awqaf*), and disarmament, demobilisation and re-integration.
- Chapter four presents the macroeconomic analysis of PSS, as well as policies and strategies that the government intends to implement during the plan. Among the sub-sectors that this chapter covers is trade and industry, private sector development, banking systems, and finally, economic planning.
- Chapter five deals with the productive sector. Among the sub-sectors that are covered under this chapter are livestock, agriculture, environment, fisheries, and the manufacturing industry.
- Chapter six presents the social sector. Under this chapter, education, health, women’s and family affairs, youth and sports, and finally, internal displaced people and economic migrants are addressed.
- Chapter seven presents public works and the infrastructure sector. Under this sector, seven sub-sectors will be covered. These are public works and infrastructure; NESHA (roads and transport); water resources; energy, oil, gas, and mineral resources; information and telecommunication; ports and airports; and housing and urban development.
- Chapter eight presents the monitoring and evaluation of the FYDP. This covers an effective monitoring system, as well as ways of incorporating the participation of all stakeholders in the development process.



PART I

CHAPTER I

INTRODUCTION

1.1 Socio-economic Overview

Puntland State of Somalia has managed to maintain relative peace and security in recent years, which has enabled it to establish political and administrative institutions, basic social services, an active civil society, and a growing private enterprise community. Out of a population of 3.96 million, 52 percent is nomadic¹. The main sources of livelihood are livestock, agriculture (especially the production of frankincense), and fishing. It is estimated that livestock exports contribute to around 80 percent of foreign exchange earnings, 40 percent of the gross domestic product (GDP), and 60 percent of employment opportunities². Puntland State of Somalia is thus heavily dependent on the livestock sector; however, it is fragile even at the best of times, due to the semi-arid and arid climatic conditions. The carrying capacity of land is low, especially in the context of recurrent droughts. Remittances from the diaspora contribute significantly to household incomes and provide substantial funding for small businesses and basic service provision in and around towns. Although there is no precise and clear-cut data, it is estimated that 1-5 percent of the rural households receive remittances, while these figures are as high as 20 percent in some towns (UNDP, ILO & PI, 2005).

Per capita incomes range from \$150 to \$300 per annum across the regions with high inequalities (UNDP and the World Bank, 2002). The average per capita income in Mudug and Nugaal is US\$150–200 per annum, while in Bari, Sool, and Sanaag it is estimated at US\$250–300 per annum. Urban centres tend to be wealthier than rural areas, with better services. While nomadic groups constitute the majority, they are highly disadvantaged in their lack of access to education, health, and other basic services, since conventional service provision is less geared towards mobile populations. About 45 percent of household incomes are generated in urban areas and the rest in rural areas³. On average, the largest percentage of income comes from self-employment; wage employment, remittances, rent, and various forms of assistance make up the remainder. It is observed that the regions with relative peace and security have performed well during the post conflict period in terms of increase in incomes and poverty reduction (UNDP and the World Bank, 2002).

The first Millennium Development Goal (MDG) is to halve the proportion of people living in extreme poverty (less than US\$1 per day) by 2015. In order to achieve it, the population living in extreme poverty (using data for Somalia as a whole) would need to be reduced from 43.2 percent (the 1990 level) to 21.6 percent by 2015⁴. For nomadic areas it would mean a reduction from 53.4 percent to 26.7 percent, and in urban areas from 23.5 percent to 11.8 percent. General poverty (at the benchmark of US\$2 per day) is estimated at 80 percent in rural areas and 61 percent in urban areas.

Puntland State of Somalia is experiencing rapid urbanisation. It is estimated that a large percentage of the population lives in the major towns of Bossaso, Galkacyo, Garowe, Las-anod, Baran, Buhodle, and Gardo. The state's economic situation changed dramatically in 1991 when most of the entrepreneurs in South Central Somalia relocated to northern towns, particularly Bossaso and Galkacyo. For instance, the population of the port town of Bossaso has grown from 10,000 to between 200,000 and 300,000⁵ over the course of one decade. This reflects the vibrancy of private sector investments and the potential for employment generation. The development enabled the state to make a reasonably swift transition from a state-dominated enterprise to a private enterprise-driven, free market economy. Indeed, since 1991, private enterprise has contributed significantly to the prevailing regional peace and stability. However, over-reliance on livestock rearing and exporting, as well as fierce competition in importing and local trading, makes the economy vulnerable to shocks, external as well as internal. This hinders economic growth and limits the availability of economic opportunities and livelihood options for the growing population. Limited opportunities contribute to the prevailing widespread poverty and idleness, especially in rural areas where there are virtually no private sector employers. There is an urgent need to diversify the state economy to decrease vulnerability, particularly in the areas of fishery, frankincense production, and other industries.

¹ These are the estimates provided by the government.

² The validity of these government figures (*Puntland Facts and Figures, 2006*) needs to be confirmed, since there is no strong central government and federal states currently have difficulty providing separate statistical figures.

³ In the absence of separate estimates for Puntland State, the estimates of Somalia are taken as proxies.

⁴ Assuming that poverty in 2002 (the year of the survey) was similar to the level of poverty in 1990.

⁵ There are differing statistics among various state and international organizations.

Puntland State of Somalia has strong and effective social institutions, which protect its people from extreme vulnerabilities. These include the *Zekat*, *Diya*, *Xeer*, and *Shaari'a* systems. In *Zekat*, wealth redistribution is undertaken according to Islamic principles: better-off people in a community give one-twentieth of their assets (both in cash and in kind – livestock, grain, etc.) to a poor person (who makes a direct solicitation for assistance). While many poor people in the community request *Zekat*, there are resource limits on how many can be helped in a particular community. Still, Puntland State of Somalia's strong private sector contributes a substantial amount for the redistribution of wealth and thus creates potent social security. The *Diya* system is a traditional security fund for "blood money" (feud settlements) at the subclan level. *Diya* is not a regular contribution by the community; clan elders collect it when conflict has caused the need for that clan to pay *Diya* to another clan to resolve the dispute. The *Diya* payment is traditionally paid in camels – wealthy people in the community generally pay *Diya* of one camel (or sometimes cash), while middle class and poorer people generally pay *Diya* in goats or sheep, according to their ability. *Diya* settlement agreements between clans can take years and the more conflict in an area, the more frequent the *Diya*. *Xeer* and *Shaari'a* are traditional conflict-resolution mechanisms, with *Shaari'a* being the most common. However, *Xeer* is well adapted to regulate and manage common property such as pasture, grazing land, forests, and water, and as such is perhaps the system best suited for the ongoing settlement of land disputes (UNDP, ILO & PI, 2005). In order to make these social safety nets more effective and meaningful to the needy, income generation, growth, and development at an accelerated level are essential prerequisites.

1.2 Major Development Challenges

In order to highlight the pressing development challenges in the state of Puntland, an analysis of strengths, weaknesses, opportunities, and threats (SWOT) has been carried out. The analysis summary (Table 1) reveals that there are numerous formidable challenges hindering the social, political, and economic development of the state.

Table 1: Summary of the Puntland Economy SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> -Relative peace and stability -Locational advantage -High resource potential -Vibrant private enterprise -Abundant and active labour force -Export markets -Community-wide commitment 	<ul style="list-style-type: none"> -Overemphasis on livestock sector -Nomadic population -Fragile environment -Weak governance, regulatory, and enforcement mechanisms -Low institutional capacities -Fragile infrastructure -Export markets not diversified -Unskilled labour force -Lack of credibility regarding product standards -<i>Khat</i> addiction 	<ul style="list-style-type: none"> -New export markets -Active diaspora -Support from the international community -Potential oil and natural resource endowments -External support for private sector growth -Rich natural resources (e.g. marine life and frankincense) -Proximity to Arabian Peninsula markets and an international marine route 	<ul style="list-style-type: none"> -Conflict relapse -Control of external markets by middlemen -Technical trade barriers -Recurrent droughts and other disasters -Uncertainty over federal system

Source: Adopted with modifications from UNDP, ILO & PI, 2005, p.21-22.

1.2.1 Strengthening Public and Economic Governance Institutions

Institution building and administrative reforms are prerequisites for good governance⁶, around which all other activities revolve. The majority of public institutions in Puntland State of Somalia are weak. A transparent and accountable state and local administration with adequate checks and balances is essential for effective public and economic governance. Inadequate financial and human resources and outdated administrative procedures

⁶ As per the UNDP definition: governance is viewed as the exercise of political, economic, and administrative authority in the management of a country's affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences (UNDP, 2002).

and operational mechanisms are a few identifiable weaknesses that institutions currently face. Consequently, the success of Puntland's Five-Year Development Plan (FYDP) depends on building and strengthening public institutions, as well as instituting an effective system for monitoring government revenue and expenditure.

1.2.2 The Enabling Environment

A major challenge that faces Puntland State of Somalia is how to come up with effective policies and strategies to create an environment conducive to development. An important factor for economic development is investment. Major investment sources include domestic savings, remittances from abroad, and international capital markets for Foreign Direct Investment (in due course). The overall capital formation and investment strategy for the state is to create and sustain peace and an enabling environment towards a free market enterprise economy.

1.2.3 *Khat* Addiction

In 2003, it was estimated that 2,500 metric tons of *khat* were imported into Puntland State of Somalia (1,088 tons of *Meeru* and 1,456 tons of *Hareeri*)⁷. The imports likely exceeded 3,000 tons in 2005. The annual drain of foreign currency out of the country is estimated at US\$20 million. The resource outflow on account of *khat* is well above the annual state budget (UNDP, ILO & PI, 2005). It is observed that about 15 to 20 percent⁸ of the population is addicted to *khat*. The drug destroys the family structure of the addicted population and brings down productivity and health, diverting scarce family resources from essential economic and social investments. *Khat* addiction constitutes a serious threat to an already delicate economy.

1.2.4 Federalism

Somalia adopted a federal system, of which Puntland State of Somalia is a part. The devolution of administrative responsibilities and financial resources between the federal state and local governments is yet to be defined. Puntland, an example of a state-led administration in the country, has found itself in a situation where it may be reduced to merely enforcing countrywide federal policies in future, in the absence of well-defined federal-state relations. However, it has autonomy in dealing with the majority of its economic and social problems⁹.

1.2.5 Environmental Protection

The state faces environmental disaster and associated poverty and vulnerability because of recurring drought, desertification, and the lack of international cooperation and investment. The principal factors contributing to environmental problems are drought, the unplanned exploitation of natural resources, and excessive deforestation (for charcoal production). An additional problem is the absence of resource management policies and plans. In the dry season, when food and water are scarce, the population lives with extremely limited nutrients and experiences malnutrition, disease, and famine. In the absence of sustainable resource management, it is difficult to increase productivity and reduce the proportion of the nomadic population.

1.2.6 Internally Displaced Persons and other Vulnerable Groups

Puntland State of Somalia has a large number of returnees and internally displaced persons (IDPs), who fled from conflict in other zones of Somalia. IDPs and some of the returnees live on the margins of society, lacking access to basic services; they are often clustered together with the urban poor in dismal living conditions. In Puntland State of Somalia, at least one person in five is either a returnee or an IDP, according to the state statistics. There is also a large number of Ethiopian refugees living in harsh conditions without the right to earn an income. The authorities are concerned about their ability to absorb and sustain IDPs and other vulnerable groups. The intention is that all refugees return to their place of origin or resettle in a third country, while IDPs and returnees are to be assisted to integrate and secure sustainable livelihoods, with the expected assistance of the international community.

⁷ *Puntland Facts and Figures 2003*, Ministry of Planning and Statistics, Puntland State of Somalia.

⁸ This figure is an approximation and not claimed by any credible source. MOPIC is planning to undertake a *khat* socio-economic survey with UNDP support in the 2007 Annual Plan.

⁹ Due to the uncertainty of the federal structure, the state government faces limitations in macroeconomic policy. On the fiscal policy side, Puntland cannot exercise options to tap sovereign debt from foreign savings in international capital markets (official or private) to promote economic development until the Government of Somalia is fully established and stabilised. On the monetary policy side, it has options to utilise only the crudest instruments, such as treasury services. Overall liquidity, inflation, reserves, exchange rates, or the interest rate are mainly outside state control (see Chapter IV). On the other hand, the state is free to adopt its own decentralisation structures.

1.3 Puntland's Strategic Vision and Objectives

The strategic vision for the next five years is to bring about sustainable development and create a secure and safe social environment for the entire population. The central planning objective in Puntland State of Somalia at this stage is to initiate a process of development, which will raise living standards and provide new opportunities for a richer and more varied life. An overarching objective of ensuring peace, security, and stability is a prerequisite for fulfilling the socio-economic objectives. Improving an underdeveloped economy involves utilising more effectively the potential resources available to the community. Economic planning is crucial. An underdeveloped economy is characterised by the coexistence, to a greater or lesser degree, of unutilised or underutilised manpower on the one hand and unexploited natural resources on the other. In planning for a better economic order, the close interrelation between the technical and social aspects of the development process continually has to be kept in view. While there is a need to concentrate on the more immediate problems, planning implies readiness on the part of the community to view the social development process holistically and to take action designed to shape this process along desired lines over a defined period.

The essential political and administrative conditions for successful planning include: a) a large measure of agreement in the community as to the ends of policy; b) effective power, based on the active cooperation of citizens, in the hands of the state and the earnest and determined exercise of that power in the furtherance of these ends; and c) an efficient administrative setup, with personnel of requisite capacity and quality.

The formulation process of the Puntland Five-Year Development Plan was therefore designed to ensure wide participation from all stakeholders. The formulation process included two consultative workshops: the first to ensure consensus on the outline and methodology, and the second to review the final draft of the plan. In between the two consultative workshops, a range of sectoral and sub-sectoral workshops took place. A website was created to increase awareness and receive comments and inputs from professionals and the diaspora. The government formed an inclusive consultative group comprising the government, the private sector, and civil society, which was further divided into thematic subgroups to finalise the plan. Finally, the plan was presented in a wider validation workshop where stakeholders from different fields were present. As the state has developed a national development framework in the form of this five-year development plan, which contains the vision of the people, the Reconstruction Development Programme (RDP) being developed by the UN system needs to be effectively dovetailed and integrated with the plan.

Strategies to Achieve the Vision of the FYDP

- Strengthen civil service and other institutions for timely and high quality services
- Enhance human capital for higher productivity
- Create an enabling environment for the growth and development of the private sector
- Strengthen the policy and regulatory framework for the efficient use of human and natural resources in an ecologically sound manner

1.4 Approach

In defining the planning objectives, priorities, and techniques in Puntland State of Somalia, it is necessary to ensure that a steady advance is made towards the realisation of wider objectives. Maximum production, full employment, and the attainment of economic equality and social justice – which constitute the accepted objectives of planning under present-day conditions – are not really separate ideas but rather a series of related aims that the country must work towards. None of these objectives can be pursued to the exclusion of another; a development plan must place balanced emphasis on all of them. For instance, the simple objective of increased production cannot be attained unless wider objectives relating to social policy are constantly kept in mind and steadily pursued. On the other hand, equality and distributive justice will have little content unless the production potential of the community is substantially raised. Development thus conceived is a process that calls for effort and sacrifice from all citizens. The FYDP will support the adoption of a “rights-based approach” to development¹⁰, livelihoods, and poverty reduction, in line with state policies and institutions based explicitly on constitutional rights, norms, and values set out in the Convention on International Human Rights.

¹⁰ For details see UNDP (2001).

1.4.1 Prioritising Objectives

Aiming at simultaneous advancement on several fronts is unrealistic in the initial period of planning. During the initial years there is always a measure of conflict between one objective and another. Therefore, it is necessary to proceed by prioritising these objectives, laying more stress on some and less on others. Only if the plan succeeds in striking the right balance can consistent policies be formulated and pursued. For the immediate five-year period, livestock, fisheries, and agriculture must have the topmost priority. Further, without a substantial increase in the production of food and vital raw materials, it would be impossible to sustain a higher tempo of industrial development. In an underdeveloped economy with low yields in the primary sector, there is of course no real conflict between agricultural and industrial development. One cannot go far without the other; the two are complementary. It is necessary, however, on economic as well as other grounds, firstly to strengthen the economy at the base and create conditions of sufficiency and even plenitude regarding food and raw materials. Clearly, in a war-torn society, both types of development: sectoral and overall are possible only with a backdrop of peace and stability, providing security and justice to social and economic actors. In the context of Puntland State of Somalia, the first and foremost planning priority is to provide stable and secure governance structures and improve security and justice mechanisms.

1.4.2 The Need for Social Development

With the plan emphasising increased production, the limited available resources restrict the scope for expanding social services. Yet it is obvious that no plan can succeed unless it invests in the improvement of human resources. Social services such as education, technical training, and health care bring in significant returns. Considerable advancement in this direction can be made if the urge to improve is created among the people; the plan must include adequate finances for this activity. At the same time, the means must be found for stimulating widespread interest among the people in the application of modern technology to the many small problems ordinary life presents. The state is proud of its social capital and continues to strive to build the social capital base through community-based participatory approaches and human resource development, in order to further the process of national integration.

1.4.3 Private Sector and Public Sector

For the private sector, the prevailing price relationships are the prime factor in determining resource allocations. In the public sector, the profit-and-loss calculus need not always guide the direction of investment. Nevertheless, the relation between costs and returns even in the public sector has to be judged, at least as a first approximation, in terms of market prices. It follows that the maintenance of a price structure, which brings about an allocation of resources in conformity with the targets defined in the plan, must be the consistent aim of economic policy. However, price changes must keep in step with improvement in the level of incomes as well as with shifts in their distribution.

The FYDP sees the private sector as the engine of economic growth, income generation, and poverty reduction. Industrial progress can create rapid economic growth, increase job opportunities, and expand the exploitation of natural resources. The plan aims at increasing low- and medium-sized businesses involved in industrial and traditional craft production. These actors exploit natural resources and domestic materials and could capture the local market and create job opportunities, thus alleviating poverty. As mentioned earlier, this is possible only through strengthening the natural resource base and the primary sectors of livestock, agriculture, and fishing. Using fishing as an example, Puntland State of Somalia's coastal regions hold an abundance of fishery resources, which, if properly utilised in a sustainable and productive way, could have a major impact on the development of the state. The fishing industry currently lacks supporting infrastructure, quality control, and processing systems for export. It also suffers from illegal fishing activities and weak sector management policy.



CHAPTER II

GOVERNANCE AND INSTITUTIONS

Long-term development goal: *Strive to improve governance, transparency, and accountability, and provide better service delivery through institutional development and capacity building, in order to create an enabling environment for accelerated growth and development in partnership.*

Millennium Development Goals:

Improved governance and institutions is an overarching goal that links with all the MDGs. Good governance is a prerequisite for achieving the MDGs.

2.1 Background and Status

During the civil war, most of the public institutions were destroyed or made dysfunctional. Basic physical infrastructure to support government institutions is now nonexistent or weak and there are limited trained human resources in governance. A strategic plan for strengthening the public administration is a precondition for the realisation of the MDGs and the creation of the best possible enabling environment for stability and economic growth. Stakeholders often emphasise that security, reconciliation, the rule of law, and governance are the leading priorities for the stability and functioning of government institutions. To fully rebuild domestic and international confidence, there is a need to strengthen institutions that deal with democratic governance and the rule of law, in order to deepen peace and reconciliation.

Table 2.1: Governance Assessment Matrix for Puntland

Governance Parameters	Score*
1. Political stability	Low
2. Absence of violence	Medium
3. Implementation capacity of the state	Low
4. Quality of public service and responsiveness to the common man	Low
5. Transparency and accountability in governance	Low
6. Competence of and access to civil service	Low
7. Quality of regulation and non-discretionary decision making	Medium
8. Citizens and state respect rule of law	High
9. Enforcement of contracts and covenants	Medium
10. Overall governmental effectiveness and credibility	Low
11. Level of corruption	Medium

*Scores up to 4 = Low; 4–7 = Medium; above 7 = High

Source: Developed based on the discussions with the consultative group, MOPIC.

The current status of the governance sector is reflected in the responses of stakeholders to questions on governance (Table 2.1). Stakeholders were asked to rank the parameters on a scale of one to ten. These numbers were converted into “high”, “medium”, and “low” scores. Only five out of 11 indicators were ranked “medium” or “high”. Out of these indicators, the state (or government) gets credit only for the “absence of violence”. The level of corruption is low because there are limited powers vested in the government. Some observations seem to be contradictory: the capacity of the state for enforcing law and order is considered low, but the law and order situation is ranked fairly high on account of traditional or *Shaari’a* law and processes. Similarly, “respect for the law” and “enforcement of contracts” is attributed to the traditional and *Shaari’a* law systems, which are prevalent in most areas.

2.2 The Institutional Environment

In 1998, a congress of traditional and political leaders, community organizations, and intellectuals from various regions in the state formed a constituent assembly known as the State Assembly, which approved a new charter. The state parliament later approved the current constitution (on 1 July 2001). This new constitution provides the State Assembly with legislative powers such as the right to approve general laws, the annual financial budget, and specific laws concerning the regulation of the public sphere. Decisions are made on the basis of a simple majority.

The State Assembly consists of 66 members elected through indirect elections to serve a five-year term. The assembly holds ordinary sessions twice a year, and each session lasts for at least two months. Currently, there are 14 ministries in the State Assembly. The constitution also establishes standing commissions; the assembly's internal rules and procedures determine their organizational structure and functions.

Some of the challenges facing the institutions in charge of governance include the general weakness of the state in effective management of public institutions and in controlling budgetary pressures. The Civil Service Commission to be formed will have the overall responsibility for civil service reform. There are plans to establish several institutional bodies (e.g. the Public Administration Reform Commission and the Institute of Administration and Management for the Civil Service) to provide support to anti-corruption measures.

Table 2.2: Institutional Capacity Building

Focus Area	Action Plan
• Institutional reforms	• Improve and develop the quality and performance of public sector, legal system, and law enforcement agencies
• Reform of the organizational structure of public administration	• Improve the roles, functions, and organizational structure of government agencies in the administrative system; modernise the administrative system, including through computerisation
• Improving the quality of public officials	<ul style="list-style-type: none"> • Downsize and rationalise the civil service workforce • Provide training to improve the quality of the civil service • Implement salary reform
• Public finance reform	• Improve financial management mechanisms for administrative and public service delivery
• Anti-Corruption Commission	• Prepare anti-corruption strategies for the state and participate in enhancing accountability and transparency

The government is committed to reforming the public administration system (Table 2.2). The Public Administration Reform (PAR) Master Plan will be established, promoted, and approved after extensive deliberations at the highest political level, envisaging the reform of the entire public administration by 2010. The agenda for reform and renovation under the PAR Master Plan includes:

- Simplifying administrative procedures and making them transparent.
- Streamlining and clarifying the mandates and functions of institutions.
- Reforming regional and other sub-state administrations, central-state relations, and introducing legal and land reform policy.
- Raising the quality of public officials and introducing a merit system.
- Undertaking salary reform for public employees.
- Encouraging inter-ministerial coordination and clarifying roles.
- Reforming public financial management.
- Modernising the public administration system through computerisation initiatives.

The Ministry of Finance (MoF) is responsible for improving budget management, strengthening the national office for procurement and evaluation, as well as overhauling the civil service auditing system. MoF should enact regulations for budget laws, ensure the annual public release of budget allocations and expenditures, and strengthen the legal framework for customs administration.

2.3 Democratisation

Puntland State of Somalia is moving towards a multi-party system and is currently considering a three-party system. The first presidential and parliamentary elections are planned for 2008/2009. However, authorities have yet to establish 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. As these are the state's first elections, voter registration and civic education campaigns will have to be organized.

Puntland State of Somalia's first charter (1998–2001) was replaced by a provisional constitution, which is based on the judicial system in place and includes greater independence for the judiciary. The constitution also stipulates

that the state adheres to the human rights obligations entered into by previous Somali governments. As Puntlanders go to cast their vote in the first elections, they will also participate in a popular referendum on the constitution.

Key Priorities for Democratisation

- Establishing and developing the capacity of an independent electoral commission
- Drafting and adopting the electoral legal framework and the multi-party system
- Organizing comprehensive civic and voter education
- Organizing presidential and parliamentary elections along with a referendum on the constitution
- Strengthening the ongoing decentralisation process

2.4 Administrative Governance¹¹



A President heads Puntland State of Somalia, and governance consists of a three-tier structure: the state executive, regional administrations, and district councils. At the executive level, the house of representatives has 66 members who serve a five-year term. The state government appoints governors at the regional level, entrusting them mainly with security issues. The parliament has not received any systematic support to develop capacities, neither for its representative and constituency functions nor for law-making or oversight functions.

The civil service can potentially act not only as the administrative and developmental backbone but also as an institution capable of building credibility, and furthering the process of nation building.

There is a need for broadening the role of the state government and increasing efficiency and ensuring greater transparency in the government's operations. Public administration at state level comprises 14 ministries, each headed by a minister and either one or two vice-ministers¹². An exercise was conducted to define the functions of each ministry and to standardise their structures; the proposal awaits implementation and each ministry still determines its own internal structure. This has led to a proliferation in the number of departments, with staffing sizes that would generally not be considered operationally viable.

Underemployment and a lack of skilled managerial personnel are major challenges the civil services faces. In addition, there is a lack of cooperation and coordination between the regions and headquarters, inadequate law enforcement and protocol, and an absence of adequate and accurate data regarding the economic sector. Civil service reform in Puntland State of Somalia is perhaps the one planned transformation with the most potential. A major problem to tackle is the unsustainably high public sector wage bill (in relation to government revenues and expenditure), which is attributed to the large size of the service. Other bottlenecks regarding employees in the public sector include low morale and productivity, inappropriate job appointments, regional distribution, uncertain prospects for career development, and the insufficient linkage of merit to promotion. When combined with inadequate salary scales, the cumulative effect is pervasive corruption among public officials in the state machinery. A professional and accountable civil service that can administer rules, maintain standards and a competitive edge, and respect property rights is critical for confidence building in the state's efforts towards economic reform.

The government needs to move progressively towards public administration systems that provide clear career paths, adequate compensation and benefits, and incentives that tie career advancement to performance and productivity. Reforms of this nature, especially action to tackle salary erosion and wage compression and eliminate ghost workers, would contribute to reduced levels of corruption. Puntland State of Somalia currently pays salaries to an estimated 10,500 people: approximately 8,000 police and militia members and around

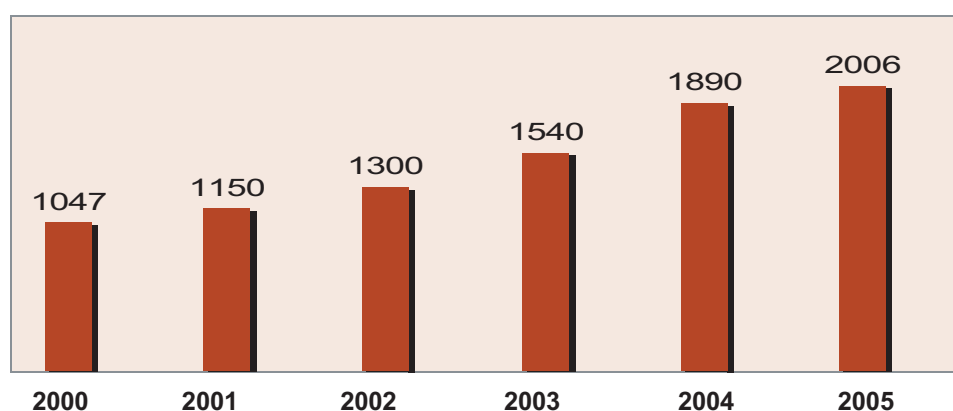
¹¹ This section draws mainly from *The Somali Reconstruction and Development Programme: Deepening Peace and Reducing Poverty, Volume III: Puntland, Draft*, 15th October 2006, UNDP.

¹² In addition, there are two state ministers: 1) Interior and Security and 2) the President's Office.

¹³ This figure does not include the uniformed services, which reportedly employ 8,000 to 8,500 personnel.

2,500 civil servants. The three largest ministries are Health (419 staff), Finance (412), and Education (206). The civil service staff and wage bill have been increasing (Figure 2.1)¹³. The share of the wage bill has gone up from 58 percent (US\$12.3 million) in 2004 to 63.6 percent (US\$13.2 million) in 2006. This increase can be attributed to the increase in the number of teachers hired in 2006. The major challenge is to arrive at a trade-off between quantity and quality. While the number of civil servants has doubled during the last six years, there is no discernable increase in the quality of service. The civil service should not be considered an employment-generating activity; instead, it should facilitate employment generation through growth and development.

Figure 2.1: Employment Growth in Puntland's Civil Service: 2000–2005



Source: Ministry of Labour, Youth, and Sport

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. It also lacks the influence to enforce civil service regulations. The state government does not have a comprehensive plan regarding the optimal size of the civil service, as policy is being developed in a piecemeal fashion, often yielding to lobbying. There is, however, a constitutional framework that clarifies the future of the civil service to a considerable extent. The government proposes to establish (under the Ministry of Labour, Youth, and Sports) a directorate of human resources development to provide focal attention to the sector.

The auditor general is an autonomous government agency that operates under the direction or guidance of the Office of the President. The role of the auditor general 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 were audited and submitted to the parliament and the Office of the President, but no action has been taken to correct any of the mistakes mentioned in the reports.

There are no gender-disaggregated figures for civil servants, but it is clear that females are disproportionately under-represented in the civil service, 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; an ethos of client service appears to be only marginally developed. Though 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 centralised. In addition, there is little evidence of ministries developing and then implementing their own strategic plans. However, the Five-Year Development Plan, along with the Reconstruction and Development Programme (RDP) of the UN, will provide structured guidance as Puntland goes from a humanitarian situation to one of peace and stability, enabling more long-term development planning.

Key Priorities for Administrative Governance

- Design and implement civil service reform
- Develop capacity in ministries and the civil service
- Strengthen transparency and accountability to build public trust

2.5 Decentralisation and Local Governance

Puntland State of Somalia has recently approved and begun the implementation of comprehensive decentralisation. The framework for this is embedded in the 2003 Local Government Act, which provides a significant degree of power to the districts, backed by the assignment of revenue and expenditure. District councils are now to be selected by clan elders in a consultative process (previously, the President appointed councils and mayors). This change is yet to be fully implemented; only seven out of 33 district councils have been selected so far and these are trying to deliver services as well as prepare and implement budgets. Technical and administrative capacities need strengthening in order to transform district councils into professional and efficient institutions.

Financial resources are scarce and disproportionate to the local governments' responsibilities, with a mere US\$2.55 per inhabitant per year (Table 2.3). Some regions get less than US\$1 per inhabitant. Local taxes and fees are only nominal sources of revenue. In two regions, the share of salaries accounts for more than 40 percent of the budget. This trend needs to be changed towards qualitative improvements in employment generation. There are inequalities among regions and rural-urban disparities. However, the recently created Ministry of Local Governance and Rural Development, which manages local administration issues at the central level, is an important initiative. The adoption of a redistribution mechanism and a review of the fiscal legal processes are recommended. The transfer of resources should be commensurate with devolved responsibilities. District councils are given broad latitude to establish their own revenue base, including the choice of instruments and rates, as long as these do not interfere with state revenue collection. In practice, few of the assigned revenue sources are being used, due to lack of capacity and political control. Districts often resort to applying a variety of local revenue sources, with mixed results.

Table 2.3: Share of Salaries in the Regional Budgets

Region	Executed Budget Total (US\$)	Wages and Salaries (US\$)	Share of Salaries in Total Budget (%)	Estimated Number of Inhabitants	Budget / Inhabitant (US\$)
Galkacyo	360,000	106,800	29.67	137,667	2.62
Garowe	82,470	38,700	46.93	57,991	1.42
Burtinle	30,960	13,230	42.73	34,674	0.89
Bossaso	664,610	114,965	17.30	164,906	4.03
Gardo	52,133	15,600	29.92	70,825	0.74
Total	1,190,173	289,295	24.306	466,063	2.55

Source: Puntland District Council Budgets, 2005, and JNA Puntland

To implement services, municipalities and district councils generate financial resources through local taxes that are collected in their respective jurisdictions: fees and levies on markets, land, and property, plus fees collected for services delivered. The Ministry of Finance collects custom duties, including export fees on livestock, frankincense, salt, and fish that by law the districts should collect. The budget is prepared by the executive committee and 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 note that decentralised governance is a relatively recent experience, and most districts have very limited capacity to do budgeting; indeed, many do not yet have a budget.

In terms of assets, land is the main resource managed by the local governments. Well managed, land represents a significant source of income. However, it can become a source of conflict or corruption, especially since cadastral records do not exist and the financial procedures for local public finance are not clear.

No transfer system exists in Puntland, although a series of different surcharges are added to regular customs duty at the 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. But these surcharges are "off-budget", and it is unclear whether the funds in fact reach the intended recipient. This situation increases the divide between richer/urban districts, which can generate more resources and where service delivery can be a sustainable economic activity, and poorer/rural districts, where fewer resources can be generated and economically sustainable services are more difficult to deliver.

2.5.1 Devolution of State Power and Local Government

Puntland State of Somalia's government has embarked upon schemes to decentralise authority to the regional, district, and municipal levels. The state has significant but varying degrees of responsibility for service delivery in areas such as water, education, health, housing, and law and order. Strengthening local government capacity involves obtaining a better balance between state responsibility and local choice in service delivery. It also means developing metropolitan levels of government to overcome the problems of fragmentation that exist in some big cities, engaging in city planning, and building key partnerships between the public and private sector. The state government's firm commitment to governance reform is reflected in its *Local Government Action Plan* and the creation of committees responsible for implementing decentralisation reforms.

The first of its kind, the state government provided the democratically elected district councils with the facilities and support required to ensure citizens' rights, promote community development, and reduce poverty. It is likely that devolution of authority to smaller administrative units (e.g. regions, districts, and municipalities) will foster greater responsiveness to local issues. The decentralisation of public service delivery is also conducive to greater community "ownership". Partnership with citizen groups can contribute to making basic services more efficient, especially with regard to identifying and targeting the needs of the poor. Citizen representation in formal government bodies allows their voices to be heard. New policies should create opportunities for civil society to take part in decision-making processes that affect their welfare needs.

2.5.2 Anti-Corruption Policy and the Introduction of an Auditing System

In a state in the nascent stage of development, possibilities exist for corruption and financial mismanagement, which usually work against development needs. Corruption is here defined as "the abuse of public or private office for personal gains, improperly and unlawfully enriching themselves or those close to them or inducing others to do so, by misusing their position". The government policy is to provide a legal mandate for the audit system. The Puntland State Audit Office (PSAO) was constitutionally established when the state was created, though the formation of local audit institutions is yet to take shape. The PSAO is currently checking for compliance, while a new law will allow an examination of the authenticity and effectiveness of state revenue and expenditure. The outcome of this endeavour is the adoption of the latest audit concepts (materiality and risk, internal controls, audit planning and programming, and management of audits), which will improve the quality of PSAO audits. Providing assistance to strengthen the state auditing system is consistent with policies on governance and anti-corruption, and will enhance public accountability, a key element of good governance. This will ultimately help reduce the waste and abuse of public funds.

Key Priorities for Decentralisation and Local Governance

- Complete decentralisation of service delivery through the establishment of inclusive, participatory local governance systems
- Ensure gender issues are incorporated into all policies
- Strengthen the policy-making capacity in the decentralisation and fiscal (taxation policy, re-distribution mechanisms) framework
- Draw up state constitutions and local government acts where appropriate, to clarify functions, institutional structures, etc., at the different levels
- Develop and agree on a model for service delivery, increase partnerships with the private sector and other non-state actors, and facilitate development of pro-poor policies
- Provide investment funds to enable district councils to deliver services

2.6 The Role of Civil Society and Media in Governance

Civil society¹⁴ has emerged as an important social and political force in Puntland State of Somalia. Although a relatively new phenomenon, civil society organizations are today active in service provision and are contributing to peace, reconciliation, and development.

¹⁴ Civil society is defined as "organized groups or associations which are separate from the state, enjoy some autonomy in relations with the state, and are formed voluntarily by members of society to protect or extend their interests, values, or identities". These include service provision NGOs, women's organizations, youth groups, human rights organizations, community-based organizations, religious groups, research and development institutions, and the independent media. Armed groups, political parties, state-owned media, and the private sector are excluded. Local justice mechanisms, including *Shaari'a* courts, elders' councils, and community leaders, are included as expressions of community organization.

Non-governmental organizations (NGOs) are mainly concentrated in the major cities, while pastoral areas remain underserved. The activities of NGOs have shifted from rehabilitation efforts to other social issues such as political reform, human rights, gender equity, and HIV/AIDS. At the community level, elders and traditional leaders are primarily involved in conflict resolution and dispute settlement, which leads to peacebuilding. Religious groups have also emerged as a potent force within communities, especially in the fields of relief, education, and justice. Civil society organizations currently face a range of constraints; foremost, the sector itself is not always viewed as legitimate. Legitimacy is inextricably linked to accountability and transparency, and there is no registration or legal regulation of the sector. This notwithstanding, the better-managed NGOs can usefully assist in discharging some of the responsibilities of the FYDP. Professional associations and networks make up a relatively new civil society category and often compete to represent the interests of a particular group. This competition is usually due to issues related to resource capture, clan divisions, and organizational survival.

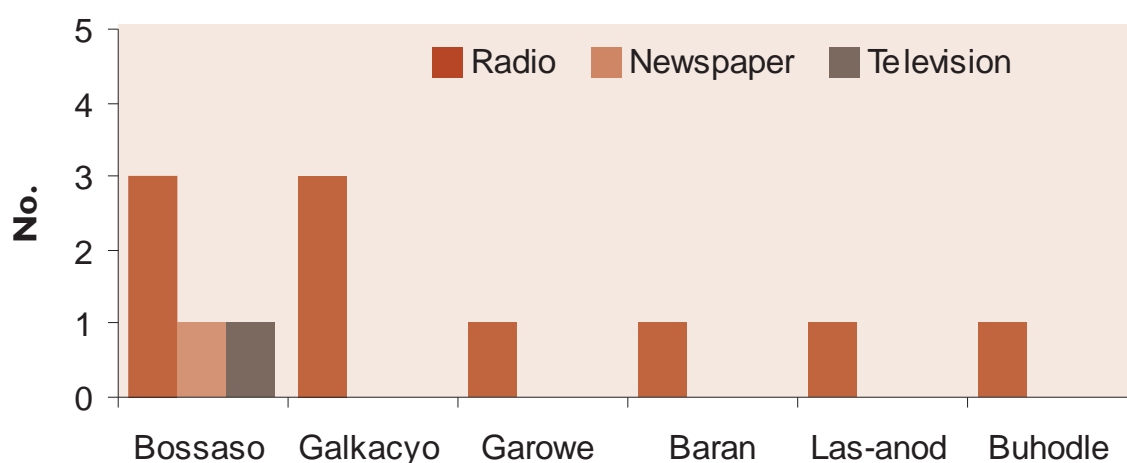
The relationship between the state and the private sphere in development is an important pillar in governance. The overall policy of the state regarding the roles of the public and private sectors can be divided into three strategic priority areas:

- 1) Promoting private sector development through the creation of an enabling environment.
- 2) Promoting public-private partnerships, especially in sectors such as construction, water, roads, and port and airport infrastructure.
- 3) Promoting and supporting community-owned development.

The Puntland government established the Ministry of Information with the intent of providing good media systems to the population, but so far there has been only one newspaper (*Warsidaha Puntland*), which closed in 2001. In the FYDP, the government intends to establish high quality information systems founded on solid media ethics. Radio, television, and print media will aim to uphold and preserve Somali national values. Prior to 1991, the former Somali government had two radio stations (in Mogadishu and Hargeisa) and one television station in Mogadishu. There were two newspapers (the *October Star* and the *Daily Somali*) in addition to weekly Arabic and English papers. All media were controlled by the state. After the government collapsed, a number of independent radios, newspapers, televisions, and websites were created (Figure 2.2). They have one common feature: clan partiality with minimum media regulation.

The present trend in the media seems to be towards a free, market-oriented system. Media businesses are currently run with no regulation whatsoever. Radio stations are the main tool to deliver information and raise public awareness. However, coverage in rural and remote areas, where information is needed most, is limited. Low-cost community radio stations or repeater stations in rural areas should be considered to widen the coverage. In addition, the state should work positively to uphold freedom of information in Puntland. Men manage most media houses and the majority of senior producers and journalists are men.

Figure 2.2: The Media in Puntland, 2004



Key Priorities for Civil Society and the Media

- Promote self-regulation mechanisms for civil society organizations, to enhance legitimacy and build transparency and accountability
- Emphasise community development through information sharing
- Focus on the public interest and community awareness, discouraging incitement to violence in the media
- Encourage authorities to partner with civil society and vice versa
- Support capacity building for media professionals
- Develop a communication and information policy framework
- Encourage the participation of women in the media

2.7 Proposed FYDP Outcomes

- Improved governance, peace, security, and stability
- Deepening democracy and decentralisation
- Enabling environment for growth

2.8 Proposed FYDP Outputs

- Sources of conflict (internal as well as external) addressed
- Electoral framework and legal procedures for the democratic process in place
- Road map to decentralisation finalised and approved
- Civil service reforms completed, together with capacity building
- Regulatory mechanisms for civil society organizations and media in place

2.9 Strategic Summary

The strategies to achieve the proposed outcomes and outputs need to be assessed against a backdrop of the governance issues and baseline indicators. Looking at peace and stability, the peace agreement regarding the southern border of Mudug is fragile, but still holding. Similarly, there is an ongoing dispute on the northern border of Mudug. The achievable targets in the coming five years include addressing the source of such conflicts. The reconciliation process between Somaliland and Puntland State of Somalia should be advanced and the Mudug peace agreement must be fully implemented in order to consolidate peace and stability during the plan's five-year period. The strategy of negotiation and dialogue, rather than confrontation, should be adopted.

An interim government currently heads the state; preparations are being made for parliamentary and presidential elections during 2008/2009, along with a referendum on the constitution. An appropriate electoral and legal framework for conducting elections in a systematic and peaceful manner needs to be put in place well in advance. Conducting a population census and preparing comprehensive voter lists should be given high priority, in order to facilitate the election process in a democratic manner. Consensus among different clan groups needs to be achieved so that the process is acceptable to all. The state has already adopted decentralisation, though the process is not fully operational. Decentralisation should be strengthened further in terms of service delivery and the establishment of inclusive, participatory local governance systems. Gender balance will be ensured at all levels of decentralisation. The legislature will finalise and approve a road map to ensure that these targets are achieved by the end of the plan's first five-year period.

Strengthening and reforming the civil service is a prerequisite for achieving the above targets. The existing civil service is weak, inefficient, bulky, and poorly qualified. Rationalising and streamlining the civil service must be undertaken with rigid quality and quantity requirements. Priority will be given to trimming excess staff and enhancing the capacities of civil servants during the first two to three years. The average quality (i.e. qualifications) of civil service employees will be enhanced by the end of the plan's five-year period.

The role of civil society and media in promoting genuine democracy cannot be emphasised enough. During the coming five years, the state will take all the necessary steps to strengthen and streamline these institutions so that they play a constructive role in the democratic process. Rules and regulations should be put in place to improve the accountability and transparency of civil society organizations and the media.



CHAPTER III

SECURITY AND THE JUDICIARY

FYDP long-term development goal for security and the judiciary: *To restore law and order and in turn enhance state and public security, minimise crime, prevent and resolve social conflicts, disarm civilians, and foster a disciplined society that practices an Islamic way of life.*

Related Millennium Development Goal: *As with governance, improving security and the judiciary is an overarching goal that is linked to all the MDGs. Security, rule of law, and legal protection are prerequisites for achieving the MDGs.*

3.1 Background

An important challenge for the new administration was to address the insecurity and poverty caused by civil war. Since 1998, the state has largely succeeded in maintaining peace, managing security, restoring the rule of law, and creating a stable environment for development. There is still much to be done to improve and maintain the achieved stability and protection of human rights. The government acknowledges these as fundamental preconditions for achieving social and economic recovery, reducing poverty, and creating an enabling environment for growth and investment. Top priority is accorded to ensure continued peace and stability, while supporting governance institutions, and the civil society. The government deals with different dimensions of peace and security, both internally and externally, and reconciliation, and addresses additional needs to consolidate a transparent and accountable system of democratic governance. Geopolitical issues, such as potential interstate disputes and conflicts and the much warranted strengthening of the National Federal Government, are also to be addressed to achieve crucial stability in the region.

3.2 Land Resource Governance and Conflict Resolution

The majority of Puntland State of Somalia court cases are related to disagreements over land rights. There is no consistent and comprehensive legal framework for land and property management, but rather a mix of dispositions and practices stemming from the three sources of law. The situation is complicated by the fact that most records were destroyed during the civil war. *Xeer* is well adapted to regulate and manage common property such as pasture, grazing land, forests, and water. The formal law pertaining to land meanwhile considers all land to be government land, which can be leased by individuals for specific uses. These laws are out of step with the practices of the land market and run the risk of being difficult to enforce. However, if enforced they could improve land management in terms of assigning land titles, settling land disputes, and preventing the escalation of dormant land disputes. 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 the involvement of the municipality – a measure that is being considered in Bossaso. Draft land and planning laws, submitted to the parliament in February 2006, intend to regulate the allocation of legal land ownership, mediate land disputes, and distribute planning responsibilities.

The following factors, which are mainly internal, are potential stumbling blocks on the journey towards sustainable internal reconciliation (some may even be sources of conflict):

- Persistent poverty and the struggle for resources.
- General mistrust of a strong central state, stemming from the years of neglect and marginalisation from the previous regime.
- Unresolved issues, such as land and property disputes.
- Potential for militant groups to ignite conflict.
- Effects of long-term insecurity, the pillaging of public goods, and the militarisation and fragmentation of society.
- Exclusion of minorities and internally displaced persons, returnees, and refugees.

These are problems that need be addressed through a comprehensive reconciliation process. Political developments in other zones in Somalia, and their spillover effects, will either help or hinder Puntland's progress towards sustainable peace and reconciliation. The emphasis should be on conflict resolution through the judicious and efficient utilisation of natural resources and the equitable distribution of benefits.

Key Priorities for Conflict Resolution and Reconciliation

- Building on previous experiences, develop ongoing processes of reconciliation, ensuring the participation of all stakeholders (elders, religious groups, women, youth, and minority groups)
- Initiate a reconciliation process between Puntland and Somaliland, encouraging inter-community dialogue, with the participation of women, youth, and minority groups
- Parliament to ratify and implement the draft land and planning laws to legally regulate land ownership, mediate land disputes, and distribute planning responsibilities
- Strengthen the state politically and administratively and achieve rapid economic development

3.3 The Judiciary and Rule of Law

When Puntland State of Somalia was founded in 1998, seven new official courts were established in the seven regions of the state, along with a high court in Garowe. Different justice systems coexist, often in the same location: 1) the traditional, clan-based system (*Xeer*); 2) formal/secular judiciary structures in regional administrations and central governments; and 3) *Shaari'a* courts in urban areas. These systems often function in parallel, regulating a wide range of affairs, from constitutional disputes in regional political administrations to the enforcement of business contracts and the settlement of family disputes. They have facilitated the development of a private sector economy, a dynamic civil society, and local peacebuilding initiatives. The traditional *Xeer* system dominates the legal process, accounting for 75 percent of all cases. This is followed by *Shaari'a* (15 percent) and the formal government system (10 percent). There is a strong need to formalise and harmonise the three systems into a single framework. An inclusive National Judicial Commission may be set up to look into the process. The law and order enforcement mechanism needs further strengthening to build its credibility within the peacebuilding process.

Puntland State of Somalia has been re-establishing functional courts by rehabilitating infrastructure and relocating prosecution, district, and higher level courts (e.g. in Bossaso and Gardo). The government has also provided equipment and refresher training to all judges and support staff. However, there are few functioning primary courts in rural parts of the state, which means access to justice is limited to urban centres. The whole judiciary system suffers from the lack of qualified staff, basic equipment, record keeping, transportation, and reference material (library). There are underdeveloped management and supervision systems and poor infrastructure. High Judicial Councils supervise the courts and are responsible for the appointment, transfer, and promotion of judges, as well as the disciplinary hearings for removing them. While officially guaranteeing the independence of the judiciary, the councils need greater autonomy and functional independence.

There is no body of laws that establishes how the legal system should operate, defining the jurisdiction and competence of the different courts, the required qualifications for judges, etc. While there are 55 judges, only 13 have law degrees; judges are trained in *Shaari'a*, as opposed to formal law. About 40 administrative clerks work in the formal system. The daily number of cases received at the courts is between four and 12, of which only 50 percent are concluded annually. The rest are transferred to the customary law system. Local authorities fund district courts, but judges, prosecutors, and support staff are on low and irregular salaries.

Key priorities for the Rule of Law

- Clarify the roles of different legal systems, and their relationship
- Expand formal court capacity beyond the current 10 percent coverage
- Develop a culture of human rights within all rule of law institutions; ratify, implement, and adhere to international human rights treaties¹⁵
- Rationalise the judicial systems and processes

¹⁵ The Convention on the Prevention and Punishment of the Crime of Genocide, the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, and the two protocols to the Geneva Conventions.

3.3.1 Proposed FYDP Outcomes

- Improved state credibility; citizens enabled through the rule of law.
- Creation of an enabling environment for development partnerships and the private sector.

3.3.2 Proposed FYDP Outputs

- Land and planning laws implemented.
- Rationalisation of various legal systems.
- Expansion of formal courts to cover the majority of cases.

3.4 Security and Law Enforcement



The Puntland State Police Force (PSPF) is currently being trained; the goal is to integrate the force with the national Somalia Police Force (SPF) in future. 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 it is not yet effectively operational. Former police and military personnel, together with ex-militia, were brought together to form the PSPF, and its operating procedures and style mirror those of the old SPF. The Ministry of Interior and Security oversees law enforcement and policing, with a mandate to ensure internal security and restore law and order. The police force is small and ill-qualified, with poor infrastructure (Tables 3.1 and 3.2), rendering it necessary for the paramilitary forces known as *Darawish* to intervene in serious conflicts. The majority of the population therefore still relies on traditional conflict resolution and compensation mechanisms. The first post-conflict police school has been established, with assistance from UNDP under its Rule of Law and Security programme. This school will train police forces throughout Somalia. The first batch of 180 recruits has graduated and a successive group of 300 has begun training.

Table 3.1: Institutional Capacity of the Police Force

Baseline Indicator	Number/Percentage/Level	Location
Distribution and functionality of the regional and district administration	Distributed to all regions and districts but needs further strengthening and effectiveness	All regions
Percentage of skilled ministry staff	12	Ministry HQ offices
Level of cooperation and trust between the Ministry of Interior and Security and Puntland society	Low, due to the inability to tackle peoples' requirements	All regions

Source: Ministry of Interior and Security

Table 3.2: Existing Police Infrastructure

Baseline Indicator	Number/Percentage/Level	Location
Police divisions (no.)	8	All regions
Police stations (no.)	49	All regions
Police sub-stations at district and community level (no.)	152	All regions
Percentage of skilled police	45	Scattered within the police force
Quantity (percent) of needed police equipment, and quality of the existing equipment	25 (old and in poor condition, as it is inherited from the former government)	All regions

Source: Ministry of Interior and Security

Besides strengthening the Puntland State Police Force, there is an immediate need for strengthening surveillance and law enforcement by setting up an effective coast guard. Puntland State of Somalia has an extensive coastline of around 1,640 km, with high value marine resources. In the absence of effective protection of this economic zone, these resources are being illegally diverted. Moreover, unsustainable fishing practices are being adopted. As per the constitution of Puntland State of Somalia, marine resources are under the purview of the central government. There are a number of important prerequisites for protecting the rich marine resources: a) a powerful national government with appropriate marine policies; b) the establishment of a strong coast guard and the improvement of infrastructure; c) the development of minor fishing harbours along the coastline; and d) an improved understanding of marine laws and international agreements. There is a need for conducting a feasibility study towards these ends. The government intends to appeal to the existing flotilla to safeguard the coast as an interim arrangement, protecting the exclusive economic zone under the international law of the sea. This will promote the sustainable reduction of poverty and the achievement of the MDGs.

3.4.1 Proposed FYDP Outcomes

- Security and a safe habitat.
- Social justice for the people.

3.4.2 Proposed FYDP Outputs

- Build an efficient and well-equipped PSPF, which will eventually be part of the SPF.
- Ensure 15 percent participation of women in the PSPF.

- Protect the lives and property of citizens (i.e. reduce the crime rate).

3.5 Disarmament, Demobilisation, and Reintegration

Long-term development goal: *The parallel structures and forces disarm and demobilise fully, and national integration is achieved through participatory, inclusive, peaceful consensus building, in accordance with the law.*

In Puntland State of Somalia, small arms are prevalent among the civilian population. In addition, the civil war created a large number of ex-combatants and clan militias. Disarmament, demobilisation, and reintegration (DDR) are prerequisites for peace and stability and hence require immediate attention. When the State of Puntland was formed in 1998, its authorities inherited about 15,000 former militia personnel. The government initiated a survey to register all security forces in the state in 2004, with a view to reform the security sector and demobilise the forces (Table 3.3). Over the past 4 years, 6,500 of them have been absorbed into the security forces and the civil service, while another 3,000 have voluntarily demobilised and reintegrated into civilian life. An estimated 6,000 ex-combatants remain unemployed and in need of reintegration assistance. While disarmament is effective, demobilisation and reintegration continue to be areas of concern.

Table 3.3: Status of DDR in Puntland (2004)

Baseline Indicator	Number/Percentage/Level	Location
Total number of force members (<i>Darawish</i> , police, and custodial)	10,000 personnel ⁽¹⁶⁾	All regions
Percentage of forces to be demobilised	60	All regions
Percentage of armed civilians	30	All regions
Number of weapons spread throughout society	800,000 units	All regions
Activities accomplished	Partial registration of the armed forces	Bari, Mudug, and Nugal
Society's awareness about DDR programmes	Very low	All regions

Source: Ministry of Interior, DDR section, Puntland

The Disarmament, Demobilisation, and Reintegration Department works within the Ministry of Interior and Security. In order to reduce the number of militias and maintain peace and security, the authorities have worked towards integrating ex-combatants into the *Darawish* paramilitary and the regular police and custodial forces. However, the high number of security forces is placing considerable pressure on the government budget. The *Darawish* paramilitary force is primarily engaged in border security but regularly assists the police in incidents that require more re-enforcement. They participate in internal security as required and assume other more versatile security roles when needed. The functional domains of the police and military need to be demarcated.

3.5.1 Proposed FYDP Outcomes

- Integration of former militias into security services.
- Reintegration of former militias into civilian life.

¹⁶ This figure includes regular members, occasional recruits, and unregistered security personnel.

3.5.2 Proposed FYDP Outputs

- Security sector reform completed.
- The armed forces (*Darawish*, police, and custodial) downsized by 60 percent to limit budgetary pressure.

3.6 Mine Action

Long-term goal: *To ensure that the entire state is de-mined and free from future threats.*

The problem of landmines reflects the decades of conflict that Puntland State of Somalia has suffered. In addition to landmines, there are large amounts of stockpiled unexploded ordnance (UXO), which could be used for lethal unlawful purposes. Phase 2 of the Landmine Impact Surveys has been conducted in Puntland State of Somalia, with most affected areas now covered. However, the contested regions of Sool, Sanaag, and parts of Togdheer were not included at that time. Funding is available and planning was underway to cover these outstanding areas in 2006 as Phase 3 of the surveys. The former government stockpiled an estimated 8 million landmines¹⁷. Approximately 400,000 mines and pieces of UXO remain scattered throughout the state¹⁸.

In order to address the risks that landmines and UXOs place on the free movement of people and livestock, Puntland State of Somalia has established the Puntland Mine Action Project (PMAC), run by the Department of De-mining with the help of UNDP and the European Community (EC). A mine action database exists, which is used to prioritise and coordinate mine action in Puntland State of Somalia. The Department of De-mining has developed a landmine project plan. After finalising landmine impact survey data, they developed a five-year strategic plan with the assistance of Cranfield University (UK). Some of the details regarding the type and spread of mines in Puntland State of Somalia and casualties from mines are presented in Tables 3.4 through 3.6. Thirteen government personnel work in the mine coordination section and the police unit for UXO, but no mine clearance professionals have been trained, even though the situation remains serious for the general population (Table 3.6).

Table 3.4: Mines/ UXO Found in Puntland

Baseline Indicator	Mines/ UXO	Location
Types of mines in the Puntland regions	<ul style="list-style-type: none"> - Hard-to-detect, plastic-covered Egyptian mine: LQ Balus (A.T) - Soviet-made mines: T.M. 57, T.M. 46, and Pomz-2 (A.P) - Pakistani B-2 and B-4 - Yugoslavian TMA 54 and TUR 2 	All regions

Source: Ministry of Interior, PMAC office, Garowe, Puntland State of Somalia

Table 3.5: Puntland Mine-affected Areas

Regions	Districts
Mudug	Galdogob, Galkacyo, Jariban
Nugaal	Burtinle, Garowe
Sool	Las-anod, Hudun
Sanaag	Erigabo, Las-qoray
Bari	Bossaso
Buhodle zone	Buhodle

Source: Ministry of Interior, PMAC office, Garowe, Puntland State of Somalia

¹⁷ Ministry of Interior, Mine Action Project.

¹⁸ Ministry of Interior, Mine Action Programme, Garowe, Puntland.

Table 3.6: Number of Landmine and UXO Casualties in Puntland (1993–2001)¹⁹

Casualties	Total	Female Adult	Male Adult	Children	Animals
People affected in 187 explosions	1,105	197	356	552	3,315
Dead	345	65	107	173	--
Maimed	760	132	249	379	--

Source: Ministry of Interior, PMAC office, Garowe, Puntland State of Somalia

3.6.1 Proposed FYDP Outcomes

- All areas are fully cleared of landmines and UXOs.
- Safety increased for the general population.

3.6.2 Proposed FYDP Outputs

- Make the Puntland Mine Action Project fully functional.
- Provide training and capacity building for the PMAC.

3.7 Prison Service

Long-term goal: *Reduce crime, bring criminal activity under the judicial process, and ensure basic human rights and facilities to prisoners, as provided under law.*

Puntland State of Somalia has central and regional prisons. The central prison is in Bossaso and there are regional prisons at each of the seven regional headquarters. However, these prisons are poorly equipped and manned. The Ministry of Religion and Endowment runs the prison service. It inherited nothing from the former government and lacks the funding, offices, equipment, and human resources to implement activities. Inmate capacity is very small, especially in the commercial towns. The prisons lack basic infrastructure and proper administrative services. The ministry has 220 custodians and 60 permanent staff.

3.7.1 Proposed FYDP Outcome

- Criminals reformed and corrected.

3.7.2 Proposed FYDP Outputs

- Basic facilities ensured and the national prison service established and strengthened.
- Juvenile courts established.
- Separate cells provided for women and children.

3.8 Peacebuilding and Reconciliation

Reconciliation is a prerequisite for stability and development. It becomes essential after considering Somalia's historical context: the divisions resulting from colonial rule, the consequences of the dictatorship and military exploits of the Barre regime, and the legacy of the 1988–1992 civil war. The current conflicts are mainly clan- and resource-based, apart from issues such as militarisation and regional disputes. Peacebuilding and reconciliation have been largely successful in Puntland State of Somalia. A World Bank study conducted in 2005 suggested that the international community could support two types of interventions in Somalia: i) strategic support and institution building for structures responsible for peacebuilding and reconciliation (as discussed in the earlier sections); and ii) direct support for peacebuilding and reconciliation. It also suggests complementary strategies that could benefit the direct support (World Bank, 2005):

- Encouraging inter-community dialogue.
- Promoting citizens' participation in the reconstruction of the state.
- Promoting a community peace support initiative.
- Supporting a local reconciliation process in strategic areas/regions.
- Linking truth, justice, and reconciliation.
- Establishing a justice system; reconciliation processes must accompany this, as they reinforce each other.

¹⁹ Casualties decreased after 2001 because many of the dangerous areas were identified.

3.9 Strategic Summary

The status report on security and the judiciary is as follows: a) about 9,500 of the 15,000 former militia are reintegrated; b) training of the police force is underway, though the capacity is only 600 per year; c) there is no coast guard in Puntland State of Somalia; d) there has been no mine clearance in Puntland State of Somalia, though policies and plans have been developed and the PMAC established; e) efforts are being made to rehabilitate and strengthen the formal judiciary system; and f) the seven prisons are inadequate and lack basic amenities. The strategy for improving the situation during the plan's five-year period includes concrete actions:

- 1. Undertake a comprehensive security sector review, as a basis for restructuring; conduct a force reduction exercise; equip and train the remaining force; develop reintegration programmes for demobilised persons; and develop support systems for war widows, orphans, the disabled, and war veterans.*
- 2. Establish an integrated, civil, democratic police force; support the reactivation of the SPF; continue and consolidate the training of the PSPF; enhance the training capacity to 1,200 per year; ensure the inclusion of women (15 percent); and monitor specific targets for participation.*
- 3. Establish the coast guard with appropriate policy and regulatory mechanisms in place.*
- 4. Develop mine-clearance capacity to deal with high priority mine-affected areas and residual landmine problems identified by the Landmine Impact Survey.*
- 5. Provide training and technical assistance to the DDR and De-mining Departments, to enable them to fulfil their mandates in both de-mining and demobilisation.*
- 6. Assess the demand for prisons; create new prisons and/or improve the existing ones in terms of basic amenities, with special provision for women and juveniles.*
- 7. The three systems of law should be harmonised in such a way that it does not give rise to new conflicts. Presently, the traditional Xeer and Shaari'a systems deal with most law and order issues in rural areas. Restricting formal legal systems may adversely affect access to rural and nomadic populations. Hence, care should be taken to address the demands and concerns of the rural population, rather than following a blanket approach.*



PART II

CHAPTER IV

THE PUNTLAND ECONOMY AND DEVELOPMENT OPPORTUNITIES AND CHALLENGES

4.1 Macroeconomic Overview

The economy of Puntland State of Somalia is predominantly pastoralist, and livestock export is a major foreign exchange earner. The fishery and frankincense sectors constitute other major domestic sources of income. Another important source is the income from remittances, as well as the diaspora's contribution to local investment. The service sector, which is run privately, is also vibrant. Other sectors with potential, such as mining and heavy industry, are underdeveloped. The state has possible oil reserves, but no mineral resources of significant value have been found so far. The economy, predominantly thriving on activities related to pastoralism, is vulnerable to drought; average annual rainfall is 100–200 mm and there are no large rivers that can be utilised for developing intensive farming.

Growth and economic recovery are being propelled by economic activities related to security, remittances, construction, and the influx of internally displaced persons from war-torn southern Somalia and neighbouring countries such as Ethiopia and Kenya. This influx has created fast-growing urban settlements and an increased demand for employment, food supplies, infrastructure, social services, housing, and urban amenities. Most urban Puntlanders live in the main centres: Bossaso, Gardo, Badhan, Garowe, Las-anod, Buhodle, and Galkacyo. Approximately 70 percent of the population is below the age of 30. The population density is estimated at about 11 to 13 persons per km²; the proportion of rural and nomadic populations is expected to decline, but not in any significant way. Annual GDP growth should exceed 3 or 4 percent, in line with estimated population growth, in order to maintain the per capita development. This target is far from being met²⁰.



4.2 Sources of Growth

People derive their main livelihood from a volatile pastoral economy in a semi-arid region with no permanent rivers, minimal infrastructure, and little international assistance. Three major sectors dominate domestic income generation: livestock rearing (goats, sheep, and camels), fisheries, and frankincense production. As mentioned, the diaspora also contributes substantial remittances, which are converted into augmented consumption and investments in the local economy. Around 60–65 percent of the population is employed in the livestock sector, which also accounts for about 40 percent of the state's gross output and 80 percent of its foreign exchange earnings. Fishing is ranked as the second largest source of income for Puntlanders.

Agriculture has not thrived in the economy; frankincense and myrrh grow naturally and are also cultivated in plantations, but less than half of the potential output is harvested. Small-scale cultivation of vegetables and fruit is practiced on good quality soil or dry river basins, or in areas near oases. The influx of returnees and IDPs from war-torn South Central Somalia has led to both increased demand for agricultural produce and, thanks to their know-how, increased supply (including sorghum, beans, and dates).

By 2002, local industries and enterprises were supplying water, ice, beverages, pasta, canned fish, soap, detergent powder, and candy, and were engaging in activities such as radio broadcasting. Tanneries were processing hides and skins. Recently, firms have started producing aluminium, plastic bags, and foam mattresses. Apart from the government, the trade and commerce sector is the single largest local employer, followed by remittance companies and telecommunication firms. Mining and heavy industry have some potential, but they currently

²⁰ We do not have growth estimates for Puntland. A reasonable 3 percent rate of growth has been opted for, instead of the 3.49 estimated by the CIA for 2005 for Somalia as a whole. After all, this projection is based on the 1975 census, which had some weaknesses (as will be shown later).

remain underdeveloped. Although to date not many natural resources of significant value have been ascertained, it is believed the mineral potential of Puntland State of Somalia could be commercially viable. Gas and 500 million barrels of recoverable oil have been discovered so far in sections of the state's 212,000 km², along with possible deposits of uranium, iron ore, and coal. The presence of potential investments such as these is viewed as a positive sign for the developmental progress being made by the state.

The private sector dominates in the provision of general goods and services, as well as quasi-public sector goods and services that governments would normally provide in the event of market failure, various externalities, and imperfect competition. This provision of services by the private sector was particularly evident before the formation of Puntland State of Somalia. Public sector services such as the legal system, the regulation of infrastructure (roads, waterways, air travel, etc.), security, education, health, and the coordination of the financial system and monetary practices were haphazardly but creatively provided in a setting largely devoid of governance structures (World Bank, 2004).

Although there are many unaccounted revenues, e.g. local government, the national highway authority, and many other productive sector ministries (of ports, livestock, etc.), dealing mainly with social services, this reflects the weakness of fiscal resources, not expenditure overruns in the rest of government. Some failings of public services such as education should be understood in context and may only partly be blamed on the government. School attendance would still be sporadic with government provision of the service. In the event, social sector services have been shifted to the private sector, where official follow-up with regulatory measures is needed, especially in the health sector, where the credibility of practices and practitioners is increasingly in question.

4.3 Macro-policy Challenges for the Emerging Economy

4.3.1 Fiscal Policy and Public Finance

The emerging fiscal situation is marked by weak revenue sources and an overall imbalance in available policy options for both available revenues and expenditures. Aid inflow is minimal and currently directed mainly through civil society and NGOs. However, there is a dire need to involve the state authorities for better coordination and fair distribution, in order to achieve humanitarian objectives. The state has had to rely on indirect taxation. While post-conflict reconstruction, conflict prevention, reform of the security sector, and paramilitary expenditures have taken priority in the fiscal policies of the last nine years, this squeezes out not only other expenditures that could reduce poverty and promote growth, but also potential revenue sources (Table 4.1). As of 2003, the expenditure tax (72.6 percent) yielded by far the highest proportion of revenues²¹. A category named "indirect taxes" yielded 7.4 percent. There is no income tax as such, although some service taxes are reported as income taxes (1.3 percent), and it is notable that the fiscal system delivered high transfers and distributions (12.4 percent). If the international trade sector contributing the expenditure taxes is composed of higher income groups, the current system would be promoting vertical equity and would be termed pro-poor. The key constraint is that revenue collection and the tax base are low, while any positive pro-poor tax incidence on the revenue side is likely to be nullified by the lack of expenditure side benefits. As discussed, budgetary expenditures that could generate pro-poor impacts are strained by the need to pay for growing government, police, and paramilitary expenditures to assure security, and substantial recurrent spending to build up a civil service for general administration.

²¹ The expenditure tax consists of customs duties in a mix of ad valorem and specific rates. Customs duties amount to US\$1.1 for 50 kg of rice, sugar, and flour, 65 cents for 18 kg of cooking oil, and 35 cents for 50 kg of cement. Export tax for sheep and goats is US\$1 per head. In addition, sales and production taxes are applied on imports. The rate of sales tax is 5 percent on the value of imports. There is a license tax for company registration. The Bossaso Port fee charge is US\$75 per dhow. Dhows owned by Somali nationals are allowed a reduction of 20 percent on the total charges. The loading fee is 20 cents per head of cattle, and the discharging fee amounts to 10 cents.

Table 4.1: Sources of Government Revenue and % Increase 2002–2003 (US\$ in millions)²²

Heads	2002	2003	Cash increase	Growth (%)	% of total 2003 revenue
Expenditure Tax	4.82 (72,374)	11.95 (179,307)	7.13 (106,933)	147.75	72.60
Indirect Tax	0.57 (8,518)	1.28 (19,180)	0.71 (10,662)	125.17	7.40
Income Tax	0.15 (2,248)	0.28 (4,128)	0.13 (1,880)	83.63	1.30
Government Property Fees	-	0.32 (4,829)	0.32 (4,829)	-	3.30
Government Service Charges	1.53 (22,909)	1.83 (27,436)	0.30 (4,528)	19.77	3.00
Transfers and Distributions	-	1.22 (18,311)	1.22 (18,311)	-	12.40
Total	7.07 (106,049)	16.88 (253,191)	9.81 (147,142)	138.75	100

Note: Figures in brackets are Somali shillings in millions (US\$1 = 15,000).

Source: Puntland Development and Research Centre (PDRC)/UNDP (Somalia Watching Brief (SWB)) 2004 and further computation

A discernible trend from the limited data on revenues shows that the expenditure tax is growing as a source of revenue. It grew at the highest rate among tax heads (147.8 percent) during 2002–2003, followed by indirect taxes at 125.2 percent. Overall government revenue grew by about 138.8 percent for the recorded data. This shows that trade-related taxes – the expenditure taxes – are a key revenue source for the current fiscal system.

Table 4.2: Expenditure Composition for Puntland State of Somalia

Head	Allocation	2003			2004		
		So.Sh	US\$	% Total	So.Sh	US\$	% Total
1.1	Presidency	13,671	0.70	5.4	14,795	0.91	5.6
1.1.0B	Paramilitary	85,319	4.38	33.7	73,738	4.53	28.0
1.3.0	Ministry of Finance	8,154	0.42	3.2	8,733	0.54	3.3
1.3.0A	General Expenses	72,439	3.72	28.6	75,604	4.65	28.7
1.4.0B	Police Force	34,182	1.75	13.5	37,837	2.33	14.4
Total		253,200	13	100	263,245	16.18	100

Note: Somali shillings and US dollars are in millions

Source: Puntland Ministry of Finance

The expenditure side is marked by the specific need to ensure a rebuilt government along with state security (Table 4.2). The presidency, which is responsible for paramilitary units, absorbed 40 percent of the expenditure in 2004. In 2003, 78 percent of the budget was spent on security, paramilitary salaries, logistics, and fuel, with the remaining 22 percent on civilian salaries. Only about 3 percent of the budget is estimated to fund education and health, universally accepted today as the key drivers of poverty reduction²³. It is estimated that for 2003, 2 percent was allocated to these sectors.

A structural fiscal problem thus exists both in the structure of revenues and the revenue base, and in the expenditure

²² *Analysis of Macroeconomic Situation in Puntland*, discussion paper, Somalia Watching Brief prepared by Puntland Research and Development Centre, UNDP Somalia, June 2004.

²³ *World Bank (2005), Country Economic Report for the Republic of Somalia*, p. 56

allocations. The functional composition of expenditures further weakens the system's pro-poor growth impacts. Recurrent expenditures dominate the budget. In 2003, this situation left only about 4 percent of expenditures for development. Taking all sectors together, salaries and allowances accounted for 66 percent of expenditure in 2002 and 61 percent in 2003. Key sectors that drive poverty reduction, such as health care, education, and water supply, are thus highly underfunded. From the analyses of revenue and expenditure, the overall fiscal management policy challenge for the FYDP is to promote growth in order to generate the resources needed to underpin security, while increasing the allocations to poverty reduction initiatives.

4.3.2 Monetary Policy and the Financial Sector

The primary function of the "central" bank (i.e. the State Bank of Puntland or SBP, established in 1997) is to act as treasurer, which includes accepting business and private accounts mainly for the accumulation of tax liabilities. A liberal financial system operates in the state, with a dual exchange rate subsystem that uses market rates for private transactions but a usually overvalued rate for government transactions. There is no formal commercial banking and the gap in the system has been filled by the so-called *Hawala* remittance companies. They provide interregional and international money transfers and foreign exchange conversion services, as well as current accounts with chequebooks and some savings and fixed deposit accounts. It is the financial service of choice for the large Somali diaspora in the United States, Canada, Europe, New Zealand, and the Far East. The financial system is dichotomous: the local (small) transactions predominantly use small denomination currency in Somali shillings, while larger commercial transactions and external payments use hard currencies – usually the US dollar.

Money supply and credit flows are mediated between two parallel authorities: the SBP and the *Hawala* remittance companies. The SBP increasingly performs a stabilisation role, but the financial sector and the market are fragmented. Before the establishment of the SBP, the foreign exchange rate was unstable. The practice of printing money by authorities in order to lend financial assistance to special business actors probably led to an excessive money supply, which the economy could not handle without inflationary pressures. As of 2006, however, the situation seems to have stabilised to some extent. Monetary authority and policy need much improvement towards a market orientation, in collaboration with the business community and the *Hawala* companies in particular. The boundaries of "regional" policy choices for monetary policy need to be understood in Puntland State of Somalia's unique context – it does not have a central banking authority or instruments (such as reserves and liquidity control).

The goals of the SBP include:

- 1) Controlling monetary charges in local and international circulation.
- 2) Promoting the purchasing power of the Somali shilling.
- 3) Printing new monetary notes.
- 4) Seeking aid funds for development prospects in Puntland.

There is a strong working relationship between the SBP and the Ministry of Finance. The MoF is the institution that sets the agenda and takes responsibility for controlling monetary policy. But some of the responsibilities, such as aid management, are difficult in the absence of a federal government. The existence of two parallel agencies in the monetary and financial system disconnects the key monetary sector indicators (inflation, exchange rate, and interest rate) and attempts to localise and replicate the functions of central banking in Somalia. These functions cannot properly be exercised in Puntland State of Somalia in isolation from Somalia as a whole. In the long run, the monetary authorities could consider the need for local monetary authority to be strengthened to manage official foreign reserves, overall liquidity, inflation, and the interest rate, along the lines of US Federal Reserve-type arrangements. There is thus some urgency to study and redress the situation during the five-year plan (2007–2011).

Inflation, one of the three monetary indicators, presents problems that must be addressed. The lead factors impacting inflation in Puntland State of Somalia are as follows:

- Money printing by authorities without a coordinating framework with *Hawala* companies.
- Fiscal policy aimed only at increasing revenues without analysing the tax potential, taxable capacity, and fiscal incidences within the population, including impacts on poverty and inequality.
- Counterfeit currency introduced into the market, especially from Mogadishu.
- Absence of an effective price policy.

Issues surrounding the foreign exchange rate and the interest rate must also be dealt with. Currently, the cost of money is not set by the SBP, and the deposit and money-lending/borrowing process is not functioning in a satisfactory market. Inflows of remittances and other capital through the *Hawala* system are not coordinated with the money supply the SBP is issuing. This cuts the potential power of monetary policy links among inflation, interest rates, and foreign exchange rates.

4.4 Productive Sectors

4.4.1 Livestock

Pastoralism remains a key driver of economic activity. As per the official estimates, it contributes to 40 percent of GDP, 60 percent of employment, and about 80 percent of foreign exchange earnings. The livestock sector is dominated by sheep and goats, which have a niche market in the countries of the Arabian Peninsula. The sector not only provides livelihoods but also a strong food market for rural and urban areas. Yet the sector operates in a fragile environment with no permanent rivers, severe droughts, and a poor infrastructure that badly serves the burgeoning exports of livestock and livestock products. Pastoralists surviving in the arid and semi-arid environment have for centuries managed seasonal migratory patterns governed by prolonged dry seasons and the droughts that occur with a periodicity of about five years, causing wells and water points to dry up. Still, the drought of 2001–2004 exposed pressing problems for the sector: shrinking pastoral land, diminishing forest cover, overgrazing resulting from the lack of rangeland management, etc. The number of live animals dropped to 13 million in 2003 from 29 million in 2001, a decrease of 55 percent in just three years.

4.4.2 Fisheries

The fisheries sector has substantial untapped potential along the 1,640 km coastline of Puntland State of Somalia, which makes up about half of Somalia's overall coastline. Studies show that the potential has never been tapped beyond 7 percent, at peak.²⁴ An assessment of fishery stocks suggested there were 646,000 tons of various species of fish available along Somalia's entire coast. About 63 percent of these stocks are found off the coast of Puntland State of Somalia (see Chapter V). A feasibility study of Puntland fisheries exists and should guide future developments in the sector.²⁵ It shows that the war brought many IDPs into the fishing industry of the state of Puntland, and that the available fishing gear and boats have tripled. The 2006 annual artisanal fisheries harvest alone (for export to neighbouring countries) was 342.39 tons, revealing the potential of the industry. However, both the artisanal and the commercial fishery subsectors face longstanding constraints. Infrastructure and proper storage to service local and hinterland markets have not improved. Markets for fish products remain limited locally. The 2004 tsunami meanwhile severely damaged the sector, with an estimated loss of US\$23.6 million; it rendered about 16,720 families homeless.

The commercial or industrial subsector remains insulated from any scrutiny of accounts and data on catches. Boats operate only on the strength of licenses issued by the Ministry of Fishery. Among the leading players in this subsector are licensed Yemeni and Egyptian vessels, which export their products. There are no patrols, creating opportunities for illegal fishing in Puntland waters. Ships reportedly use internationally prohibited fishing methods that involve drift nets and dynamite, which break coral reefs and destroy the habitat of lobster and other marine crustaceans and fish. The illegal activities negatively impact artisanal fishing and reduce local catch.

4.4.3 Agriculture

Agriculture makes a relatively small contribution to the GDP in Puntland State of Somalia. Among the producing areas in Puntland State of Somalia, Iskusiuban, the largest district, produces tomatoes, onions, hot peppers, guavas, lemons, limes, etc. Vegetables and fruits are also grown in Galgala, Nugal, and Dharor valleys, the Sanag highlands, and Kubo (Gardo). The best agricultural method involves irrigation using two natural springs near Iskusiuban. These form a river in a valley with very rich soil, extending east for almost 20 km. Agriculture has great potential *prima facie*, given the large availability of arable land and the untapped potential of rainwater harvesting and water and soil conservation techniques. In recent times, the influx of IDPs has spurred demand for domestic agricultural produce, but it also brought skills in farming for sorghum and beans. Meanwhile, frankincense trees are spread over a vast mountainous territory in the state of Puntland. Two types of commercial frankincense are collected – *Maydi* (*boswellia frereana*) and *Beeyo* (*boswellia sacra*).

²⁴ World Bank (2005, p. 101)

²⁵ See UNDP (2005), *Feasibility Study on the Fisheries Sector in Puntland*

4.5 Industry

As in the rest of Somalia, industry in the state of Puntland has a pre-1991 history of state ownership and management. Productivity was low. Today, the sector comprises mostly privately owned manufacturing and construction subsectors. The industrial enterprise base is at its embryonic stage of development, mainly composed of a growing number of recently established, small-scale manufacturing factories. While a vibrant group of entrepreneurs owns most of these factories, others are established under the strict ownership and management of cooperatives formed by local communities. To the extent that these plants play a role in import substitution, they add local jobs and incomes and improve the trade balance. Economic recovery is changing the structure and landscape of the construction and housing sector, with increased remittances from the diaspora and relative peace and stability in the state fuelling growth. The construction boom is clearly seen in towns like Bossaso, Garowe, Galkacyo, Las-anod, Badhan, Armo, and Buhodle. Multiplier impacts and inter-sectoral linkages have created additional incomes and second-round layers of economic activity, with construction-related goods and services like carpentry, welding, brick and block manufacture, etc.

However, the development of the sector cannot be achieved without governmental support to provide an enabling legal framework and the necessary facilities and services. In the initial phase, the “wage-goods model” can be promoted through low- and medium-sized industrial and traditional craft production that exploits natural resources and domestic materials. It can be aimed at capturing local markets and can alleviate poverty by creating job opportunities. Supporting manufacturing plants that produce goods for export could be the next target. This would reduce the heavy reliance on imported raw materials and intermediate goods, which raises production costs and the price of the final product. The overall development of the industrial sector in the state calls for a comprehensive industrial policy that provides an enabling environment for the private sector to grow and flourish, attract investments in basic infrastructure (directly or through public-private partnerships), and promote selected growth centres (e.g. for livestock, fisheries, and construction).

4.6 Physical Infrastructure

Infrastructure in Puntland State of Somalia is limited to an international port, a paved road, some airstrips, and a network of access routes to the seashore, where fishing communities have settled. Towns have electricity and telephone facilities. An international phone call costs 50 cents per minute, one of the cheapest rates in Africa. Water provision services operate privately, as do air, sea, and land transportation services. Puntland State of Somalia has good international airline connections to its main urban centres – Bosasso, Garowe, and Galkacyo. Only the Galkacyo airport (a former military airport) is equipped with a tarmac airstrip. It is not yet intensively used, despite the existence of a well-known slaughterhouse there that exports chilled meat to the United Arab Emirates (UAE).



4.7 Services

Private sector services have expanded, while public services lag behind due to meagre fiscal resources and low capacity. Private sector services comprise wholesale and retail trade, hotels, restaurants, transport and communications, financial services, etc. Puntlanders have a long-standing tradition of undertaking business ventures with the rest of the world. The post-civil conflict era has spawned massive growth of financial services based on the remittances and investment from the Somali diaspora all over the world. Yet the growth of such services would undoubtedly be better off with some regulation and government support. The public sector could initiate and facilitate marketing strategies for local products, especially by providing marketing intelligence²⁶. In order for the private sector to fully participate in development and economic diversification, the government needs to improve the environment for investment during the FYDP intervention period. This includes reforming regulations to ensure a free market economy (including property rights and contract laws).

4.8 International Trade

Trade has survived state failure to become an important sector of the Puntland State of Somalia economy. The growth of remittances, financial services (as a substitute for commercial banking), and the telecommunications sector has helped to drive trade. The importance of trade for the economy is underlined by the current efforts of the authorities to establish an Investment Promotion Centre and an Export Promotion Centre. Key exports are related to livestock, as well as fishery and agriculture (Table 4.3). The value of sheep, goat, and cattle exports rose substantially from 2001 to 2003, while the export of camels stagnated (Figure 4.1). The value of sheep and goat exports declined between 2003 and 2004 due to a decline in quantity and prices, while the price of cattle increased. The quantity of exports has again gone up during 2004, though price data is lacking.

Table 4.3: Major Exports of Puntland State of Somalia

Item	2000	2001	2002	2003	2004	2005
Goats/sheep (heads)	571,455	548,853	1,412,450	1,483,409	1,103,480	1,594,859
Cattle (heads)	27,604	42,247	53,313	71,328	80,094	91,910
Camels (heads)	8,177	1,950	9,720	4,259	2,488	26,109
Hides/skins (bundles)	186,400	177,685	201,278	293,413	90,776	100,594
Other gen. cargo (tons)	110	15,337	987	165,179	13,559	188
Chilled meat (heads)*	N/A	170,377	333,967	326,270	N/A	N/A

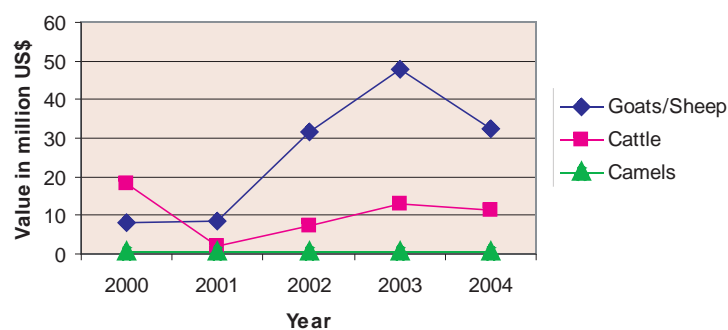
Source: Bossaso Port Authority, *Mubarak-2 Slaughterhouse – Galkacyo, *Puntland Facts and Figures, 2006*.

In the fisheries sector, lobster tails, shark fins, and shark meat are currently being exported to Dubai (UAE) and Kenya. A working arrangement that is beneficial to local fisheries involves Yemeni commercial fishing activities in Puntland. Ninety percent of the Yemeni “mother” vessels obtain their catches from national fishing boats and fishing settlements²⁷. Although their activities are unknown, it is clear that the Yemeni fleet earns a profit as the intermediary between the local negotiated prices and the higher prices available in the markets of the Arabian Peninsula. Dubai is a major price maker through facilitating value additions in reprocessing.

²⁶ World Bank Country Economic Report for the Republic of Somalia 2005

²⁷ UNDP (2005), *Poverty Reduction and Economic Recovery: Feasibility Study on the Fisheries Sector in Puntland*

Figure 4.1: Value of Livestock Exports



Source: Puntland Facts and Figures, 2006

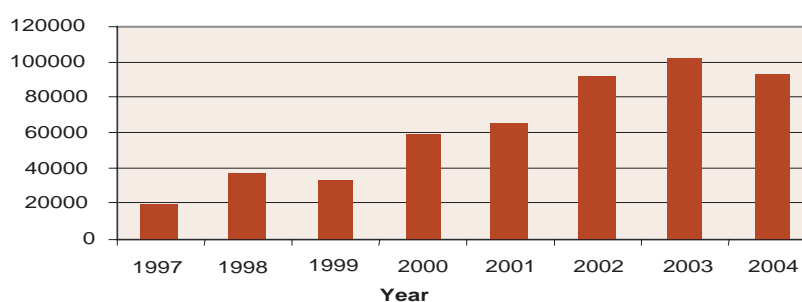
Table 4.4 shows Puntland State of Somalia's imports in recent years. General cargo and construction materials are the largest imports. A major economic obstacle is trade involving *khat*, a popular but addictive stimulant imported and consumed at substantial financial and social cost to the society. It is important to note that imports of construction materials have risen significantly in recent years (Figure 4.2).

Table 4.4: Major Puntland State of Somalia Imports (in tons)

Items	2000	2001	2002	2003	2004	2005
Sugar	19,054	16,905	33,964	54,863	69,577	54,701
Rice	26,209	22,531	46,535	47,771	57,635	53,946
Flour	27,386	24,060	29,326	40,099	48,529	33,909
Construction materials	59,575	64,226	91,329	102,043	92,894	90,532
Diesel	16,707	15,219	25,398	29,323	36,195	34,353
Bagged cargo	2,812	1,360	6,001	3,333	7,057	8,817
General cargo	93,374	49,277	45,777	64,531	46,824	79,208

Source: Bossaso Port Authority

Figure 4.2: Annual Construction Material Imports through Bossaso Port



Source: Bossaso Port Statistics (MOPIC)

²⁸ Data taken from *Econo Puntland Facts and Figures, 2006*

4.9 Key Macro-policy Options for the FYDP

4.9.1 Fiscal Policy

Puntland State of Somalia's medium-term challenges in fiscal policy will be dominated by the need to restructure the costs of government and control and maintain fiscal balances at sustainable levels. The fiscal deficit rose from 25 percent of revenues in 2002 to 40 percent in 2004. The budget for 2005 is indicative of the efforts that need to be made in the medium term to fund development while controlling deficits. Puntland State of Somalia had a budget of US\$16 million (240 billion Somali shillings), around 68 percent of which was scheduled expenditures on salaries and allowances. This was the result of the enlargement of the civil service to about 11,000 to absorb demobilised clan militia. The large public wage bill squeezes expenditures on public services and the health and education sectors receive highly inadequate amounts, about 2.8 percent of the budget. Planned wealth creation during the FYDP should bring as key by-products the restructuring of core spending to sustain security, but also a shift towards growth-promoting fiscal spending. Growth would underpin the creation of employment, income, and a wider tax base. From the current excessive dependence on expenditure taxes (mainly customs duties), the authorities will diversify the sources of revenue in several ways:

- Undertaking studies for potentially widening and diversifying the tax base.
- Undertaking measures to lower tax non-compliance or evasion.
- Establishing a strong tax administration and skills base.
- Developing a taxpayer identification system, including a framework of general accounts for large and small taxpayers.
- Establishing an import verification system.
- Strengthening the tax audit system.
- Undertaking studies of revenue incidence, expenditure incidence, and overall fiscal incidence, aimed at ensuring that the overall system supports growth with poverty reduction and security.

A key plank of the fiscal strategy to reduce poverty will be to expand revenue gains and expenditures towards pro-poor expenditures and the social sector in particular. To promote wealth creation, infrastructure and security for the livestock sector will be increased, as well as the creation of a policy framework to support veterinary services and the expansion of slaughterhouses, livestock transit stations, tanneries, and other value-adding activities of the sector.

4.9.2 Monetary Policy and the Financial Sector

In Puntland State of Somalia, there is a lack of foreign exchange reserves within the framework of central banking and an inability to command and control a monetary base through manipulating local currency, remittances, and other capital flows and foreign transactions. As such, the feasibility of a comprehensive monetary policy authority will be difficult in the FYDP period. A pegged exchange rate regime, for example, is not an option in Puntland State of Somalia. The state should abolish the current dual exchange rate system, as it distorts economic activity by providing opportunities and incentives for rent-seeking behaviour. This distortion would disappear if a framework was pursued of operating the regional economy through a fully flexible exchange rate regime with adequate safeguards. The usually overvalued rate for government transactions is known to permit well-connected agents to profit from transactions made at the market-related rate applied in the private sector. The dual exchange rate also hurts revenue collection efforts, as trade taxes are a major part of total revenues.

In contrast, it is practical in the FYDP outlook to maintain the current dual currency system – local currency bills for low-value transactions and foreign currency bills or bank accounts for bigger transactions, precautionary balances, and savings, etc. Puntland State of Somalia is effectively running an open capital account by default. But the inflows are highly beneficial. Local incomes (and households) benefit from remittances; and remittance-based investment inflows into real estate and other activities are unlikely to become economically destabilising, as they are normally one-way flows rather than speculative “hot money” (on the short-term capital account) that usually pursues government short-term debt in other countries of the region such as Kenya.

The same cannot be said of the remittance companies. They may continue in the FYDP outlook to provide sophisticated and wide-ranging services that connect diaspora resources to local investment and local household consumption. Interest is not charged (for religious reasons) and the preference is for direct involvement with the borrower. If left unaddressed, these features will retard private sector investment and growth. A possible medium-term solution is to develop the remittance system towards the paradigm of savings societies and Rotating Savings and Credit Associations (ROSCAS). Puntland State of Somalia should encourage and license some commercial

banks, possibly in joint ventures with investors in the diaspora or with external banks. This approach will generate deposits, credit, and lending for investment. It will be more amenable to regulation and exhortation to “best practices” and will avail new business transactions such as trade finance and Letters of Credit.

4.9.3 Private Sector Policy Options

The private sector in Puntland State of Somalia largely proved its tenacity during the economic recovery from the post-civil war crisis. But the private sector cannot profitably provide pure public goods such as health and education for the poor. Such services remain restricted to a small part of the population, provided through domestic and international NGOs. Persistent insecurity in many regions, imperfect competition, high business transaction costs, externalities, and coordination failures call for greater efficiency and market outcomes, which are unavailable in a stateless situation without regulation. Examples abound of the unavoidable harm done to the economy in the absence of a viable government: the disasters in the fisheries sector; the environmental harm done by rampant illegal charcoal exports to the Arabian Peninsula; the inability of production to meet domestic and international quality standards; and the inability to organize assistance for the victims of the tsunami disaster.

The FYDP proposes two broad objectives for private sector development:

- *Private sector assessments and policies*
Public institutions should focus on sector-by-sector assessments of the private sector (infrastructure, financial activity, electricity, communications, etc.) in order to develop policies that facilitate rather than control the activities.
- *Lowering transaction costs*
The state should establish mechanisms aimed at overcoming the obstacles and high transaction costs due to Somali administrative structures not being recognised. The objective is to ease constraints surrounding unrecognised Somali travel documents and an unrecognised quality control and health certification process for livestock to be exported. Other issues to be addressed include access to normal international business instruments such as Letters of Credit, insurance for cargo in transit, visas and travel documents for businessmen, etc. These factors will be critical for the growth and development of the private sector.

4.10 Mobilisation of Financial Resources for Growth

FYDP Aggregate Resource Envelope

The potential aggregate resource envelope for financing the FYDP is presented in Table 4.5 below. The resolution of the government to push forward its development process necessitates increased budgetary support for planning. External sector possibilities are also taken into account to arrive at the resource projections.

Table 4.5: Aggregate Resource Envelope: FYDP 2007–2011

	Base year 2006	2007	2008	2009	2010	2011
A. Budget Total: 2007-2011¹	252.2 (16.81)	269.3 (17.95)	281.23 (18.75)	293.2 (19.55)	307.49 (20.5)	323.1 (21.54)
Additional Resource Mobilisation (ARM)						
1. Recapturing of uncollected inland taxes (direct, indirect, property) ²	31.00	(8%) 2.5	(3%) 0.93	(2%) 0.62	(1.5%) 0.47	(1%) 0.31
2. Transfers (fishery, bilateral grants); fixed rate of 18 billion ³	10.30	18	18	18	18	18
3. Development budget ⁴ (increment of 1.5 billion per year)	6.36	7.8	9.3	10.8	12.3	13.8
Development Funds Subtotal		28.30	28.23	29.42	30.77	31.31
Additional Taxes⁵		5.40	5.40	5.40	5.40	5.40
B. Development Funds Total Budgetary Sources		33.70 (2.25)	33.63 (2.24)	34.82 (2.32)	36.10 (2.41)	36.71 (2.45)
Development Funds as % of Total Budget		12.51%	11.96%	11.88%	11.74%	11.36%
C. Diaspora Sectoral Development Project Fund⁶	11.3	11.53	11.76	11.99	12.23	12.48
D. Aid/Humanitarian Assistance⁷	216	216	1275.00	1275.00	1275.00	1275.00
Potential Aggregate Development Envelope (B+C+D)		261.23 (17.42)	1320.39 (88.03)	1321.81 (88.12)	1323.33 (88.22)	1324.19 (88.28)

Source: base figures – MoF, 2006

Notes: Figures for So.Sh are in billions; US\$ are in brackets, in millions

(1) Total budget including development budget. (2) Effective tax administration and enforcement, which would bring additional revenues of 2.5 billion in 2007 (8 percent increase from the baseline, which will be progressively declining to 1 percent by the terminal year 2011). (3) Bilateral grants and royalties from the fisheries sector would increase from 10.3 billion in 2006 to 18 billion in 2011, at a fixed rate toll. (4) The development budget would increase progressively from the baseline of 6.36 in 2006 to 13.8 in 2011. (5) Additional taxes on luxury items like cars, selected electronics, and tobacco and tobacco products. (6) An amount of US\$1.5 million has been provided by the government towards extra budgetary support of a social development project supported by the diaspora for 2005–2006; it is assumed that US\$753,200 per annum for 2005 and 2006 would grow at a rate of 2 percent through concerted efforts of resource mobilisation towards the development cause. (7) The total aid flow during 2006 is estimated at US\$40 per capita, amounting to US\$96 million – of which about 85 percent is assumed to be used for humanitarian and relief assistance and operational expenses, while the remaining 15 percent is estimated towards development activities (it is estimated that the official development assistance to Somalia in 2003 was US\$272 million, a per capita amount of US\$43; this was taken as the base for 2006). From the year 2008, the overall development assistance would go up to US\$170 million, including the proposed RDP assistance, of which 50 percent would go towards development activities and would continue during the plan period. This is in order to arrive at the aggregate resource envelope and is not to be taken as the annual plan resource availability, as it is outside the budgetary resources.

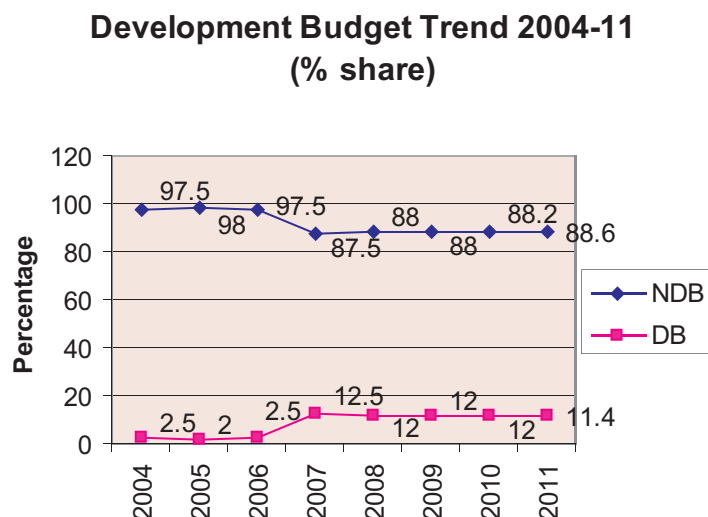
4.11 Financing Plan for Growth

With the above analysis as a backdrop, possible resource scenarios must be worked out for financing the plan. Scenario A (Figure 4.3) highlights past trends and projections for the FYDP based on the estimates arrived at with the Ministry of Finance. Under that scenario, only budgetary sources are taken into consideration. Under Scenario B (Figure 4.4), both budgetary and extraneous sources are examined. Neither scenario accounts for the private sector, as it is outside the public finance net. However, it could be realistically assumed that the private investments would continue to grow, leading to further growth momentum and multiplier effects, in terms of both income and employment.

Scenario A: With Budgetary Resources

The FYDP 2007–2011, beginning with the 2007 Annual Plan, should be marked by significant deviation from the past, in terms of a visible increase in the development budget as a percentage share of the overall budgetary allocation. This will be coupled with a corresponding fall in the share of the non-development budget, as can be seen in the graph below. In absolute terms, however, the trend shows the development and non-development budgets increasing, indicating growing outlay and resource mobilisation efforts.

Figure 4.3: Scenario A

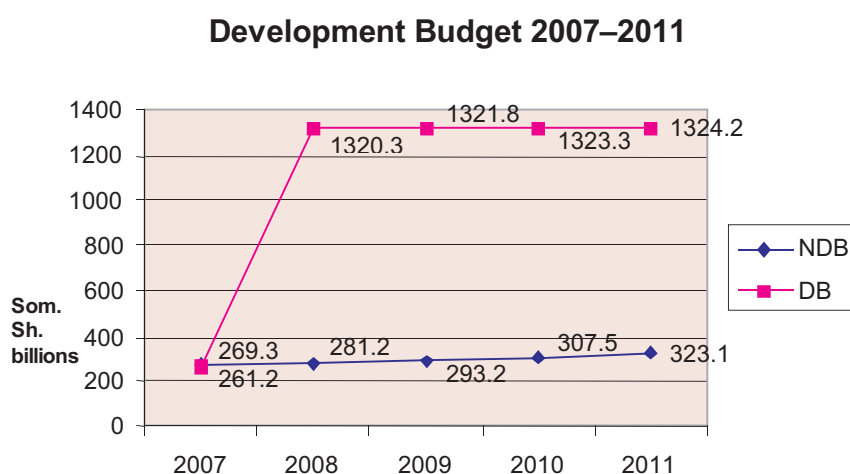


Note: NDB is the non-development budget; DB is the development budget

Scenario B: With Budgetary and External Resources

Under this scenario, realistic projections are made through the incorporation of external resource possibilities. The assumption here is that external support would almost double during the period from 2007, under the proposed RDP coupled with the development support of the Somali diaspora.

Figure 4.4: Scenario B



Note: NDB is the non-development budget; DB is the development budget

It can be seen that by incorporating the external sector support into the development process, the size of the development plan (development budget plus external developmental assistance/aid) would outpace the normal

revenue budget by almost double. The budget could go from 97% in 2007 to around 469% during the rest of the FYDP period, assuming the availability of RDP assistance.

4.11.1 Remittances

Puntland has enjoyed substantial remittances from the Somali diaspora²⁹. Remittances amounted to about US\$825 million in 2004 (about US\$113 per capita), almost three times the Official Development Assistance (US\$272 million in 2003; per capita US\$43). In Puntland, Somalis in the diaspora have led private sector investment with companies like the successful money transfer company Amal Express, or the telecommunications company Goolis (formerly Betelco/Puntland), which started in the late 1990s. Remittances over the past decade, estimated at between US\$350–700 million annually (an average of US\$87.5 per capita), have partially offset a larger drop in per capita output. Remittances are increasingly invested in small businesses, real estate, and to some degree social services, and therefore substitute for long-term and short-term capital flows in Puntland's regional balance of payments. They should be facilitated and encouraged within the framework of the FYDP.

4.11.2 Aid

A dubious, if important, macroeconomic dividend of the civil conflict is that domestic and external borrowing dried up. Public debt has not played a significant part in financing government or gross investment in Puntland. Taken together with the lack of regional central banking (save for the treasury role of SBP), the situation has promoted recovery without debt and the deepening of security and government over the past nine years. Yet, in the face of mass poverty, a fragile revenue base, security requirements (which squeeze the allocation of expenditures), and the rebuilding of government services, it is realistic to seek and apply external resources during the FYDP. Investments need to be made towards projects that will help reduce poverty and target MDG objectives. In order not to enhance debt servicing in a fragile budget already burdened by a weak revenue base, the strategy should be to seek donor assistance. Official or private credits and the transaction of future debt with the rest of the world should be avoided.

4.12 Modelling the Five-Year Development Plan³⁰

In general, economic modelling creates a simulation through which policymakers can understand the workings of the economy and also influence development through economic policy. Macro-models are used for economic parameter forecasting. Creation of a macro-model with statistical methods based on historical data research can reveal complex economic correlations that are expressed as mathematical ratios and that can help project economic aggregates and indicators. However, the majority of existing macro-models generate forecasts based on simple linear dependences.

Macro-modelling for the Puntland State of Somalia economy presents several hurdles. The state of Puntland is a regional economy of Somalia that trades with the external world. Important variables such as the interest rate, the exchange rate, and inflation cannot be determined endogenously within the state. Modelling of regional economic growth and prospects has to combine economic theory with concepts borrowed from economic base theory, which estimates and projects economic activity in the region relative to the rest of Somalia and the rest of the world. This can help discover how best to plan for regional advantages in economic relations (as they are today). The paucity of data and information in Puntland State of Somalia are a major constraint. Output and payroll data would be ideal for forecasting medium-term output, but these are not available. Key historical records such as national accounts statistics are scarce. On the other hand, as a rule, models do form a key foundation for the decision-making process.

4.12.1 Macroeconomic Theory and Expected Sources of Growth

After a review of the basic elements of model building, there are further sophistications that allow estimates on the economy. This theoretical and quantitative work is developed in Annex I. The sources of growth in Puntland State of Somalia are investigated using employment data for the employed, economically active population (UNDP and the World Bank, 2002). The categories are agriculture, livestock, construction, wage employment, business/trade, and "others" (small-scale operators and mostly low-income groups in the economy – fishermen, salt miners, tailors, repairmen, etc.).

²⁹ The "franco valuta" remittance system was used in the early years of the sector. Emigrants paid for high-value imported goods and the importer would trade with the goods locally and remit the foreign exchange value of the imports (in local currency) to the beneficiary family.

³⁰ Annex I gives a detailed presentation of the macro-theory and economic base methods used.

4.12.2 A Macroeconomic Framework

Annex II describes the macroeconomic foundations of the analysis and the estimates for the economy, starting with a simple Keynesian framework. The multiplier is used as a central organizing concept. Given that the Puntland State of Somalia authorities cannot exercise monetary policy, it is unrealistic to attempt to develop from within variables such as investment, which would have to be determined by the interest rate – this in turn depends on the movements between money supply and the demand for money. Theoretical links between the Keynesian framework and economic base theory have been used to undertake empirical analyses of regional growth prospects during the FYDP.

Economic Base Theory: Determining the Core Sectors of the Economy

Economic base theory assumes that the local economy can be divided into two general sectors.

1) The basic sector is largely dependent on non-local, external demand, factors, and business conditions. Growth of the basic sector propels wealth creation locally and promotes the stability and growth of the local economy. Puntland State of Somalia, for example, is highly dependent upon the export market for the growth of the livestock and fisheries sectors and the existence of many jobs in the business/trade sector (as well as petty small-scale businesses).

2) The non-basic sector is largely dependent on local, internal demand, factors, and business conditions. Non-basic activities produce and sell their goods or services to local residents. In open-economy macroeconomics, the approximation is non-traded goods – services such as home construction, staple food cultivation, etc. Grocery stores, construction, most services, etc, depend on local demand and business conditions.

Economic base theory treats the basic sector as the engine of growth and it is therefore the prime focus for output and employment growth, as well as development. The growth and development of firms that sell goods and services primarily to external markets strengthen the economy; in contrast, the narrowness of the local market and economic slumps limit locally oriented firms. A strong basic sector thus is also a buffer against recession in the domestic economy. Inherent in economic base analysis is an assumption of a cause-and-effect relationship between basic and non-basic activities. The assumption is that as money comes into the local economy through a basic activity, it is then available for recirculation within the local economy through non-basic activities. Growth cannot occur through simple recirculation of the same money, but only results from a net inflow of money to the economy.

Analytical Techniques

There is unfortunately no ideal measurement for output or income in economic base analysis. The most frequently used measurement unit is employment, due to easier access to data. Other measures are payroll, sales, and output, if available. The economic base approach uses a number of techniques that are described in some detail in Annex I. In summary, the method for assessing the impact of the base sector on the regional economy is the base multiplier. The index provides an insight into the question: how many non-basic jobs does one basic job create? It is calculated as:

$$\text{Base Multiplier} = \frac{\text{Total Employment Year } i}{\text{Basic Employment Year } i}$$

As an example, one could find the results:

$$\text{Base Multiplier} = \frac{\text{Total Employment Year } i}{\text{Basic Employment Year } i} = \frac{18,000}{10,900} = 1.65$$

The above base multiplier estimates that for every one basic sector job created by growth in the sector, 0.65 non-basic sector jobs are created, or for every 100 basic jobs created, we expect 65 non-basic sector jobs. There are a number of techniques for analysing the local economy in the basic/non-basic spheres of economic activity:

- The Assumption technique (the simplest technique);
- The Location Quotient technique (with greater complexity); and
- The Minimum Requirements technique (the most complex).

The FYDP uses the Location Quotient (LQ) technique, the most widely used and compelling method for

estimating export-related employment (or income). The technique compares the local economy to the reference or “benchmark” economy and is able to map and identify the structure and specialisations of the local economy. Using the LQ ratio (see Annex II for details), the possible outcomes are:

- LQ = 1: The region has the same proportion of its employment in the sector as the nation.
- LQ < 1: The region is not producing enough to meet local needs – a key indicator for import substitution strategies.
- LQ > 1: The region has a larger proportion of its employment in the sector than does the nation.
- LQ = 3: The region has three-quarters of the sector’s employment devoted to export production.

Estimation Techniques and Results for the FYDP

Annex II presents the techniques of estimation and the results for Puntland State of Somalia; the estimates are based on population and employment indicators (also presented in the annex). The analyses focused on agriculture, livestock, construction, wage employment, business/trade, and “others”. In a rerun of the model, we recalibrated the category “others” to focus on the fisheries sector that was surveyed in the category. The estimates yielded the Location Quotients and interpretations given in Table 4.8.

With “others” aggregated, the highest coefficient of specialisation in Puntland State of Somalia is in that category, followed by livestock, business/trade, and wage employment.³¹ This is indicative of areas where economic activity in Puntland State of Somalia is crucially dependent on links with Somalia and with the rest of the world. The results also indicate that Puntland State of Somalia can develop these areas as niche “centres of expertise” or “engines of growth”. However, the region is not producing enough to meet local needs in agriculture, and construction growth is not meeting local needs. These are key indicators for the removal of constraints that impinge on the development of local agricultural supplies and local construction. Coefficients of specialisation for “others”, livestock, business/trade, and wage employment all meet local demand and generate some export-related jobs. The largest number of jobs is accounted for by the livestock category where, with a sector share of 51.2 percent, the current basic employment created is 41,938 jobs. But relative to its smaller sector share of only 12.6 percent, the category “others” performs proportionately better than livestock, with 12,451 jobs.

Table 4.7 is developed based on disaggregating the category “others”, which largely reflects commercial and artisanal fishing. The category also represents tradespeople and small businesspeople (e.g. livestock brokers, salt miners, traders, tailors, repairmen, etc). After livestock and business/trade, with respective shares of 51.2 percent and 21.3 percent of total employment in Puntland State of Somalia, fishing is the third biggest employer with a 9 percent share. In comparison, the national shares for the same lines of economic activity are 29.4, 19.4, and 1.3 percent, respectively. The LQ in fishing is thus of far greater importance in Puntland State of Somalia than nationally, and its potential for development and growth is critical. It turns out that the fisheries sector dominates the “others” category, generating basic employment of 14,878. This figure is proportionally higher than that of jobs created in the much larger livestock sector.

An important overall finding is that the base multiplier is 3.234. This suggests that Puntland State of Somalia’s basic sector is strong and has the potential to drive medium-term growth. For every one basic sector job created, over three non-basic sector jobs are created, most intensely in the following categories: “others”, livestock, business/trade, and wage employment, in that ranking. If poverty-reducing growth were to take place within the FYDP in the medium term, the employment and incomes would benefit most the category “others”: small-scale operators and probably low-income groups in the economy – fishermen, salt miners, tailors, repairmen, etc. Sectors that would gain little from basic sector economic activity are agriculture and construction. It should be noted that agriculture and the basic sector of livestock are closely linked. The basic sector thus is a major factor in the development of the Puntland State of Somalia economy during the FYDP.

Two scenarios are used for projecting the employment potential: an upper case scenario of a 5 percent growth rate and a lower case scenario of a 2.5 percent rate. The methods for performing the projections are presented in Annex I. The projection of outlook for the medium term is conducted utilising the Constant Share technique.

³¹ See the section in Annex II describing the category “others”. It should be noted that the beneficiaries of the growth of the basic sector are by and large small-scale, lower income groups: fishermen, repairmen, salt miners, livestock brokers, tailors, etc. In this regard, the basic sector could reduce poverty and it may promote livelihoods.

Table 4.6: Location Quotients for the Main Sectors of the Puntland State of Somalia Economy (with a focus on fisheries)

Sector	Share of Employment	Location Quotient	Classification	Basic Employment (Estimated)	Interpretation
Agriculture	6.4	0.18	LQ < 1	0	The region of Puntland is producing far below the output needed to meet local needs
Livestock	51.2	1.74	LQ > 1	41,938	The region of Puntland has a larger proportion of its employment in the sector than does the Somali nation
Construction	0.4	0.18	LQ < 1	0	The region of Puntland is producing far below the output needed to meet local needs
Wage Employment	8.1	1.08	LQ > 1	1,172	The region of Puntland generates about the same proportion of its employment in the sector as the Somali nation
Business/Trade	21.3	1.10	LQ > 1	3,766	The region of Puntland generates about the same proportion of its employment in the sector as the Somali nation
Fishing	9.0	7.04	LQ > 1	14,878	The region of Puntland has a larger proportion of its employment in the sector than does the Somali nation
Others	3.5	0.74	LQ < 1	0	The region of Puntland is producing well below the output needed to meet local needs

Source: *Projections for the Puntland State of Somalia Economy: 2003–2012*

Taking an upper case scenario, the technique first assumes that the core sectors used in the analysis will grow nationally by 5 percent per annum to 2012 (Table 4.8). These estimates project that we should expect about 121,000 additional jobs to be created by 2012. The greatest increase will be in livestock (about 62,000 jobs), followed by the business/trade sector (about 26,000 jobs) and the “others” category (about 15,000 jobs). The lower case scenario assumes that the core sectors used in the analysis will grow nationally by 2.5 percent per annum to 2012 (Table 4.9). These estimates project that we should expect about 54,000 additional jobs to be created by 2012. The greatest increase will be in livestock (about 28,000 jobs), followed by the business/trade sector (about 12,000 jobs) and the “others” category (about 7,000 jobs).

Table 4.7: Projected Medium-Term Employment Growth of the Puntland State of Somalia Economy:2003–2012 (Upper Case Scenario – 5 Percent Growth Rate)

Sector	National Total No.(2002)	Puntland Total No.(2002)	Puntland Share	National Proj. No.(2012)	National Growth To 2012	Puntland Proj.	Puntland New Jobs
Agriculture	742,631.6	12,219.8	0.0165	1,209,668.6	0.6289	19,904.7	7,684.9
Livestock	615,230.9	98,302.8	0.1598	1,002,146.3	0.6289	160,124.8	61,822.1
Construction	46,827.7	780.6	0.0167	76,277.5	0.6289	1,271.4	490.9
Wage Empl.	156,456.9	15,505.6	0.0991	254,851.9	0.6289	25,256.9	9,751.4

Business/Trade	405,755.7	40,939.4	0.1009	660,933.2	0.6289	66,686.0	25,746.6
Others	127,279.8	24,111.7	0.1894	207,325.4	0.6289	39,275.5	15,163.7
Total	2,094,182.6	191,859.8	0.0916	3,411,202.8	0.6289	312,519.4	120,659.6

Table 4.8: Projected Medium-Term Employment Growth of the Puntland State of Somalia Economy: 2003–2012
(Lower Case Scenario – 2.5 Percent Growth Rate)

Sector	National Total No.(2002)	Puntland Total No.(2002)	Puntland Share	National Proj. No.(2012)	National Growth To 2012	Puntland Proj.	Puntland New Jobs
Agriculture	742,631.6	12,219.8	0.0165	950,631.2	0.2801	15,642.3	3,422.6
Livestock	615,230.9	98,302.8	0.1598	787,547.5	0.2801	125,835.8	27,533.1
Construction	46,827.7	780.6	0.0167	59,943.5	0.2801	999.2	218.6
Wage Empl.	156,456.9	15,505.6	0.0991	200,278.1	0.2801	19,848.4	4,342.9
Business/Trade	405,755.7	40,939.4	0.1009	519,401.6	0.2801	52,405.9	11,466.5
Others	127,279.8	24,111.7	0.1894	162,929.0	0.2801	30,865.1	6,753.3
Total	2,094,182.6	191,859.8	0.0916	2,680,730.8	0.2801	245,596.8	53,737.0

4.13 Strategic Summary

Macroeconomic indicators and their performance set the pace of economic growth. In the absence of systematic data collection and analysis, it is difficult to assess Puntland State of Somalia's macro picture. Whatever little information is available indicates that, though the state has economic potential, it is not utilised fully, due to the absence of capacities, governance institutions, and policies. The baseline information indicates that it has a low resource base and the existing resources are not captured. The tax base is narrow and taxation policies are not properly designed. Budget preparation needs further strengthening. The central bank is not fully equipped to deal with fiscal and monetary aspects of the economy. The main sectors in the economy are livestock, fisheries, and frankincense, but the full potential of these sectors (especially fishery and frankincense) is not exploited. There is also scope for increasing the potential of agriculture sector.

While the public sector is lagging behind due to resource scarcity, the private sector is vibrant and is providing most of the services in the public domain. While the role of the private sector needs to be monitored, especially in the context of social service provision, the sector ought to be encouraged by creating an enabling environment. The booming construction sector in some of the towns and the magnitude of the khat trade reflect the extent of financial flows in the economy. The private sector is the main player in sustaining these developments. By increasing its capacities and strengthening governance institutions, the state will not only enhance private investments but also improve its own resources through bringing more activities under its net. At the same time, the state should address the distortions created by the private sector. For instance, cost-based pricing is followed in the provision of basic services like water, as well as socially harmful goods like khat and tobacco. As a result, drinking water is relatively expensive and cigarettes are relatively cheap.

The macroeconomic model identifies the fishing, frankincense, and livestock sectors as vital for creating employment. The wage-goods model needs to be followed in order to achieve pro-poor growth and the MDGs of poverty alleviation and employment generation. The model rightly identifies the primary sectors of the economy; hence, strengthening these sectors is vital. The FYDP aims at achieving the following targets in order to address the macroeconomic challenges:

- Ministry of Finance's capacity built to prepare the budgets in a participatory manner and to implement treasury functions and tax policies.
- Strengthening of the office of the auditor general.
- Capacity built to administer customs duties, domestic sales tax, personal tax, and corporate income tax.
- Legal framework and institutional arrangements for public financial management and procurement in place.
- Mechanism created for increased local revenue and the redistribution of resources to enable district councils to deliver services.
- Collection of macroeconomic and social data maintained and collection of census data initiated.



PART III

CHAPTER V

THE PRODUCTIVE SECTOR

The long-term development goal of the natural resource-based production sectors, which are central to the Puntland State of Somalia strategy for poverty reduction and economic recovery: *To enhance the livelihood opportunities of the population.*

Related Millennium Development Goals: *i) Reducing poverty by half by 2015; ii) reducing hunger by half by 2015; and iii) ensuring environmental sustainability and integrating the principles of sustainable development into country policies and programmes to reverse the loss of environmental resources.*

5.1 Background

Puntland State of Somalia has a favourable per capita land resource base with a population density of 11–13 persons per km². And the land-camel ratio is also favourable at 16 camels per km². However, the carrying capacity of the land is quite limited due to adverse climatic factors such as low rainfall (ranging between 100–200 mm annually) and periodic droughts. In the absence of any protective irrigation (e.g. major river basins), land degradation is a serious problem. Though a number of streams flood during the rainy season, water is neither harvested nor conserved. In addition to overgrazing and other unsustainable practices being widespread, the periodicity of droughts went down to four or five years, making livelihoods vulnerable. During the FYDP intervention period, large-scale water-harvesting projects are planned that will increase access to clean water for both humans and animals, enhance proper range management, and reduce the effects of drought. The vulnerability of the resource base and improper management do not provide much incentive for settled productive activities or for increasing the number of livestock, which is mainly a pastoral investment. Other important production sectors include fishing, frankincense, and agricultural production. The agriculture and livestock sectors are interlinked and critically dependent on land and water resources; the development of fishing is dependent on sustainable marine management practices. While the importance of these sectors was emphasised in the previous chapter, here we assess them in more detail in an attempt to understand their potential contribution to the Puntland State of Somalia economy in future.

5.2 Livestock Sector

The total livestock population is more than 17 million (Table 5.1). Of this, 52 percent are goats, followed by sheep (35 percent), camels (11 percent), and cattle (2 percent). Herd and flock sizes vary with the different livestock capital ownership in pastoral households. Basically, the wealth or poverty of a pastoralist depends on their herd size – those who own less than 120 small animals are placed in the “poor” category. Pastoralist vulnerability to herd loss mainly concerns small animals lost during the drought periods. Camels are the most important domestic animals in terms of biomass and are well represented in every zone. There is very limited poultry activity despite a growing demand for eggs, which are imported from Yemen. Poultry is a subsector with potential and needs to be studied (UNDP, ILO & PI, 2005). Huge herd losses occurred during the 2001–2004 droughts, badly affecting livestock-based livelihoods in several parts of the state. While efforts were made to support private veterinary services, little has been done to improve the resource base and animal production. As a result, the livestock sector is unable to support livelihoods to its full potential. Despite its importance, there is a lack of enforcement of comprehensive livestock policy in Puntland State of Somalia. Grazing lands are shrinking due to private enclosures. While there is some attention given to providing new water points, care must be taken to see that their location and capacity are such that rangeland resources are not abused. There should be some participatory mechanism to ensure that numbers of livestock and times of use do not exceed the ability of the feed resources to satisfy livestock nutritional needs (UNDP, ILO & PI, 2005).

Table 5.1: The Livestock Population in Puntland State of Somalia

Species	Population	Percentage
Camel	1,868,352	11
Cattle	400,000	2
Sheep	6,183,648	35
Goat	9,012,180	52
Total	17,464,180	100

Source: Adapted from FSAU Report January 2004 (*Puntland Facts and Figures 2005*)

The functions of the Ministry of Livestock include the provision of livestock-related services. In Puntland State of Somalia, animals are mostly prone to contagious carbine pleura pneumonia, sheep box, diarrhoea, Purcell, and other drought-related diseases. The uncertainty in the export market is basically related to certification procedures and diplomatic issues that can be settled through bilateral relations. Despite the bottlenecks, the authorities could solve livestock sector problems by designing appropriate policies and ensuring enforcement. Existing livestock institutions include a network of vet services, the chamber of commerce, the Puntland Board of Livestock Traders, the Livestock Transporters Association, etc. Municipalities monitor slaughterhouses. Puntland State of Somalia health services projects (funded by donor institutions) handle diseases, capacity building for the public and private sectors, and facilities, including construction and rehabilitation services. International agencies such as Veterinaires Sans Frontieres (Suisse), CARE, Somali Animal Husbandry Service Programme (SAHSP), and Vet Aid are also present in Puntland State of Somalia. The state has only 21 veterinary doctors (including animal husbandry), 65 veterinary assistants, and 110 nomadic animal health assistants. The existing ratios of animals per veterinarian (831,628 to 1) and animals per veterinary assistant (268,680 to 1) are not satisfactory. Government policy for the next five years will be to double the number of personnel in order to increase access to veterinary services. There is a need to establish a veterinary institute within the next five years to train veterinary personnel; it will provide scholarships in order to increase numbers. The aim is to widen the geographical coverage of skilled veterinary professionals and improve the ratio of livestock per veterinary worker. The FYDP should optimally provide a two-year veterinary training programme starting in 2008, with an expected output of 30 assistants per year from 2010 onwards. The institute will also provide short courses for community-based animal health workers.

5.2.1 SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> -Strong resource base with traditional knowledge -International demand -Stakeholder-driven sector development strategy designed -International support interventions available (animal health and marketing) 	<ul style="list-style-type: none"> -Lack of enforcement of comprehensive livestock policy -Low productivity due to low carrying capacity and poor management -Absence of research/institutional capacities -Lack of access to credit and technical services -Unclear land tenure rights; enclosure of grazing land and water points -Absence of cold chain/chilled carcass processing plants -Lack of credibility regarding product standards 	<ul style="list-style-type: none"> -Improved value addition -Institutional strengthening -Improved management practices -Increased competition through private participation -Proximity to Arabian Peninsula 	<ul style="list-style-type: none"> -Fragile and uncertain environment -Undiversified export markets

Source: Adopted from UNDP, ILO & PI (2005)

5.2.2 Proposed FYDP Outcome

- Improved food security, despite the fragility of the environment.

5.2.3 Proposed FYDP Outputs

- Livestock policy and development strategy enforcement.
- Export markets diversified.
- Improved value addition and processing.
- Improved production through better veterinary services and rangeland and water management.
- Disease surveillance system designed and put into operation.

Table 5.2: Planned Livestock Interventions

Personnel and Facilities (in numbers)	2005	2010
Veterinarians	21	31
Veterinary assistants	65	95
Nomadic animal health assistants	110	220
Holding grounds	1	7
Quarantine centres	0	1
Livestock slaughterhouses	2	3
Leather factories	2	5
Dairies	1	3
Veterinary laboratories	1	2
Veterinary services	0	14
Veterinary institutes	0	1
Officially designated rangelands	0	7
Boreholes	50	100

5.3 Fishery Sector

The long-term development goal for the fisheries sector in Puntland State of Somalia: *A marine and coastal resource that belongs to the entire people of Puntland State of Somalia and is shared equally in a fair and transparent manner; it must be environmentally healthy (free from pollution, waste, and degradation), rich in all forms of marine life, productive, and accessible enough to create equitable opportunity for sustainable development.*

5.3.1 Status of the Sector

The fishing sector is one of the most promising sectors in Puntland State of Somalia, but is also one of most underutilised and misused. There is an absence of vital infrastructure and imperfect local and external markets. Somalia has the longest coastline in Africa (3,333 km). Of this, about 1,640 km along both the Indian Ocean and the Red Sea makes up the state of Puntland's coast. There are about 2,643 boats (the majority are motorboats), of which 1,687 (64 percent) are operational. The fishing sector supports the livelihoods of an estimated 5,812 fishermen (4,058 full-time and 1,754 seasonal). Available estimates indicate that there are 2,500 different species of fish along the state's coast, with the estimated annual catch ranging between 400,000 and 800,000 of tons. The actual potential output for Puntland State of Somalia is estimated at 180,000 tons. The fishing industry is a neglected sector due to the Somali perception of fishing as a low-status job. The area between Ras-Gardeui and Gara'ad has some of the richest marine resources in the Indian Ocean (Table 5.3). The sector remains stagnant and underdeveloped, considering the estimated stock of 400,000 tons. Limited road access and inadequate processing and cold storage facilities affect the ability of the sector to develop in line with modern export needs.

Table 5.3: Estimated Fish Stock Levels (tons in thousands)

Species	Entire Somali coast	Puntland Stocks
Small Pelagic Fish	570	359 (62.98)
Large Pelagic Fish	16	11 (68.75)
Demersal (Benthic) Fish	60	38 (63.33)
Total	646	408 (63.16)

Note: Figures in brackets are percentages.

Source: PDRC/UNDP (SWB) *Analysis of Macroeconomic Situation in Puntland, 2004*.

A major expansion of the sector occurred in recent years, when livestock traders turned their attention to fish exporting following the livestock bans in 1998 and 2000. Traders invested in basic cold storage equipment, using containers and old trucks, as well as refrigeration services from Bossaso, Las-qoray, and Galkacyo. They also began importing fishing boats, outboard motors, fuel, nets, and hooks and supplying these to the expanding fishing sector. The cold storage and fish filleting facility adjacent to the Bossaso port has an estimated cold storage capacity of 1,000 tons. If operational, this plant would be a huge boost to the fishing sector in Puntland State of Somalia. There is a second freezer and cold storage plant in Bossaso near the tannery, but the owners were not available to provide information on capacities and activities. A modern lobster processing plant is nearly operational in Eyl on the Indian Ocean coast, following a local and Somali diaspora (from Perth, Australia) partnership investment (UNDP, ILO & PI, 2005). In addition, local fishing companies and investors from the diaspora have started small-scale cold storage facilities in the Gara'ad area.

In Puntland State of Somalia, the main institutional stakeholders include the Ministry of Fisheries, Ministry of Ports and Marine Transport, Ministry of National Planning and Cooperation, Ministry of Commerce and Industry, and Puntland Chambers of Commerce and Industry. Other stakeholders include the Regional Marine Conservation Organization, Ocean Training and Promotion, and fishery cooperations and NGOs. The institutional capacities of the Ministry of Fisheries are low. The lack of data collection and analysis by the ministry is a significant constraint in regulating the sector and safeguarding biodiversity. The revival of a comprehensive fisheries policy is important to guide and regulate the fishery sector and ensure the sustainable management of resources. The Government of Puntland State of Somalia's Fisheries and Marine Policy and Strategy, initiated in April 2004, is still in the draft stage. As the authorities of the state have no capacities for coastal protection, rampant illegal fishing continues, threatening fish stocks, coastal reefs, and fishermen's equipment (damage by inshore trawling). During the five-year intervention period, Puntland State of Somalia marine authorities will enhance marine conservation and promote marine associations.

Fish consumption in Puntland State of Somalia, though low, has increased compared to previous decades and is estimated at 0.8-1 kg per capita per annum in 2004. Approximately 48 percent of the catch is sold to local traders for the domestic market. The remaining 52 percent is sold for export to Yemeni "mother ships" waiting offshore. Most trawling operations are not licensed and do not adhere to a sustainable fishing practices; even licensed ones do not comply with the marine law, targeting particular species and discarding by-catch. As a consequence, there is no data on landing, species composition, by-catch, and prices in the areas of destination. The capture of non-target species as by-catch may endanger a range of species, including turtles and dolphins. The unregulated access to fishing makes it difficult to implement a fishery resource management plan. Certain species are under threat from overfishing, such as the spiny lobster. Modern, sophisticated offshore fishing technologies designed to catch, process, and store marine products destined for both local and export markets are negligible in Puntland State of Somalia. In total, there are 6,000 fishermen, half of whom operate on a full-time basis (UNDP, 2005). Fishermen generally operate in the inshore waters and on coral reefs; this remains the dominant type of fishing in the state of Puntland. A wide diversity of species is fished and consumed. During the past fifteen years, a large number of Southern Somali fishermen moved to fishing towns and villages in Puntland State of Somalia to benefit from the relative peace and stability. This brought new fishery and boat maintenance skills and techniques to the area, as well as increased fishing gear and boats. This influx also increased pressure on an already weak infrastructure.

5.3.2 SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> -Access to a long coast -Availability of high-value fish -Availability of export markets -Significantly increased commercial fishing activity -Involvement of the private sector 	<ul style="list-style-type: none"> -Lack of processing facilities and low-value addition -Low capacities and skills of fishing communities -Lack of institutional capacities for certification, etc. -Limited finance and credit support -Fishermen not organized 	<ul style="list-style-type: none"> -Investments in processing and value addition -International market diversification - Increased production of inputs locally – boats, nets, and hooks -Improved information and surveillance systems 	<ul style="list-style-type: none"> -Illegal fishing by foreign boats -Overfishing and endangered species -UAE middlemen control market -Uncertainty over federal system

Source: Adopted from UNDP, ILO & PI (2005)

5.3.3 Proposed FYDP Outcomes

- Improved livelihoods and food security.
- Environment and biodiversity protection and management of marine and coastal resources.

5.3.4 Proposed FYDP Outputs

- Increased production, value addition, and processing.
- Surveillance mechanism instituted, strengthened, and enforced.
- Fishing harbours developed and access improved.
- Fisheries training institute and capacity-building plan in place.

5.4 Agriculture Sector

FYDP long-term development plan: *The development of an agricultural policy that aims to improve the agro-pastoral infrastructure, with the wider aim of alleviating poverty by supporting sustainable agricultural livelihoods and achieving the Millennium Development Goals.*

Puntland State of Somalia is a large region with a very favourable land-people ratio. Most of the land is arable of nature. Crop farming is limited traditionally because of low rainfall, the absence of river basins, and water scarcity. Climatic conditions are arid, with an average annual rainfall of than 100–200 mm. This is insufficient for intensive cereal crop production. Of late, horticultural crop farming is on the rise due to the increased demand for fruits and vegetables from the growing urban population. Frankincense grows in the wild and is harvested and exported. While farming is very marginal in Puntland State of Somalia, it is increasing in popularity as a livelihood in some areas. Major regional towns like Bossaso are the main markets for produce from the irrigated farms and rain-fed areas. Other farming produce includes: inflorescence trees, vegetables, horticultural products, and date palms. It is important to introduce oil-producing crops like peanuts, sunflowers, soya beans, and safflowers, as well as some serial crops such as sorghum. Another significant priority is the establishment of an agricultural research centre in the state.

In the context of widespread environmental destruction, an agroforestry strategy and community-driven responsive interventions would focus initially on the propagation of fast-growing species with multi-purpose benefits. This approach would respond to particular community needs and problems, along the lines of community forest management practices in Nepal and India. It would also suggest an initial emphasis on conservation regarding indigenous species with slower, long-term growth rates. Such a strategy would also perhaps look to the introduction of new, fast-growing multi-purpose species that thrive elsewhere in similar conditions (UNDP, ILO & PI, 2005):

- *Jatropha curcas* provides live fencing and seeds that yield a non-edible oil used in home lighting, powering modified diesel engines (available from India), and as an ingredient in bio-diesel production; the Indian government is using the species to reclaim wastelands in schemes as large as 150,000 hectares.
- *Casuarina equisetifolia* is excellent for combating sand dune erosion and arguably produces the world's best charcoal and construction poles (plantations are harvestable after four years).

The Ministry of Agriculture is characterised by a lack of financial resources, natural resource management institutions, and agricultural inputs and services. This affects their ability to support agricultural development. There are no extension services and no training curriculum; availability of skilled local trainers or training materials is limited. There are no institutional mechanisms for input supply and output disposal. Most urban marketing is by hawking and unhygienic petty trade, as wholesaling is disorganized. There are no institutional mechanisms for the provision of credit. However, there are opportunities for private enterprise to invest in the supply and distribution of affordable and appropriate inputs and the seasonal financing of the same. There are also opportunities for private enterprise to develop subcontracting relationships with small workshops and artisans for the production and distribution of tools and basic irrigation equipment, and the financing of the same. Farming interventions should ideally include components for urban market research to identify crop diversification and small-scale processing opportunities, and should also focus on improved and increased fodder production.

5.4.1 SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> -Vast arable lands -Demand and markets for food -Active rural population -Enormous livestock resources to provide drought power and biomass inputs -Large tracts of wasteland for agroforestry and afforestation -Existing knowledge of horticultural farming practices 	<ul style="list-style-type: none"> -People not used to settled cultivation -Water scarcity and risky and uncertain environment -Soil and rangeland degradation -Absence of property rights in the land and land tenure system -Absence of integration between farming and livestock systems -No marketing network -No extension services 	<ul style="list-style-type: none"> -Potential for improved irrigation -Availability of dry land technologies -Potential for developing the resource of groundwater -Integration of crop production and livestock ("win-win" situation) 	<ul style="list-style-type: none"> -Uncertain climatic conditions -“Tragedy of commons” in the absence of property right

5.4.2 Proposed FYDP Outcomes

- Food security and livelihoods improved.
- Improved and sustainable agricultural management practices.

5.4.3 Proposed FYDP Outputs

- Comprehensive agricultural policy and enforcement (integrating livestock and frankincense).
- Improved production and productivity.
- Seed/seedling multiplication centres and nurseries established.
- Extension services provided.
- Soil and water conserved.
- Rehabilitation of water-harvesting structures.
- Temperate crops like potatoes, tea, and coffee introduced.

For the Sanag Mountains (where there are natural springs):

- Create an irrigation department in the Ministry of Agriculture.
- Dig more shallow wells and boreholes where appropriate.
- Provide irrigation water pumps, mainly one-cylinder engines for the shallow wells and three- or four-cylinder engines for the boreholes.
- Train farmers in tropical water conservation technologies.

5.5 Frankincense Sector

Long-term development goal: Sustainable development of the frankincense sector and improved yield through better access, improved harvesting technology, quality assurance and marketing support.

Northern Somalia, particularly Puntland State of Somalia, is the world’s largest producer of high quality frankincense.

Two types of frankincense are collected for trade: *Maydi* and *Beeyo*. Annual production is roughly estimated at 500 tons. This represents only 40 percent of the potential yield (PDRC/UNDP (SWB), 2004). Ownership of the trees has become very fragmented through the generations, as individual owners have multiple family members. Most frankincense cleaning and grading is done seasonally or for a specific export order by women in Bossaso, who work from dawn to dusk in hot and dusty conditions for poor pay. Traders estimate that today's annual frankincense exports (75 percent *Maydi* and 25 percent *Beyo*) total about 400 tons (covering exports from Bossaso and other coastal ports in northeast Somalia).

The government reportedly had lucrative trade agreements with China, France, and Germany and frankincense collectors were purported to have been paid US\$6 per kilo for raw, ungraded frankincense of both varieties that had not been cleaned or processed. During the state monopoly, export prices for grade one *Maydi* were US\$40–50 per kilo. Over time, grade one *Maydi* prices have fallen from US\$30 per kilo to US\$20 per kilo, while grade one *Beyo* prices have fallen from US\$4 per kilo to US\$2–3 per kilo. Low-grade frankincense is currently priced at US\$1 per kilo. Somali traders previously shipped gums in empty cigarette cartons, using different box brands for different gums and grades. The marketing chain for *Beyo* frankincense is unclear. Somali gum traders allege that in recent years there was widespread adulteration of gum species somewhere in the supply chain after it leaves Somalia; this has contributed to limiting demand for Somali *Beyo* frankincense. Production in Puntland State of Somalia exceeds export demand. Over the past two decades, there has been considerable market growth in Western natural product sectors, which use aromatic gum oils. But production in Somalia remained relatively low, at about 1,500 tons yearly. Harsh conditions (scarce vegetation, insufficient water resources, limited social services, and lack of accessibility) make the lives of frankincense cultivators difficult. The sector needs environmental protection, rehabilitation, and reconstruction to improve production and provide the rural poor with the means to participate in tackling erosion and drought.

5.5.1 SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> -Ownership of frankincense tree stands -Skilled farmers -Availability of export markets -Active private enterprise -Strong supply chain actors 	<ul style="list-style-type: none"> -Poor market diversification -Lack of direct access to mainstream international markets -Collectors' revenues have become marginal -No processing or value addition - Unscientific methods of harvesting -Lack of access to credit -Low institutional capacities 	<ul style="list-style-type: none"> -Improved direct access to mainstream international markets -Research, development, and training -Pre-packing and Arabic-labelling of <i>Maydi</i> for export to Saudi Arabia -Production diversification 	<ul style="list-style-type: none"> -Competition in international markets -International price uncertainty -Domination of middlemen in the international market

Source: Adopted from UNDP, ILO & PI (2005)

5.5.2 Proposed FYDP Outcomes

- Improved livelihoods.
- Improved revenue and foreign exchange earnings.

5.5.3 Proposed FYDP Outputs

- Increase in quantity produced, harvested, and marketed.
- Increase in exports.
- Improved income and employment.

5.6 Other Productive Sectors

Puntland State of Somalia has prospects for mineral development, given its reserves of coal, oil, limestone, and industrial minerals. There 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 companies. However, the cumbersome existing mining code would have to be simplified in a manner that allows domestic small-scale activities to flourish alongside the larger projects. Generally, investments by the private sector, where they were made, resulted in the delivery of goods and services such as electricity, telecommunications, domestic water supplies, etc. However, further investment is necessary and this requires, among other measures, better and simpler investment regulations and diversification in productive sectors – the latter of course being largely dependent on the former, as companies are more likely to invest in a business-friendly environment.

5.6.1 Manufacturing and Processing

The International Cement Review estimated that Somalia's cement consumption would be 100,000 tons in 2000, but it is reasonable to assume that annual consumption has increased over the past few years, given the pace of urban residential construction fuelled by diaspora investment. There are suggestions that the coal near Berbera could be used to power a cement plant in the area. A European entrepreneur who packages cement plant investments in developing countries confirmed there was potential in Puntland State of Somalia and advised that the desired commercial production capacity to service local and regional market opportunities is 0.5–1 million tons yearly. It was also suggested that a second-hand plant might be the best option. This would take significant investment, as the cost of a second-hand plant available in Europe that produces up to one million tons per year is about 20–30 million euros³².

Prior to the war, Conoco reportedly found vast natural gas reserves in the Nugal Valley and sunk an oil well in Taleh in Eastern Sool Region. There are expectations of substantial offshore reserves of oil and gas stretching from Berbera to the Horn, and there is reportedly Chinese interest in oil and gas exploration in Puntland State of Somalia. The availability of oil and natural gas holds great promise for the state. Prior to encouraging private sector investment in exploration, a policy framework must set the guidelines in order to safeguard the national interests (including pro-poor concerns).

In Puntland State of Somalia, small-scale manufacturing is limited, as virtually everything in Somalia is imported. Though there is current expert opinion regarding the commercial viability of setting up mining and processing activities, some of the important areas (e.g. oil and natural gas) require immediate attention and study. It is urgent because Puntland State of Somalia now has good security and political stability, but also because international competition is becoming very real in the current open economic policy. Therefore, niche areas where the state of Puntland might have advantage, like processing frankincense, livestock, and fish products, need to be explored. The comparative advantage would result from the state having local production. Efforts to identify the products and the process for value addition in the prime sectors would be rewarding in the long run, making Puntland State of Somalia internationally competitive.

5.6.2 The Enabling Environment for Investment

Puntland State of Somalia needs to first establish a stimulating investment climate. Second, it must increase foreign direct investment. Third, key actors should reconstruct effective and independent chambers of commerce that will, in collaboration with the government, address constraints impeding private sector development. The final intermediate outcome should be an increase in employment in the private sector, which will also require, inter alia, a macroeconomic policy that encourages labour-intensive investment. Puntland State of Somalia investment laws will also need to be reviewed. This is an important part of the intermediate outcome and seeks to establish an enabling environment for private sector investment. There is limited data available about the registration of firms and their actual investments. Currently, the only legal basis for the registration of foreign businesses is the Foreign Investment Law of Puntland State; for Puntland State of Somalia companies, the old Somalia legislation still applies. Registration is with the Ministry of Commerce and Industry, but municipalities issue business licenses. Socio-economic mapping studies completed in Puntland State of Somalia in 2004 and 2005 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 makes major changes in its management structure, leaving it free of government appointees. It should broaden its membership amongst the business community and focus on becoming an effective advocate on behalf of this community. To do this successfully, it will need to broaden its scope of activities, strengthen its capacity to identify and analyse

³² Per international cement plant developer interviewed in Bossaso.

the concerns of the private sector, and strengthen its ability to represent their members with the government (RDP, 2006).

Key Priorities for Developing the Industrial Sector

- Establish a comprehensive industrial policy and a regulatory environment
- Develop basic infrastructure and an enabling environment
- Review current legislation in detail to ensure it is relevant to current circumstances, provides adequate powers to guard against market failure, and supports public-private partnership
- Facilitate commercial banking and insurance services
- Develop partnerships with the private sector to establish vocational training programmes in regions that will generate responses to the demand for craftspeople in various areas
- Establish the Bureau of Industrial Promotion to provide information on areas with potential and to announce incentive structures on a regular basis
- Increase the registration of companies by 10 percent annually

5.7 Strategic Summary

The baseline data on the productive sector indicates that the livestock sector has a strong base with increasing numbers – it is approaching the limits of the carrying capacity of the land, unless proper settlement and land management policies are introduced. While further expansion of stocks squeezes land resources, there is a lot of potential in terms of value addition and processing for export markets. This would be the focus area during the plan's five-year period. The strategy would be to establish and diversify the export markets through diplomatic efforts. The private sector will be encouraged to get involved in livestock processing and cold storage facilities through the creation of an enabling environment with policy and legal frameworks. A comprehensive livestock policy would be implemented by the end of the period. Livestock disease eradication programmes will also be implemented, and international export inspection and certification standards would be put in place.

The fishery sector has much potential for enhancing incomes and livelihoods. Other countries are now exploiting most of the stocks through illegal and unsustainable means. The plan aims to prepare the rules and regulations for industrial and artisan fishermen, as well as create and implement an effective licensing system backed by an authoritative coast guard. There is lot of scope for processing and value addition in the fishing sector, which needs encouragement if the private sector is to invest in the sector.

Agriculture and frankincense are underdeveloped in the absence of policy, technology, and infrastructure backing. The rural population is not familiar with crop production practices and techniques. The immediate priority in the sector is to improve productivity through enhanced soil and water conservation, increase the area under protective irrigation, increase water-harvesting systems, and extend the agricultural network for better adoption of technologies and crop systems. In the frankincense sector, the provision of infrastructure (for access, water sources, etc.) and improved harvesting techniques should be focused on.

The potential of other sectors such as mining, oil, and gas needs to be fully assessed. There are a number of light manufacturers operating and there is potential for further investments, particularly in small-scale mining. By the end of the plan's five-year period, small enterprises will have improved access to micro-finance systems. Mining codes should be simplified and adhered to, and investments in mineral development by small mining companies should be increased.



CHAPTER VI SOCIAL SECTOR

6.1 Background

The social sector plays a vital role in addressing poverty issues that are not income-related. Reconstruction and relative peace in Puntland State of Somalia have opened up opportunities for development and recovery in the social services sector, and there are established policies for service provision within government ministries. The most basic elements of a health care delivery system and educational services are present, and the state has made rapid improvements in water and sanitation service coverage as well. However, budget allocations to social services and disadvantaged groups are very small. Even these allocations are mainly due to international funding and diaspora and local community contributions. The private sector is unregulated and needs further research, mapping, and standardisation. While the responsibility for planning, funding, and providing services is slowly being transferred from the state level to district councils, they lack the necessary resources and capacity. The social sector in the five-year plan covers the subsectors of education, health, women and family affairs, youth and sports, and IDPs.

6.2 Education Sector

The FYDP long-term development goals for the education sector: *Contribute to the development of a society committed to the preservation and enrichment of Somali and Islamic cultural values and traditions; foster the ability for logical thought, critical judgment, self-expression, and self-reliance; and encourage increased literacy and scientific, technological, and managerial knowledge and skills among the people of Puntland State of Somalia.* Related Millennium Development Goals: *Achieve Universal Primary Education, Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling*” and *Eliminate gender disparities in primary and secondary education preferably by 2005 and at all levels of education by 2015.*

Basic education programmes are needed in Puntland State of Somalia to foster economic growth, social well-being, and stability. The government has made a particular effort to demonstrate its commitment to the education sector, as stipulated in Article 22.3 of the Puntland State Constitution: “Basic education is recognised to constitute education provided through the Quranic school system, the primary, intermediate, and secondary schools, adult education, physical and recreational education, private schools and women’s group education. It is the responsibility of the government to implement the education policies of the state as well as to make a unified curriculum. The state is committed to provide free basic education to all children.”

The literacy rate is estimated at 23.1 percent³³. This statistic does not take into account informal education and the Quranic schools, due to unavailability of data. The gross enrolment rate at primary level is very low. UNICEF reports that enrolment rates are 37.1 percent of all primary school-age children (28.3 percent girls and 45.9 percent boys; see Table 6.1). The gross enrolment targets for 2011 are set at 54 percent for boys and 50 percent for girls. Teaching at primary level is centred around Quranic methods. The 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 the education sector currently faces³⁴”. The state, however, has made considerable achievements in education. Primary school enrolment grew from 6,000 pupils in 1989 to 71,507 pupils in 2004/2005. The number of primary schools increased from 70 to 400, with 2,511 teachers. The number of classrooms also increased from 200 to over 2,000. Primary school education currently has favourable teacher-student, classroom-student, and classroom-teacher ratios, due to very low enrolment rates (Table 6.2). Infrastructure needs to be strengthened as the enrolment rates go up. More importantly, the availability of teaching materials needs immediate attention.

³³ *Socio-economic Survey, Puntland State of Somalia*, 2002 (Draft)

³⁴ Puntland National Development Plan 2005, p. 122

Table 6.1 Primary Education Student/Teacher Population Projections

Total/ Gender	No of Pupils 2004-05	Current No of Schools	Projected Pop 13-June- 2011	Total Current GER 2004/05	Target No of Students 2011	Target GER for 2011
Total	71,507	400	222,279	37.12%	116,474	52%
Girls	27,145	--	110,783	28.31%	62,371	50%
Boys	44,362	--	111,496	45.94%	58,089	54%

GER: Gross enrolment ratio

Source: RDP (2006) and Ministry of Education, Puntland (2006)

Table 6.2: Regional Distribution of Primary Schools, Pupils, and Classes in Puntland State of Somalia (2004/2005)

Region	Schools	Pupils			Class rooms	Teachers	PTR	PCR	TCR
		Boys	Girls	Total					
Bari	195	20,329	11,458	31,787	990	1,281	24.81	32.11	1.29
Mudug	55	6,096	4,075	10,171	289	272	37.39	35.19	0.94
Nugal	53	5,478	3,629	9,107	270	377	24.16	33.73	1.40
Sool	49	6,367	3,908	10,275	250	282	36.44	41.10	1.13
Sanaag	48	6,092	4,075	10,167	300	299	34.00	33.89	1.00
Total	400	44,362	27,145	71,507	2,099	2,511	28.48	34.07	1.20

Source: Ministry of Education, 2006, Garowe

Note: PTR is Pupil-Teacher Ratio; PCR is Pupil per Class Ratio; TCR is Teacher per Class Ratio

At secondary level, even fewer children and youth are enrolled – just 19 percent move up to this level. The provision of secondary education is limited, as there are only 18 functional schools and these do not yet have adequate teaching and learning facilities and materials. Teachers are generally underqualified and inadequately paid, and schools do not manage to attract and retain girls. Financing is mainly through fees and support from parents and the community, as well as the diaspora and the international community. However, the government and local communities are increasingly contributing to teachers' salaries. Secondary schools did grow in number from 6 to 18, with a current total of 4,444 students. A separate education strategy for nomadic and pastoralist children is proposed.

The Somali 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 not yet fully developed, even though it is critical for the development of a skilled labour force and particularly suitable for children and youth associated with armed conflict. Three tertiary institutions and one teacher-training college, much like the TVET institutions, have been set up (and are still funded) by NGOs or the diaspora; none receives more than perfunctory government support. Education infrastructure is inadequate or non-existent and requires both research and massive investment. Puntland State of Somalia has a draft education policy ready for ratification by parliament. It will require continued and strong support to achieve the Millennium Development Goal of universal primary education.

Puntland State of Somalia has an educational authority represented by the Ministry of Education (MoE), and the basic administrative and organizational structure is in place from the state to the village level. A steering committee supports the ministry at the state level. Administratively, the director general is in charge. Six separate departments (e.g. curriculum, administration and finance, schools, information, and training and statistics) support the director general at the state level. A regional education officer heads each of the state's seven regions and a district educational officer heads each district; there are village education officers at the village level. Despite the impressive institutional structure, the MoE has poor capacity at the moment for delivering reasonable educational services, due to scarce funds and limited human resources.

Education is expensive as it is primarily run privately. The cost of primary education is estimated at US\$55 per year per child (21 percent and 39 percent of per capita household income in urban and rural areas respectively³⁵). Secondary and tertiary education costs are even higher. The provision of minimum standards in education should be achieved by 2010. Since the vast majority of the population is nomadic, emphasis should be placed on developing alternative educational systems (including nomadic schools and an adaptation of the curriculum to their livelihood cycle) and expanding and developing the existing Quranic schools. There is a need to explore the possibility of using "barefoot teachers" for pastoralists. These teachers can be picked from within the pastoralist communities, and trained and employed at a low cost.

In 2003 and 2004, less than 50 percent of teachers had formal pre-service training. Around 55 percent of teachers have received the UNICEF in-service training, while 20 percent have received other in-service training (UNICEF, 2004). Training facilities are needed to provide teacher training for new staff and to increase the number of female teachers available. Refresher training for older teachers is needed. Wages and working conditions of teachers should be improved upon in order to encourage more secondary school/university graduates to take up the teaching profession. The MoE also lacks experienced educationalists. Managerial and technical capacity building for MoE staff is needed through seminars and short-term training courses. Private groups or international agencies run all the higher education and training institutions.

Key Priorities for Education and Training

- Raise primary GER from 37 to 52 percent (50 percent for girls and 54 for boys) by 2011
- Expand secondary enrolment rates and improve the quality through teacher training and the rehabilitation and construction of schools
- Provide a pastoral mobile education system to accommodate nomadic/pastoral children
- Strengthen TVET programmes, particularly for women and youth
- Expand tertiary education to produce the requisite well-trained human resources
- Provide strong support for and recognition of informal education

6.2.1 Proposed FYDP Outcomes

- Education for all and universal literacy.
- Dignity, gender empowerment, equity, and skills.

6.2.2 Proposed FYDP Outputs

- The education policy, strategic plan, and education act ratified.
- Alternative education system established for nomadic people.
- Enrolment increased to 52 percent.
- New schools provided: 13 primary and 3 secondary.

6.3 Health Sector

FYDP long-term development goal for the health sector: *Sustained equitable access to high quality, affordable and appropriate health services provided through effective institutional building and partnership among the government, the private sector, and international agencies.*

³⁵ *Analysis of Socio-economic Situation in Puntland*, discussion paper, Somalia Watching Brief, Puntland Research and Development Centre, UNDP, June 2004

Related Millennium Development Goals: *Reduce child mortality by two-thirds among children under five; improve the maternal mortality rate by three-quarters between 1990 and 2015; and combat HIV/AIDS, malaria, TB, and other diseases.*

The average life expectancy in Puntland State of Somalia is 49 years of age, one of the lowest in the world, while the maternity and infant mortality rates are among the highest in the world (Table 6.3). Inadequate access to safe water and sanitation presents a clear risk for the spread of diseases such as gastroenteritis, typhoid, dysentery, malaria, and cholera. Immunisation against six basic diseases is only 25 percent. Polio coverage is 60 percent. This is mainly due to low awareness, especially among rural communities. Female genital mutilation (FGM) is another practice causing health problems in women. FGM is widespread in rural areas, where 98 percent of girls aged six to nine years undergo the practice. However, the situation is changing in urban areas due to awareness. HIV/AIDS is one of the emerging diseases, with an incidence of one percent.

Table 6.3: Health Indicators for Puntland State of Somalia

Indicator	Status
Life expectancy (years)	Average: 49 (Male: 48; Female: 50)
Infant mortality rate (per 1,000 live births)	132
Under-five mortality rate (per 1,000 live births)	247
Total fertility rate (children per woman)	7
Maternal mortality rate (per 100,000 live births)	1,100
Married women (aged 15–49) using contraceptives	8%
Deliveries attended by doctor/nurses/midwives	<20%
Deliveries attended by TBA	50-60%
Population with adequate sanitation facilities	<20%
Population with access to safe drinking water	20%

Source: Puntland Ministry of Health (2004), adjusted indicators

The main diseases prevalent in Puntland include malaria, pneumonia, and diarrhoea; these cause more than half of all infant mortality. Tetanus (especially neonatal) and TB are also among the main contributors to mortality. The use of un-trained traditional healers for primary health care³⁶, the circumcision of young girls, and outbreaks of measles, cholera, dysentery, and meningitis all pose major threats to public health. Though HIV/AIDS is not yet well documented, it can be considered a major threat to the urban population, particularly the youth. Other health concerns include neonatal problems (related to FGM), nutritional deficiency, and war-related disabilities, including mental health problems exacerbated by psychological trauma from the civil war.

³⁶ In order to save money, families will often consult traditional healers first, delaying treatment by conventional means until the problems are more advanced (see the *Socio-economic Situation in Puntland* discussion paper, PDRC/UNDP (SWB), 2004)

Table 6.4: Health Professionals in Puntland State of Somalia

Professionals	Quantity	Ratio
Clinical doctors	62	0.25 per 10,000
Public health doctors	6	0.02 per 10,000
Medical scientists	4	0.01 per 10,000
Nursing and midwifery personnel	478	2 per 10,000
Pharmacists	13	0.04 per 10,000
Laboratory technicians	107	0.43 per 10,000
Community health workers	295	1.2 per 10,000
Other health personnel	65	0.20 per 10,000
Hospital beds	536	2 per 10,000

Source: Puntland Ministry of Health (2004)

The health system has been revitalised, with the establishment in 1993 of the Ministry of Health (MoH). However, it is yet to build the capacity needed to fulfil its obligations and objectives. Most medical professionals (90 percent) are in the few cities (e.g. Bossaso and Garowe). All the public and private hospitals are located in five towns. Some hospitals and other facilities are non-functional. Rural areas are covered only through maternal and child health centres and health posts. Even in the urban areas, specialisation is limited to common diseases. Critical cases with ailments related to the heart, kidneys, lungs, etc. are referred to countries in the Persian Gulf or to Kenya. The quality of services provided by health centres is sub-standard. The limited availability of essential drugs and their inappropriate use are the main reasons for the poor standards³⁷. The majority of doctors have private clinics, but they may also manage public hospitals and public health activities. This is another example of how public-private partnerships can offer a pragmatic solution, allowing doctors to make satisfactory earnings. A major concern, however, is the recent growth in unlicensed and unregulated pharmacies, described to be as common as ordinary kiosks³⁸. All the indicators (e.g. patient-doctor and patient-nurse ratios) are alarming (Table 6.4).

6.3.1 HIV/AIDS Subsector

FYDP long-term development goal of the HIV/AIDS subsector: *To halt and begin to reverse the spread of HIV/AIDS by 2015.*

Related Millennium Development Goal: *Reduce the incidence of HIV/AIDS by 2015.*

Although the estimated HIV/AIDS prevalence rate is low (1–2 percent), there are increasing risk factors that threaten a full-blown epidemic in a short period if not properly addressed. Emerging risk factors include: high-risk behaviours and STD prevalence; increased population movement and displacement due to new regional and local conflicts, droughts, and the tsunami disaster; increased numbers of returnees, economic migrants, and refugees from neighbouring countries; the weak state administration; and limited institutional capacity to engage in effective HIV/AIDS responses.

Strategic planning to avert a national HIV/AIDS epidemic is critical in bringing on board a wide range of actors whose commitment is the key to successful outcomes³⁹. A five-year National AIDS Plan⁴⁰ was developed through an internationally led consortium in 2003. Evidence shows that HIV infection and risk factors are on the rise in Puntland State of Somalia. No progress has been made in basic awareness and advocacy. The government and the people are yet to have meaningful engagement regarding the management and decision-making processes of a response to an epidemic. According to the strategic plan, the key stakeholders in the management, implementation, and monitoring of the HIV/AIDS response should be: a) local authorities (i.e. the state and local governments in Puntland State of Somalia); b) development partners (i.e. international agencies operating in Puntland State of Somalia); and c) civil society. Experience shows that the momentum generated by situational assessments,

³⁷ *Women and Children in Somalia: A Situation Analysis*, UNICEF, 1998

³⁸ *Analysis of the Socio-economic Situation in Puntland*, discussion paper, PDR/UNDP (SWB), 2004

³⁹ UNAIDS, *Global HIV/AIDS Report 2000*

⁴⁰ *Strategic Framework for the Prevention and Control of HIV/AIDS and STIs (2003–2008)*

the strategic framework, and action plan formulation was not sustained or translated into the development of operational plans. Careful preparation is needed and attention must be given to a deeper facilitation process. To establish relevant strategic linkages, activities outlined in sector plans should be included in district plans so as to facilitate multi-sectoral cooperation and coordination. The inputs may include financial and human resources, technical assistance, and policy support.

6.3.2 Tuberculosis

Somalia has a high incidence of tuberculosis (TB), which is a serious public health problem. The estimated incidence is 324 cases per thousand people. Every year TB affects about 21,000 people. Eighty percent of the TB incidence is observed in the productive age group of 15–44 years. During 2005, about 13,000 cases were detected under DOTs (Directly Observed Short Course Therapy). The treatment success rate was 90.4 percent in 2004 while the death rate was 2 percent. WHO and its partners (mainly health authorities, WFP, and NGOs) began implementing DOTs in 1995 and achieved the target of having DOTs throughout Somalia in 2000, based on the presence of at least one TB centre in each region. However, due to the widespread pastoralism, accessibility to TB centres could be a problem. The creation of more than one centre in big regions would improve detection rates. In order to achieve the national target of 70 percent case detection by 2007, the National TB Programme is involving all interested partners, including other health care providers. Collaboration between the private and public sector has improved following a meeting organized by the MoH and WHO in 2002. The Minister of Health and Labour of the northwest zone passed a decree banning the importation and sale of anti-TB drugs, which are to be made available only in TB centres. WHO provides laboratory support, training, anti-TB drugs, and limited laboratory quality assurance. With the full support of all partners, case detection has improved to 63 percent. Future targets include a) halting TB by 2015; b) establishing a high quality laboratory network; c) integrating with the national health care system; and d) enhancing the implementation beyond DOTs. Major constraints in this regard include uncertain donor support and lack of control over private practitioners and pharmacies (WHO, 2005).

6.3.3 Malaria

Malaria normally affects Puntland State of Somalia less than other zones. The groups most severely affected are young children, expectant women, and nomadic populations. Due to the poor health information system and low coverage of public health centres, the malaria burden globally is high; each year, an estimated 350–500 million cases occur, and over one million people die. The incidence and transmission of the disease occur in the two main rainy seasons (*Gu'* and *Dayr*) and in places where there are man-made water reservoirs (*Barkad*). Interventions for malaria control vary across the state. Priorities are to reduce transmission through vector control and to ensure epidemic preparedness. In the more endemic areas, the objectives are to reduce malaria morbidity, prevent mortality in high-risk groups through early diagnosis, and prompt treatment and the use of insecticide-treated nets. UN agencies and donors fund malaria control efforts. The Global Fund to Fight AIDS, TB, and Malaria has committed US\$8.9 million, half of which was disbursed in 2004. In 2004 and 2005, control activities were implemented as part of the Roll Back Malaria partnership with WHO, UNICEF, and international NGOs. No epidemics were reported during that time. Functional sites for monitoring anti-malarial drug efficacy were established. The anti-malaria drug policy is under revision. Major constraints in malaria control reportedly include weak human capacity in entomology and vector control and the lack of accurate and updated information on malaria vector composition, abundance, distribution, and susceptibility to insecticides.

6.3.4 Maternal Health

The estimated maternal mortality rate is 1,100 per 100,000 live births (unaltered since the 1990s), which is one of the highest in the world. This translates into over 45 deaths of women every day due to pregnancy and childbirth complications. Factors influencing maternal mortality include: FGM, low education and literacy, the low demand for and limited access to family planning services, the lack of adequate access to professional health services during pregnancy and delivery, and the poor nutritional status of women. In Puntland State of Somalia, about 95 percent of the girls between the ages of 4 and 11 undergo FGM of the pharaonic kind (the most severe form), especially in rural areas. The incidence of FGM in urban areas is declining. The practice, which has been recognised as violence against women and therefore a violation of human rights, is a source of serious health problems among women and also a cause of death. The prohibition of the practice by local authorities and campaigns by local organizations (supported by international partners) to eradicate the practice are reportedly having some impact. High levels of anaemia among women (due to multiple pregnancies, exacerbated by improper breastfeeding; iron deficiencies; and repeated malaria episodes) contribute to maternal mortality. The high prevalence reported in the

1980s is probably unchanged, but there is no recent data to confirm this.

6.3.5 Proposed FYDP Outcomes

- Health for all by 2015.
- Improved quality of life and well-being.
- Progress of HIV/AIDS halted.

6.3.6 Proposed FYDP Outputs

- National health policy in place.
- Improved medical education, infrastructure, and capacity of health staff.
- Increased awareness about HIV/AIDS, *Khat* chewing, and cigarette smoking.
- Reduced incidence of FGM.

6.4 Women's Development and Family Affairs

The long-term development goal of the FYDP for women's development and family affairs: *Provide equal opportunities for women to develop and live in dignity, eliminate all discriminatory practices and empower them to better contribute in nation building and development.*

Related Millennium Development Goals: *Promote gender equality and empower women.*

The Puntland Constitution explicitly advocates the rights of women. In particular, Articles 18 and 23 state the rights, freedoms, and duties to be enjoyed equally by men and women in matters specifically ordained in Islamic (*Shaari'a*) law. Furthermore, the government should encourage and legislate for the right of women to be free of practices that are contrary to *Shaari'a* and injurious to their person and dignity. On the basis of these articles, women have the right to own, manage, oversee, trade, or pass on with property in accordance with the law. When necessary to save the life of the mother, abortion is allowed after consultation with a licensed medical specialist. The passing of laws concerning the banning of FGM should be prioritised. Other articles that refer to general basic human rights (Articles 19 and 38) give special attention to childcare and provide health and social service allowances to the disabled and elderly. During the implementation of the FYDP, state policy will be geared towards narrowing gender gaps in access to health, education, and economic activities.

The civil war and its aftermath placed an extraordinary burden on women, as traditional family structures and support systems were severely affected. The bulk of IDPs are women, many of whom are widows. Female-headed households with little access to property, health care, and education represent 12.6 percent of all households (33 percent in urban areas)⁴¹. Officially, only 0.4 percent of urban households have registered the marital status of "single". Many of these household heads are either abandoned or divorced⁴². This is consistent with traditional norms that inhibit women from declaring children born outside wedlock. Puntland State of Somalia has formed a new Ministry of Women's and Family Affairs (MoWFA), headed by a female minister. The objective of this ministry is to protect and ensure the rights of women and address the major problems that women and families face, as well as to alleviate poverty and improve the overall conditions for women. In addition, MoWFA acts as a facilitator, advocate, coordinator, monitoring unit, and planner for the implementation of activities in support of women and family affairs. Challenges facing the MoWFA include:

- Lack of skilled personnel to carry out development related to women and the family in all regions of Puntland State of Somalia.
- Inadequate financial resources.
- The political will to strengthen the role of MoWFA in development planning and project implementation.

⁴¹ *Analysis of Socio-economic Situation in Puntland*, Somalia Watching Brief Discussion Paper, Puntland Research and Development Centre, UNDP, June 2004

⁴² *Ibid.* p. 12.

Key Priorities for Women's Development and Family Affairs

- Encourage women (including self-help groups) to invest through low taxation, innovative loan facilities, and capacity building
- Enforce laws and develop court systems that promote the rights of women and children
- Subsidise health care, clean water, and adequate sanitation for low-income women and their families
- Improve literacy for women, youth, and children, specifically to promote training in marketable skills and appropriate technology
- Encourage women to participate in local, regional and state government
- Develop affordable housing for low-income women and their families

6.4.1 Proposed FYDP Outcomes

- Women's empowerment and welfare and gender inclusive development.
- Improved life expectancy.

6.4.2 Proposed FYDP Outputs

- Women's development plan formulated.
- Reduction in maternal and infant mortality.
- Women's health facilities improved, with specialised doctors.
- Micro-enterprises and employment boosted and women's cooperatives promoted.

6.5 Youth and Sports

FYDP long-term development goal for youth and sports: *Create well disciplined and high quality youth through proper education, social guidance, and recreation facility provision.*

Related Millennium Development Goal: *In cooperation with developing countries, develop and implement strategies to provide decent and productive work for youth.*

Thousands of youth in Puntland State of Somalia are returnees from refugee camps, IDPs, and/or child soldiers from former clan militias. They suffer from illiteracy, unemployment, drug addiction, and psychological trauma from war experiences. Most are poor and uneducated and live in an environment unfavourable to providing their socio-economic development needs. These problems can only be overcome through promoting basic social and technical skills. Youth are also at risk from epidemic diseases such as HIV/AIDS through lack of awareness and health education facilities. The state should plan for better utilisation of the youth potential through systematic and appropriate policies. Two important areas in this regard would be strengthening the formal education system and building vocational skills in order to create productive employment opportunities.

To tackle youth problems, the Ministry of Labour, Youth, and Sports is committed to establishing an institutional structure as well as sound policy objectives and implementation mechanisms. ILO is presently working out a programme for youth in vocational training. There appears to be a lot of demand for skilled jobs – for example, in construction. The construction boom continues across most of urban Puntland State of Somalia, noticeably in Bossaso, Galkacyo, and Garowe. Demand for construction services and labour is fuelled by diaspora and local investment in residential construction. The employment/business opportunities are quite high for skilled craftsmen and qualified architects. Similarly, employment opportunities are high in trade activities (UNDP, ILO & PI, 2005). The overall strategy of the five-year plan is to effectively integrate and utilise “youth power” in the nation-building and development process, through building capacities and skills and providing productive employment opportunities. Importantly, this also gives a sense of belonging and provides meaningful opportunities for growth and excellence in a peaceful and rewarding environment.

6.5.1 Proposed FYDP Outcomes

- Integration of youth into the development process.
- Healthy and disease-free youth power.

6.5.2 Proposed FYDP Outputs

- National youth policy and employment generation programme in place.
- Vocational training and skill development institutes established.
- Youth unemployment and juvenile crimes reduced.
- Sports and recreation infrastructure created.

6.6 Internally Displaced People and other Vulnerable Groups

Long-term development goal: *Rehabilitate and integrate all IDPs into the national mainstream, and utilise their capacities for nation building.*

The prolonged violence, recurrent droughts, and high unemployment in South Central Somalia have led to extensive population movements to Puntland State of Somalia, mainly of nomadic or rural agricultural populations. The current estimate of the number of IDPs is about 70,000, of which 22,000 live in Bossaso, 12,600 in Garowe, and 10,000 in Gaalkacyo⁴³. 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. When returnees are also added, the total displaced population is more than 175,000 (Table 6.5).

In addition, there are 3,000 documented Ethiopian asylum-seekers in Puntland State of Somalia. Authorities are increasingly concerned about their absorption capacity while 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 in Puntland State of Somalia. Refugees who cannot prove such linkages would be recommended for resettlement.

Table 6.5: IDP Population in Puntland State of Somalia in 2005

Region	Local IDPs	National IDPs	Returnees	Total
Cayn	N/A	N/A	N/A	
Bari	N/A	18,100	39,027	57,127
Mudug	6,000	12,300	43,643	61,934
Nugal	8,500	7,550	22,059	38,109
Sanaag	12,000	N/A	N/A	12,000
Sool	6,400	N/A	N/A	6,400
Total	32,900	37,950	104,729	175,570

Source: UNHCR/OCHA, 2005

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 State of Somalia include the following:

- Children, particularly girls and orphans.
- Female-headed households.
- IDPs and returnee refugees.
- Physically and mentally challenged (disabled) persons.
- People living with HIV/AIDS, TB, etc.
- Marginalised populations from minority clans.
- Any other individuals not covered by a reciprocal network of protection.

⁴³ Source: OCHA, 22 November 2005, unless otherwise stated. Numbers are rough estimates.

The Transitional Federal Government contributes positively to finding solutions to the IDP situation. The protection needs and provision of basic social services for IDPs are addressed. The status of Puntland State of Somalia returnees is unknown as there is no systematic monitoring of their reintegration. It has been noted that the poorer IDPs tend to live in inadequate “makeshift” shelters without social or public services⁴⁴. IDPs with relatives are usually able to live rent-free in better housing⁴⁵. A comprehensive needs assessment and an action plan for returnees and IDPs are needed to ensure that a successful reintegration and rehabilitation process occurs. Cultural differences between returnees/IDPs and local communities have caused tensions and disharmony. Moreover, the newcomers pose an additional burden on the already meagre community resources and services. International actors, in coordination with the local and state authorities, must pay greater attention to the interrelationship between ongoing intervention efforts and the need to bridge the relief and development gap. The IDPs need special care and attention and a workable strategy for integration and rehabilitation. It is necessary for the state to utilise their skills, expertise, and resources for nation building as well.

6.6.1 Proposed FYDP Outcomes

- Improved welfare.
- Improved well-being through credibility and confidence.

6.6.2 Proposed FYDP Outputs

- Reduce the number of IDPs and vulnerable groups.
- Improve basic social services for IDPs.
- Strengthen the rights of IDPs.

6.7 Strategic Summary

The social sector suffers from a scarcity of funds. Pastoralist culture influences a large portion of the population and many have low awareness levels. School enrolment rates are low: 24.2 percent (20.3 percent for girls and 28.1 percent for boys) at primary level and 19 percent at secondary level. There are only 400 functioning primary schools and 18 secondary schools. Draft education policy is ready but there is no education act. The plan aims at improving the GER to 52 percent through building 13 additional primary schools and 3 secondary schools, as well as building the capacity of the teachers. Innovative methods of education should be introduced for the nomadic population. A new education act should be ratified and an independent curriculum implemented.

The health sector is characterised by inadequate and poorly qualified staff. Of the total staff of 1,123, 57 percent are not qualified. An absence of effective institutional capacities hinders the provision of preventive and curative health. About 98 percent of the girls in rural areas undergo FGM. The prevalence of HIV/AIDS ranges between 1 and 2 percent. The plan aims to build an equitable, effective, and efficient package of health services, especially in rural areas. The capacity of the health staff and institutions will be strengthened, as will staff numbers. FGM must be reduced and a full ban implemented. The incidence of HIV/AIDS should be reduced through awareness programmes and the provision of prevention, treatment, care, and support services. The incidence of Khat chewing will be reduced through awareness campaigns.

IDPs and refugees make up a significant portion of the population and many live in subhuman conditions. No legal framework exists to protect their rights. The five-year plan aims at reducing the number of refugees by 50 percent. IDPs will be settled and mainstreamed. About 11 percent of children are estimated to be orphaned. Such vulnerable and disadvantaged groups will have access to services such as legal aid, family tracing, and reunification. Youth- and women-centred programmes should be in place in order to address their issues. National women and youth policies must be implemented.

⁴⁴ Source: OCHA, 22 November 2005, unless otherwise stated. p. 33

⁴⁵ Ibid. p. 33



PART IV

CHAPTER VII

PUBLICWORKS AND INFRASTRUCTURE

The long-term development goal of the FYDP for the public works and infrastructure sector: *To construct and improve the infrastructure for and provide access to water and sanitation, environmental protection (including water and solid waste management), energy sources (particularly environment-friendly power sources), and housing.*

The related Millennium Development Goal: *Halve extreme poverty and hunger; halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.*

7.1 Background

Puntland State of Somalia suffers from chronic infrastructure underdevelopment and lack of investment. During the 1970s and 1980s, however, a 900-km tarmac road was built stretching from Galkacyo to Bossaso and Garowe to Oog (Sool region). This road is now the backbone of the economy, enabling the movement of goods from the north to the south and the east to the west. This tarmac road has deteriorated over the decades, due to the lack of routine maintenance and as a result of the civil war; at least half of it currently requires capital investment for repairs and resealing. Road connectivity is very poor beyond this road. In fact, the absence of feeder and connecting roads is one of the main bottlenecks for service delivery to the rural areas. As mentioned in previous sections, there is a large scope for enhancing productivity in the basic sectors in Puntland State of Somalia. This naturally requires investments in infrastructure to expand access to markets, veterinary and agricultural services, irrigation facilities, and even finances. In the absence of strong and contributory infrastructure, and given the poor policy environment, it would be difficult to attract private investment and foster public-private partnerships.

With the establishment of the public corporations of the Puntland Highway Authority (NESHA) in 1999 and Puntland State Agency for Water, Energy, and Natural Resources (PSAWEN) in 2000, important institutional steps were taken towards the development of roads, airports, and water and energy infrastructure. PSAWEN is also responsible for environmental protection (hence the inclusion of environmental protection under this sector). The provision of public works remains inadequate, particularly for those living in remote communities west of the road and along the coastline to the east. The lack of infrastructure weakens the economy. The five-year plan focuses on infrastructure such as water and sanitation, energy, housing, telecommunication networks, etc. and addresses the need to build service-handling, as well as security capacities at sea ports and airports.

7.2 Water and Sanitation

Long-term development goal: *To ensure for citizens sustainable and equitable access to quality drinking water (to both humans and cattle) and sanitation, as a basic human right, and thereby improve health conditions and reduce poverty.*

Related Millennium Development Goal: *Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.*

The main water sources in Puntland State of Somalia are rainwater, groundwater, springs, and watercourses. The public water supply system is weak or very poorly maintained in most areas, and only 26 percent of residents have access to safe drinking water. For vulnerable groups, access is below survival needs and therefore life-threatening. Strong efforts are needed to achieve the Millennium Development Goal of halving the number of people without sustainable access to safe drinking water by 2015. In urban areas, a strong but largely unregulated local private sector has emerged as the principal service provider (Box 7.1). Backed by external finance and ten-year concession agreements, supply systems have been rehabilitated, providing direct household connections and metered water. The systems mostly supply water kiosks, which have significantly reduced the burden of water haulage and increased the volume of water consumed by households for domestic needs.

Box: Example of a private water supplier in Galkacyo

Galkacyo's main private supplier is GUMCO (Golden Utilities Management Company). It was granted a ten-year lease contract by the municipality 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 Galkacyo, constructing water kiosks in poorer areas of the city and providing cleaner and more affordable water for a larger population.

Since taking over the water supply management system in 2003, the Galkacyo water company has connected 2,300 houses to piped supply, constructed 50 water kiosks, and established 7 truck-filling points. In addition, the network was extended from 25 km to 150 km. The price of water has been reduced from \$8/m³ to \$1/m³ for those connected to the pipeline and to \$0.6/m³ for those using water kiosks. GUMCO has prepared a complete plan for further extension of the supply system. The company finalised a proposal for the extension of the Bossaso water supply system in January 2006, but the proposal and its costs have not been verified independently.

Source: RDP, 2006

Feeble financial flows have weakened the capacity of the state service providers and have barely covered the recurrent costs of the mandated line ministries. Therefore, many local interventions have been pursued, supported by international assistance (the local security situation permitting). Significant investments have delivered service improvements for nearly 130,000 urban residents during the 1999–2003 period. This has contributed to a situation in which urban areas have a much higher coverage of clean drinking water than rural areas (Table 7.1). Access by urban and rural populations to safe water is reported to be about 47 percent and 15 percent respectively. 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 related to distance, affordability, and the reliability and safety of water. Lacking permanent water sources, and the large numbers of livestock en route to export facilities on the coast compound the significant competition for scarce water.

Table 7.1: 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

Source: UNDP and World Bank Survey (2002)

The estimated coverage of sanitation is about 43 percent. Approximately 6 percent of the urban and 70 percent of the non-urban population lack access to toilets. Lack of sanitation, including garbage collection services, was identified as the biggest environmental problem in urban areas. Coupled with the absence of safe drinking water and health facilities for the majority of the population, this contributes to high morbidity.

PSAWEN is responsible for water and sanitation. The private sector is also involved in urban water supply. No comprehensive sector plan has yet been developed for the water sector. The line ministries (the 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. The National Water Policy that PSAWEN operates on needs enhancement and further development. It stipulates that all groundwater interventions for boreholes and shallow wells (as well as catchments, dams, and springs) must satisfy State Water and Sanitation Standards. They must address a) environmental degradation, b) environmental sanitation, c) appropriate management structures, and d) sufficient start-up provisions. The water and sanitation sector suffers from institutional, technical, and financial constraints. The FYDP aims to address these deficits to fulfil water requirements in accordance with the MDGs.

Community participation in implementing and managing water projects should be emphasised, along with public-private partnerships. Finance mechanisms for effective water resource management will be based on the value that the community attaches to water. A sustainable policy of cost recovery from the communities to pay for the

maintenance and protection of water sources and facilities should be introduced everywhere, though management systems should be adapted to different conditions.

7.2.1 Proposed FYDP Outcomes

- Sustainable and improved access to water and sanitation facilities.
- Quantity, service level, and quality improved.
- Participatory, gender-balanced approach institutionalised.

7.2.2 Proposed FYDP Outputs

- Improved water and sanitation infrastructure for 100,000 rural/nomadic people and 5,000 urban people.
- Sanitation provided for 170,000 rural and 30,000 urban beneficiaries.
- New water and sanitation policy created.
- PSAWEN capacity developed.

7.3 Environmental Protection

Long-term development goal for environmental protection: *Conserve nature and protect the environment for the present and future generations; encourage sustainable environmental and natural resource management for equitable growth and development, poverty reduction, and enhanced livelihoods.*

Related Millennium Development Goals: *Ensure environmental sustainability and integrate those principles into country policies and programmes; reverse the loss of environmental resources.*

Natural resources are under severe pressure because of the transformation of production and consumption patterns and massive rural to urban migration, which has changed natural resource use. Environmental degradation is accelerating, manifested by the desertification of rangeland, exhausted aquifers, depleted biodiversity, and increasing public health hazards. This is mainly due to 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 rangeland have been reduced to treeless plains – wildlife has all but disappeared. The biggest threat to Puntland State of Somalia's environment is the cutting of trees for charcoal, which is still being exported despite an export ban.

Because of inadequate institutional, technical, and financial resources, Puntland State of Somalia has not addressed the environmental impacts of drought, desertification, charcoal production, civil conflict, and famine, all of which contribute to poverty in the state. Current environmental challenges will require short- and long-term development plans for improving the physical environmental infrastructure (including awareness raising to alter the desertification trend). Environmental planning requires:

- a) Institutional and infrastructure development.
- b) Public awareness about environmental protection.
- c) Capacity building on management mechanisms and regional cooperation.

The first priority is therefore to establish an environmental institution that will be responsible for the environment. There are a number of environmental protection infrastructure development components.

Soil and Water Conservation: The state should initiate a large-scale programme on soil and water conservation. Harvesting rainwater run-off using watershed development technologies holds significant potential. Initially, watersheds can be identified and prioritised for development, based on habitation density and the extent of pastoralism. The construction of embankments will help grow plants and trees, increasing land fertility. The water harvested from run-off water and watercourses will be used for human and livestock consumption and fodder production. More importantly, this will enhance groundwater supply.

Water Resource Development: There is a need to assess the groundwater potential in Puntland State of Somalia, in order to identify areas where groundwater development is feasible for drinking and irrigation purposes. Groundwater zones could be demarcated based on the existing potential and annual sustainable yields. Underground water exploitation through borehole drilling (using generators and pumps powered by wind, the sun, or electricity) should be implemented. The FYDP will develop a strategy to reduce borehole costs by using effective private sector or non-governmental organizations with trained labour that can take responsibility for operations, maintenance, and the collection of water rates. Groundwater exploitation should be encouraged on a community basis in order

check overexploitation in future. Water security in the fragile environments depends on the judicious management of and equitable access to groundwater.

Land Rights and Rangeland Management: Since 1991 there have been no land property rights. Land rights provide incentives to invest in land and check land degradation. There is a need for immediate action on re-establishing land rights and land tenure systems in Puntland State of Somalia. Community-based property rights or lease systems could be developed to address the problems of rangeland management.

Reduced Deforestation: It is estimated that charcoal output in Puntland State of Somalia in 1996 was 4.5 million sacks (each sack of 25–30 kg). This charcoal required the cutting and burning of 1.2 million acacia trees, equivalent to a land area of 35,000 ha per year. The search for alternative energy sources should therefore be prioritised.

Marine Conservation: Fishery statistics indicate rich marine resources in both quantity and species, with an abundant stock of small pelagic fish. Foreign vessels have concentrated their efforts on unsustainable intensive lobster fishing, giving no attention to females carrying eggs or issues of size and age.

7.3.1 Disaster Management for Livelihoods and Food Security⁴⁶

Natural disasters are a regular phenomenon in Puntland State of Somalia. One in every five years is a drought year. Often such droughts extend for longer periods, assuming famine and disaster proportions. The recent and continuous drought between 2001 and 2004 has resulted in the decline of the livestock population by 55 percent. While nomadism is one of the drought-coping mechanisms traditionally, it is increasingly becoming an ineffective strategy due to increased resource pressures and widespread resource degradation. As discussed above, not only the main sources of livelihood and income but also secondary livelihoods are based on natural resources, except in urban areas. However, even urban livelihoods get affected in the event of disasters.

Strategically, managing disasters effectively to minimise damages and insulate the population from extreme vulnerabilities is the key to poverty reduction. The state needs a comprehensive disaster management framework and action plan, which comprise of participatory approaches, networking and mitigation/coping strategies, impact assessments, and an effective information management system with a special focus on early warning. The framework will have two fundamental pillars in managing disasters: one rests on the capacities of public institutions and the other on the strength of communities and civil society. The state will take up exhaustive mapping of the disaster-prone areas and build up historical information for future planning. Both short-term and long-term strategies need to be evolved to tackle the crisis on a war footing while also planning for rehabilitation and recovery in the long run. The activities in this regard include disaster preparedness, mitigation, and management. Fodder stocking appears to be one of the main elements of disaster preparedness in a livestock dominant economy. Some of the activities discussed above (e.g. soil and water conservation and rangeland management) would form part of disaster mitigation.

7.3.2 Proposed FYDP Outcomes

- Environmental sustainability and quality.
- Intergenerational equity.

7.3.3 Proposed FYDP Outputs

- Institutional arrangements established for environmental protection.
- Illegal marine activities controlled in the Exclusive Economic Zone.
- Appropriate land tenure/ownership rights established and protected.
- Disaster Management Plan ready and operationalised.

7.4 Energy

Long-term development goal: *Integrated sustainable development of quality energy services, with access improved and energy security ensured.*

Puntlanders use firewood and charcoal as their main sources of domestic energy – particularly in rural areas where electricity is often in short supply. Approximately 60 percent of the households use firewood for cooking,

⁴⁶ Please note that this section links up with both “Productive Sectors” and “Natural Resource Management”.

and the remaining 39 percent use charcoal. The majority of the households (79 percent) collect fuel wood free of cost according to reports, though most of the charcoal is purchased (96 percent). The main cooking fuel in urban areas is reported to be charcoal (74 percent); firewood is preferred (78 percent) in non-urban areas (UNDP and the World Bank, 2002). 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 for most of the borehole pumps in the rural areas. In urban areas, electric power supplies up to 40 percent of the total energy used; firewood and charcoal provide the rest.

The low electricity coverage should prompt the urgent rehabilitation and construction of electricity plants. This sector faces organizational, institutional, technical, and financial deficiencies. These constraints may be addressed through institutional development, capacity building, and sustainable electricity programmes. The yearly per capita electricity consumption is estimated to be 2 kWh⁴⁷. Electricity development has been neglected and no investment has been made since the collapse of the Republic of Somalia. Urban electricity consumption is expensive (US\$1 per kWh), as it is produced in only a few centres by diesel generators of 100–750 kW. Rural communities have almost no electricity coverage; consequently, irrigation, agro-processing, and the refrigeration of foodstuffs and medicine are problematic.

The heavy use of firewood and charcoal is of great concern due to the resulting deforestation. This in turn has severe environmental consequences such as land erosion, which 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 LPG and kerosene, which will require a legal framework for storage and distribution.

NGOs or private enterprises own and run most of the electricity generation plants in urban and rural areas, and generally supply electricity on a commercial basis. The government's focal point for data collection and policy setting is the Electric Energy Authority, which needs strengthening to implement its policies. It owns the Bossaso, Gardo, and Garowe power stations and recently signed an MoU with a private enterprise to manage them, along with the distribution network. Meanwhile, publicly owned power plants and distribution networks are operated by government electricity supply agencies.

There is no national strategy for grid coverage development, so most power providers (including those that have formed cooperatives, as in Garowe) continue to operate on low-tension generator systems with inherent power fluctuation problems. Upgrading to high-tension systems would require substantial additional capital investment. Most of the larger catering businesses and most industries continue to use private generators. Commercial providers mostly service residential and office customers and have so far avoided costly investment in meters and billing systems by basing charges on the number of light bulbs used by a particular customer. There is a need to implement public-private partnerships in the energy sector. At the same time, there is a need for regulation, in order to provide quality, safe, and affordable electricity to the public on a sound commercial basis.

The FYDP will focus on capacity building for the state electric agency (PSAWEN), responsible for energy and natural resources. It will also work with local communities in planning, designing, financing and implementing energy development. The FYDP will:

- a) Seek investment to develop coalmines.
- b) Develop an effective Puntland Oil Authority that is run and managed professionally.
- c) Speed up research activities and the preparation of a contracting code with oil corporations for well drilling and oil development.
- d) Train Somali geologists and technicians in oil technology in technical institutes.
- e) Collect data to design wind turbines suitable for rural and coastal regions, in order to create a new wind energy programme.

7.4.1 Proposed FYDP Outcomes

- Sustainable energy entrenched.
- Energy security ensured.

⁴⁷ UNDP/World Bank Somalia Survey, 2002

7.4.2 Proposed FYDP Outputs

- Energy mapping and assessment completed.
- Alternate energy development strategy (including oil and gas) developed.
- Institutional and capacity-building arrangements made.
- Energy policy announced.
- Charcoal use significantly reduced.

7.5 Highways, Airports, and Sea Port Infrastructure

Long-term development goal: *Develop and sustain quality infrastructure for security, improved access, resource management growth and development.*



The main mode of transport in Puntland State of Somalia is the motor vehicle. In urban areas, about 68 percent of the population use motor vehicles as their main mode of transport. In non-urban areas, it is about 32 percent. Traffic is increasing annually with no corresponding infrastructure development. Areas such as Alula and Kandala districts are only accessible by boat and are cut off during the rains. Improving the roads is a high priority and is recognised as an important factor in poverty reduction. Link and feeder roads are virtually absent. The Puntland Highway Authority is constrained by a lack of funds, equipment, and broad-spectrum personnel. The paved roads are only 65 percent functional.

The only port facility in Puntland State of Somalia is the Bossaso harbour. It consists of one Ro-Ro (roll-on roll-off) berth 175 metres long, with a draught of 12 meters at high tide and eight metres at low tide. The berth lacks loading and unloading facilities. No other ports and jetties have been constructed along the Puntland coast. Goods transportation to and from Bossaso is expensive; larger ships cannot berth at the port, making the cost per ton very high. The Galkacyo airstrip was the only one in the region to receive major construction before the collapse of the former regime. The airstrip was previously equipped with an underground refuelling system, communication facilities, an air tower, and terminals (control panels, a passenger hall, stores, and offices). All the structures and facilities except the runway were badly damaged during the civil conflict. The runway itself needs complete resurfacing, with a middle section of 500 metres that needs significant repair.

Municipalities are responsible for urban road development but lack the resources, planning systems, or capacities. Puntland State of Somalia has no international airport, but has three domestic airports. Implementing any improvements to the airports and air navigation infrastructure will require policy coordination and support from the ministerial setup (under a Ministry of Transport). This should build on the strengths of the working institutional arrangements. The relative security of the northern corridor and the unresolved border dispute between Eritrea and Ethiopia have made the port of Bossaso 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 Bossaso Port include prior consultation and agreement with all the authorities (potentially) involved. These consultations would have to form part of the envisaged political arrangements with South Central Somali authorities, and might need to include Ethiopia, who could be the principal user of Bossaso Port.

The plan endeavours to achieve accelerated development of basic infrastructure across the country by leveraging the investment potential of the private sector. A favourable policy environment and investment opportunities could be provided by the state to explore appropriate innovative financial options, including foreign direct investment. On account of the burgeoning urbanisation, the provision of basic infrastructure to cities and urban centres is an urgent priority. In order to ensure geographical dispersal of infrastructure facilities, it is critical to network the rural areas with urban centres. The state proposes to establish rural infrastructure development to exclusively focus on rural connectivity. Development of feeder roads and fishing harbours across the coastline will be of prime consideration.

7.5.1 Proposed FYDP Outcomes

- Quality multi-modal infrastructure network developed.
- State's capacity built for mobilising capital and designing, implementing, and managing infrastructure.

7.5.2 Proposed FYDP Outputs

- Puntland Highway Authority capacity-building plan developed and implemented.

- Transparent and credible private and foreign sector participation in place.
- Rural-urban connectivity improved.

7.6 Housing

Long-term development goal: *To enable citizens of Puntland State to stay and grow, with their varied housing needs met in sustainable human settlements that are eco-friendly, safe, and affordable.*

Related Millennium Development Goal: *Achieve by 2020 a significant improvement in the lives of at least 100 million slum dwellers.*

Information on housing in Puntland State of Somalia is limited. It is assumed that the housing conditions are similar across the zones of Somalia. The majority of the population lives in temporary dwellings, especially in rural areas – this is due to pastoralism. Only 6 percent of the houses in rural and nomadic areas can be classified as permanent, though this rises to 60 percent in urban areas. One-fifth of the houses in urban areas and half of the houses in rural and nomadic areas have one room only. The housing problem in urban areas is accentuated by the influx of IDPs and refugees, as well as the growing migration from rural areas. One-third of the households in urban areas have two or more families staying in the same house and half of them share single-roomed houses. Ownership of houses is much less in urban areas (less than 60 percent) compared to rural areas (over 90 percent). This ownership pattern suggests that there may be a housing shortage in urban areas, as about 18 percent of the families occupy rent-free houses, vacant houses, or public places.

Housing is under the Ministry of Public Works and Infrastructure. No prospective planning activities have been taken up at the moment. Urban population pressures (resulting from a lack of housing and basic services) were evident after state collapse in 1991 and the huge influx of IDPs from the south. The general perception of policymakers is that urbanisation has so far led to inappropriate settlement construction. New urban development centres should be located in areas of high economic potential, i.e. coastal areas. In the FYDP, emphasis is given to institution building and the construction of houses for government employees and weaker sections of the society.

7.6.1 Proposed FYDP Outcomes

- Security and safety.
- Decent living conditions and well-being.

7.6.2 Proposed FYDP Outputs

- National housing policy unveiled.
- Construction-related skills improved.
- Social housing schemes established.
- Urban development plans created.

7.7 Information and Telecommunications

Long-term development goal: *To ensure universal, efficient, affordable, and regionally balanced telecom and ICT services for accelerated socio-economic development, improved governance, and better integration with the rest of the world.*

Related Millennium Development Goal: *In cooperation with the private sector, to make available the benefits of new technologies, especially information and communication.*

The state of Puntland without an official post office. Messenger services are the dominant communication method (39 percent), followed by high frequency radio (33 percent) and telephone (19 percent). According to the UNDP and *World Bank Socio-economic Survey (2002)*, approximately 48 percent of people confirmed receiving inland mail, while 40 percent confirmed receiving international mail during the one year prior to the survey. The pattern is quite similar in urban and non-urban areas. Statistical estimates from the Somali Telecom Association suggest that in 2004 there were 34,500 landline phones and 29,000 cellular phones in use.

The Ministry of Information is in charge of telecommunications, but the entire telecommunications industry, including the mass media, is currently run by the private sector. The information and communication technology (ICT) sector is witnessing continuous liberalisation and growth, resulting in increased demand. There is an increasing availability of cellular telephones, landline phones, and Internet connectivity in the region. Since 1993, private telecom companies have established themselves, shaping a competitive market.

The telecommunication and information sector is indeed a booming industry. Before the collapse of the republic, the whole country had one centralised telephone exchange system, one national radio station, and one TV station with a broadcasting range confined to the Mogadishu area. Since the mid-1990s, twelve Somali cellular phone companies have been established. Even smaller towns have phone centres and rural people can access international phone lines via local HF radios. As a result, the communication system has become quite sophisticated in recent years, though it is not problem-free. However, these benefits are limited to businesspeople and the middle class, who have family members abroad. Though there could be some indirect benefits to the poor from economic growth, most of them do not have access to the modern telecommunication systems.

The emergence of small-scale VSAT (Very Small Aperture Terminal) sites late in 2003 was an important development in the ICT sector. VSAT sites offer long-distance calls and high-speed Internet connectivity at a very low price. The price for international calls fell from US\$1.00 to 0.40, and charges for one-hour Internet access fell from US\$2.00 to 1.00. There are plans to connect higher learning institutions in Puntland State of Somalia with the Universities of Hargeisa and Mogadishu. The introduction of ICT has improved the efficiency of remittance delivery. Given the size and significance of remittances, this impact on development needs to be surveyed further. The role of the state should be to optimise the operational environment of the ICT sector and support the sector in ensuring national and international connectivity.

From a single international communication outlet in Mogadishu with minimum, poor quality coverage, there are today state-of-the-art telecommunication systems in all the major urban locations, with very competitively priced telephone, fax, Internet, and mobile phone services. Multinational firms are involved: AT&T, Sprint, and IDB of America; Djibouti Telecom; and Scandinavian and Australian companies. Connecting with all smaller towns and villages through substations and HF radiophone linkages, individual owners and firms provide wide national and international communication coverage. The sector is a significant employer, but has probably peaked at existing employment levels pending interconnectivity developments and the regulation of stiff competition from unregulated VSAT operators. The existing job gaps are at the higher skill levels of management, IT, accounting, and technical services.

7.7.1 Proposed FYDP Outcomes

- Improved coverage.
- Improved connectivity.

7.7.2 Proposed FYDP Outputs

- Telecom policy (including investment) plan implemented.
- Regulatory framework in place.
- Integration of ICT and governance.
- Connectivity to villages established.

7.8 Strategic Summary

Infrastructure is the key to economic development. The baseline status of infrastructure reflects poor accessibility to various basic amenities. Where the private sector is active, as in communications, the situation is better. Access to water is higher (47 percent) in urban areas and very low (15 percent) in rural areas. Similarly, sanitation is poor in rural areas. The five-year plan aims to improve the access to drinking water for 300,000 rural dwellers and 600,000 urban residents. It also will increase sanitation services to cover 300,000 rural and 200,000 urban beneficiaries. The capacities of government institutions will be enhanced, in order to deliver the services professionally and draft plans, policies, and strategies for water and sanitation. Pro-poor tariffs and strategies will be implemented.

The plan aims to strengthen rural connectivity through developing feeder roads to urban centres and ports. The capacity of Bossaso Port will be expanded, improving shipping services and making the port a regional hub. The capacity of the highway authority should be built. Alternative sources of energy, along with underutilised sources like LPG and kerosene, will be increased. A legal and policy framework for energy management should be in place. Public-private partnerships must be implemented and non-governmental actors' involvement at different levels of infrastructure development and basic service delivery must be increased. A key priority of the FYDP is to improve housing facilities for the weaker and vulnerable sections of society. A report on the state of the environment has been finalised and the status of natural resources assessed. Charcoal making and use must be reduced through effective enforcement of the ban on charcoal exports.

PART V

CHAPTER VIII

MONITORING AND EVALUATION

8.1 The Need for an Effective M&E System

Every nation needs a vision and development strategy. Effective monitoring and evaluation (M&E) of the development trajectory vis-à-vis targets and goals are also critical for tracking achievements, facilitating on-course correction, and providing policy inputs. The need for an efficient M&E framework, irrespective of the stages of development, is necessitated by the following key factors.

- Accountability of the state to its citizens.
- Official development assistance and donor and humanitarian assistance in the development process; accountability to the international community.
- Tracking of the achievements of development planning.
- The commitment and ownership of the government in implementing a comprehensive development framework, as embodied in the FYDP, reinforces the need for country-led monitoring.
- Decentralisation, free market orientation, and private sector-led investments also necessitate an efficient monitoring system that is transparent and reliable.

The main outcomes of strengthened M&E capabilities are not only improvements in project implementation and management, but also an improvement in the plan itself.

8.2 M&E System: Prerequisites and Challenges

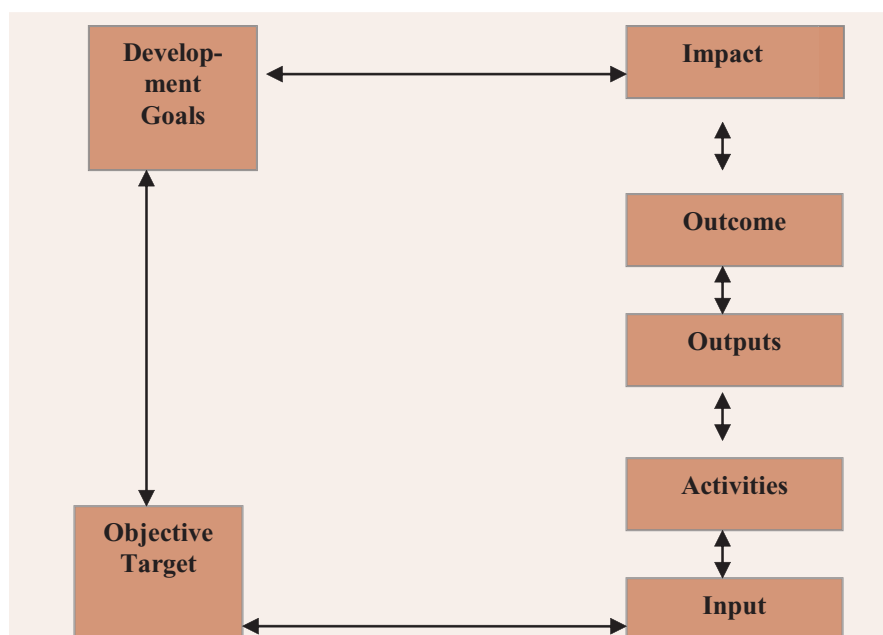
Establishing a sound M&E framework for the state of Puntland critically depends on a number of factors:

- A strong national federal government and an effective national statistical institute or bureau, which would guide, coordinate, and oversee the process.
- Strong political will and ownership, i.e. leadership with the commitment to implement the framework and overcome resistance.
- Feasible design – as the baseline status is weak, with serious methodological and statistical gaps, feasibility is crucial, specifically in terms of simplicity, cost-effectiveness, flexibility, and capability, for comparison across time and also across countries.
- Cost-effectiveness: as a state struggling to meet the basic needs, the allocation of resources has an obvious and strong trade-off; any design and implementation mechanism shall have to be cost-effective.
- Demand-driven: generating demand across the stakeholders is key to supporting and sustaining an effective M&E framework.
- Institutional capacity and resource support – financial and manpower (technical and managerial).
- Effective inter-ministerial cooperation: creation of a more mature M&E system requires interdependency, alignment, and coordination across multiple governmental levels; this is a major area of concern for the state, as departments are rather loosely interconnected and are still working towards building strong administrative cultures and transparent financial systems.
- Standardisation and coordination: in the state, various donor and international agencies, particularly those under the UN system, are undertaking significant projects; the M&E system is more oriented towards project monitoring, but weak sustainability (on account of poor institutionalisation), weak standardisation, and duplication of efforts (leading to high transaction costs) need to be seriously addressed during the plan by creating an M&E framework with centralised MIS, decentralised network partners and processes, and coordinated annual M&E plans.

8.3 M&E Framework

M&E is a powerful public management tool that can be used to improve performance through feedback and corrections. In addition to measuring outputs, what is critical is the examination of outcomes and impacts. If implemented properly, these systems provide a continuous flow of information feedback into the system, which can help guide policymakers towards achieving the desired results. The framework for the state shall have two key elements: (a) development plan monitoring and (b) Poverty Reduction Strategy Paper (PRSP)/MDG monitoring. The development plans would be monitored based on the development goals at the macro-level and those of the respective subsectors or ministries. The PRSP/MDG monitoring would use the results-based framework (Fig. 8.1) that is adopted internationally and has been modified to suit the requirements of the state. Each department will monitor the progress in the standardised and agreed formats to ensure uniformity and facilitate comparison. The process would be integrated with the annual plan and budgetary system.

Figure 8.1: M&E Framework



8.4 Results-based Monitoring

The results-based monitoring and evaluation (RBME) framework is an exercise to assess the performance of an institution, programme, or project on the basis of impacts and benefits that the body or initiative is expected to produce. The traditional M&E system measures and reports the status of the results (a reactive tool), whereas RBME measures and reports results to produce results (a proactive tool). RBME is to be used as a dynamic tool for planning and budgeting in order to improve performance and achieve results. There are two main levels of indicators – the ministerial/departmental/agency level and the developmental/programme/project level. A third level of thematic indicators could be included. All three levels of indicators must be inter-linked in a complementary manner to contribute to a strategic results framework for the entire development management process.

The RBME requires the following key steps to design the approach:

- Formulate outcomes and goals.
- Select outcome indicators to monitor.
- Gather baseline information on the current condition.
- Set a timeframe and specific targets.
- Regularly collect data to assess whether the targets are being met.
- Analyse and report results.

Governments and organizations are using RBME systems to demonstrate accountability, transparency, and results. They can help to build and foster political and financial support and harmony for common policies, programmes, and projects. They can help the government build a solid knowledge base. Importantly, results-based M&E systems can also bring about major political and cultural changes in the way governments and organizations operate – leading to improved performance and enhanced accountability, transparency, learning, and knowledge.

8.5 M&E Strategy

The model envisaged for Puntland State of Somalia is built on the cascading framework, using the building block approach. This is all the more essential given the weak statistical baseline and system capability. During the initial phase, the state will identify and adopt core indicators relevant to each sector, identifying desirable extensions for the medium and long term. Even within the core indicators, feasibility in terms of simplicity, baseline status, and cost-effectiveness are to be specifically examined. The international indicators used for poverty- and MDG-monitoring need to be further examined and aligned with and adapted to with new indicators that have been incorporated, taking into account state-specific characteristics. The system would thus develop gradually from a simple yet feasible model into one of greater sophistication. During the transition phase, proxy indicators need to be used (in the absence of direct ones). The key indicators identified for the M&E system for the FYDP/PRSP and

MDGs are given in the respective sections. A detailed outcome-, output-, and activity-based monitoring framework has been worked out for the FYDP and provided in Annex III.

The Government of Puntland State of Somalia has taken a conscious decision to improve the system and has set up a M&E Department under the MOPIC. Efforts are also being made by UNDP to establish a coordinated central database for Puntland State of Somalia, which need further strengthening. The government has also created a Commission of Monitoring and Evaluation under the chairmanship of the Minister for Planning. These efforts demonstrate the willingness and commitment of the government to strengthen and improve the system. The government envisages a significant level of technical assistance and financial support from international agencies to build and sustain the process.

The M&E system would function as a network. It comprises the following from the key stakeholders involved in M&E: line ministries and public sector agencies; donors and international agencies; the private sector (Chambers of Commerce and Industry); and NGOs and civil society. Their efforts would be coordinated at the state level by MOPIC, which will have the overall responsibility to anchor and maintain the system and report findings. MOPIC will maintain the central M&E system, which will have provisions for both vertical and horizontal flows. The inputs that are going up vertically will be consolidated at the district/regional and central level, with built-in provision for concurrent feedback (vertical and horizontal) to stakeholders to facilitate corrections. This would also ensure the transparency and accountability of the system and the benefits of participatory monitoring.

8.6 Evaluation

Evaluation is an assessment of a planned, ongoing, or completed intervention to determine its relevance, efficiency, effectiveness, impact, and sustainability. The intent is to incorporate lessons learned into the decision-making process. The strengthened M&E Department in MOPIC will function as the nodal centre. During the planning phase, there shall be a mid-term evaluation in the third year and a post-implementation impact evaluation. Additionally, specific programmes will be evaluated with focal attention on poverty and the MDGs. Evaluation helps policymakers and decision makers to better allocate resources, identify emerging problems, and make decisions about the competing alternatives. It will also help in policy formulation and the design of plans and programmes from lessons learned. Evaluation provides information on:

Strategy: Are the right things being done?

- Rationale or justification of the plans and investments
- Clear theory of change

Operations: Are things being done right?

- Effectiveness in achieving expected outcomes
- Efficiency in optimising resources
- Public satisfaction

Learning: Are there better ways?

- Alternatives
- Best practices
- Lessons learned

8.7 Framework and Tools

The basic framework for evaluation would be the following:

Criteria	Key Elements	Analytical Review
Relevance	Consistency of: -National Development Plan with RDP -NDP with RDP -NDP with MDGs/PRSP -Programme objectives with FYDP	Background of the policy change or its impacts on the plan/programme/project(s). Describe the effects of the plan on policies.
Efficiency	A measure of how economically inputs are converted to outputs.	If the plan/programme is particularly efficient, describe the reasons. Spell out ideas for more efficient plan implementation.
Effectiveness	The extent to which development objectives were achieved, or are expected to be achieved. (Ex-post evaluation reports assess effectiveness based on operation indicators and effect indicators.)	Describe reasons for effectiveness. Spell out ideas for improvement if not effective.
Impacts	Effects produced by the plan/programme, including intended/unintended, positive/negative, tangible/intangible, and direct/indirect effects.	If the plan produces positive impacts, analyse how the outcomes are converted into impacts. Describe the impacts of the plan on the welfare of the people.
Sustainability	The extent to which the effects and benefits of the plan continue during the post-implementation phase.	Describe methods for improved sustainability of investments, effects, and benefits. Describe options for improving the sustainability of the programme(s).

The key tools employed for the evaluation of plans and programmes are:

a) *Performance logic chain assessment*: The performance logic chain assessment evaluation strategy is used to determine the strength and logic of the causal model behind the policy, programme, or project. The causal model addresses the deployment and sequencing of the activities, resources, or policy initiatives that can be used to bring about a desired change in an existing condition.

b) *Pre-implementation Assessment*: The pre-implementation assessment evaluation strategy addresses the standards that should be clearly articulated before moving to the implementation phase.

c) *Process Implementation Evaluation*: The focus of the process implementation evaluation is on implementation details. What did or did not get implemented that was planned? What congruence was there between what was intended to be implemented and what actually happened? The emphasis throughout would be to study the implementation process. Managers can use this information to determine whether they will need to make any mid-course corrections to drive towards their stated outcomes.

d) *Rapid Appraisal*: As M&E is a continuous management tool, rapid appraisals deserve special consideration. Rapid appraisals can be invaluable to development practitioners in a results-based M&E system. They allow for quick, real-time assessment and reporting, providing decision makers with immediate feedback on the plan progress.

e) *Case Study*: Case study is an appropriate evaluation strategy to use when in-depth information is needed to understand more clearly what happened with a policy, programme, or project. Case studies imply a trade-off between breadth and depth in favour of the latter.

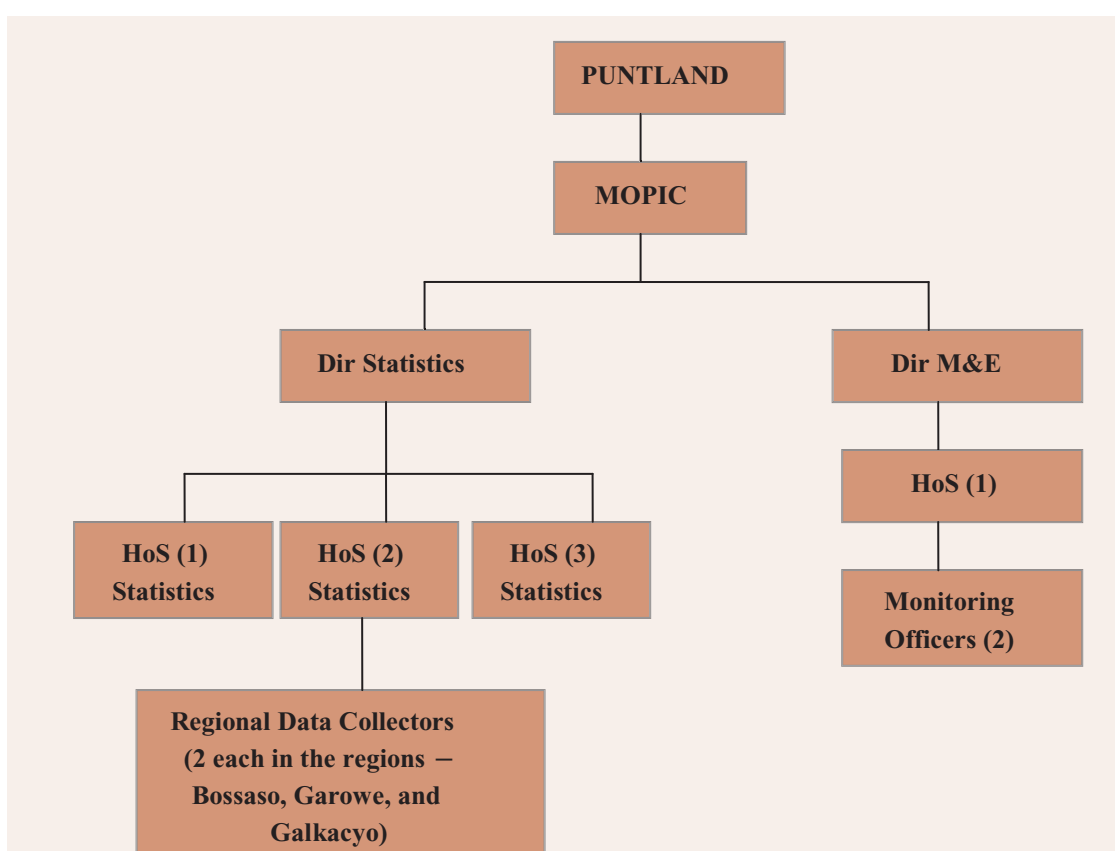
f) Impact Evaluation: Impact evaluation attempts to find out the changes that occurred and to what they can be attributed. Such an evaluation tries to determine what portion of the documented impacts the intervention caused and what might have come from other events or conditions.

g) Meta-evaluation: If a number of evaluations have been conducted on one or similar initiatives, a meta-evaluation establishes the criteria and procedures for systematically looking across those existing evaluations to summarise trends and generate confidence (or caution) in the cross-study findings.

8.8 Institutional Arrangements

One of the critical pre-requisites for effective design and implementation of the M&E system is a strong institutional framework. The existing M&E system (see Figure 8.2) is very weak and needs significant strengthening and capacity building through hands-on training, inducting a small team of professionals, strengthening the software and hardware infrastructure, and designating officers at the regional and district level to be functionally responsible at the respective levels.

Figure 8.2: Existing M&E Institutional Arrangements



The institutional arrangements for effective M&E shall be inclusive and participatory, with clear definitions and assignments of functions and responsibilities. Key institutional actors, desirable arrangements, and responsibility assignments are indicated below:

Key Institutional Actors and Functional Assignments

Tasks	Institutions	Functions
Oversight	Parliament* Parliamentary committees Cabinet Civil society	Oversight, debate and policy formulation, tracking progress of development goals and targets, advocacy.
Planning and Policy	MOPIC* Line ministries State Statistical Bureau	Policy of data collection and statistical systems, as recommended by the SSB.
Standardisation and Regulation	MOPIC* State Statistical Bureau	Issuing guidelines, processes, procedures, and standards for M&E data system and methodology.
Institutional Anchor	MOPIC* Networks (donors/private sector/ CSOs)	Coordination and data collection, compilation, storage, analysis, reporting, and dissemination.
Capacity Building	State Statistical Bureau*, East African University (EAU), PSU Galkacyo, Garowe, Puntland Institute for Development of Administration and Management (PIDAM), Nugal University, MOPIC, GTEC	Training, skill upgrading, conducting courses, networking among research institutions.

Note: (*) indicates the lead institution. SSB is to be formed during the course of the plan implementation. During the initial phase, MOPIC can take the lead role in capacity building.

8.9 FYDP Institutional Architecture

The M&E Commission created by the state (under the chairmanship of the Minister of Planning and with the Ministers of Finance, Interior, and Women and Family Affairs) would continue to act as the nodal institution for oversight and coordination. The commission would set policies and guidelines for the approval of the cabinet. It would be supported technically by a committee comprised of the respective directors general of the line ministries, experts chosen on the basis of proven competence, and coopted members from the UN system.

MOPIC would be the nodal anchor for the M&E architecture, with the central responsibilities of coordination, implementation, dissemination, and all related activities. It will be supported by networked agencies engaged in M&E, mainly from international donor communities. This central backbone would be further supported at the regional/district and community level by authorised M&E officers. At the village level, both formal and informal/ participatory tools like PPAs, social audit, public expenditure tracking, etc. would be used for data generation. The entire system depicts the vertical and horizontal flow of information. For the M&E of the FYDP, a programme monitoring and evaluation organization would be constituted within the Ministry of Planning, by re-engineering and strengthening the current M&E division. Detailed terms of reference would be prepared for institutional strengthening and to define the scope and functions of the division. The institutional architecture is presented in Figure. 8.3.

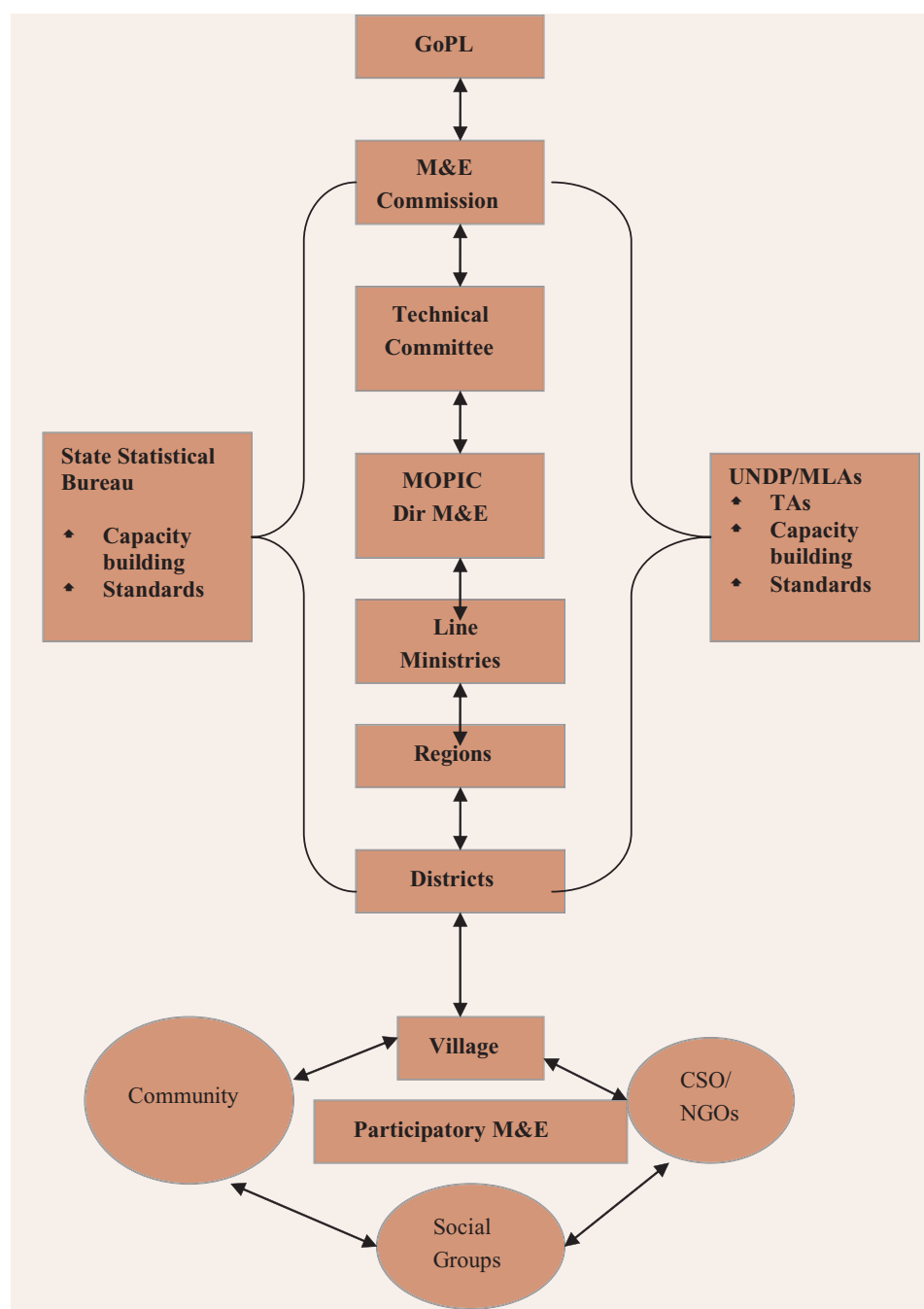
For an effective M&E system, a considerably high level of capacity is essential regarding technical and managerial skills, the quality of data systems, financial resource management, and institutional experience. The skills of civil servants in planning, programme management, data analysis, goal setting, budget management, and performance auditing are seriously constrained. The technical capacity for building capacities, particularly those of the research and training centres, is limited. In this context, it is proposed to set up the State Statistical Bureau to act inter alia as a nodal agency to network with and coordinate capacity-building institutions, develop curricula, impart high-quality training programmes, and set guidelines and regulations. It would also ensure the standardisation of techniques, methodologies, and tools. Capacity building at the community and grassroots level would be carried out through a network of partner organisations and NGOs.

8.10 Sustainability and Risk

The sustainability of the M&E system to a large extent depends on political stability and growth. Additionally, it would be necessary to anchor the architecture to a sustainable and capable institutional backbone. A brief analysis of the risk factors and mitigation strategies are presented below.

Sustainability	Key Risks	Mitigation Strategy
Political stability and commitment	Instability leads to irreparable disruption and deterioration.	Consensus building, conflict resolution, democratisation, federalism, and decentralisation – strategic development framework, M&E policy.
Macroeconomic growth	Poor SDP growth, resource trade-off, low priority.	International support, ring-fenced financing, and technical assistance.
Governance	Poor governance standards and corruption will be a powerful disincentive for effective M&E.	CSO and participatory M&E. Transparency policy and improved governance.
Institutionalisation	Weak institutions undermine effectiveness. Donor M&E needs strong institutionalisation.	Capacity building and donor coordination. Common platform.
Demand	Low priority and poor demand.	Incentives and disincentives.
Resources: <ul style="list-style-type: none"> Financial Technical Manpower 	Weak finances lead to reverse trade-off. Poor technical capacities and low manpower skills.	External financial support, capacity building, and hardware/software support.

Figure 8.3: Institutional Architecture of Evaluation



Note: MLA refers to multi-lateral agencies

8.11 Strategic Summary

Monitoring and evaluation systems are almost non-existent, though a director for M&E exists in the Ministry of Planning. The functions of this wing are limited to data compilation pertaining to prices, exchange rates, trade statistics, etc. Presently, the department produces “facts and figures” in regular intervals with the help of UNDP. The department needs strengthening in terms of restructuring and capacity building. The first task in the five-year plan is to build the capacity of the M&E Department and initiate systematic data generation processes, including a population census. A central statistical organization will be established to oversee and guide the data collection process. Orientation towards M&E must be developed across all the line ministries and departments, as well as the research and training organizations. Given the low capacity for carrying out M&E tasks, simple methods of evaluation (e.g. participatory appraisals and case study methods) should be followed during the initial period. At the same time, steps will be taken to systematise data collection and analysis for more sophisticated M&E in future.

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ANNEXES

Annex I: Projecting Domestic Budgetary Resources

Year	Rev	Exp	def/sup	Rev	error	RevL	RevU		Exp	error	ExpL	ExpU		def/sup	error	def/supL	def/supU	
1999	30.8	24.8	6	13.3	17.5	-133.1	159.7	46.0	1.2	23.6	-155.7	158.0	49.3	11.2	-5.2	-113.8	136.2	39.3
2000	79.3	57	22.3	62.3	17.0	-78.5	203.1	44.2	47.8	9.2	-104.5	200.2	47.9	14.3	8.0	-99.4	127.9	35.7
2001	63.7	90.7	-27	114.6	-50.9	-18.1	247.4	41.7	104.9	-14.2	-37.9	247.8	44.9	4.9	-31.9	-99.5	109.2	32.8
2002	167.8	106.1	61.7	177.3	-9.5	45.6	309.1	41.4	161.7	-55.6	20.4	302.9	44.4	33.7	28.0	-68.0	135.4	32.0
2003	253.2	253.5	-0.3	220.7	32.5	82.7	358.6	43.3	222.8	30.7	75.0	370.6	46.5	-17.8	17.5	-124.0	88.4	33.4
2004	263.3	264.4	-1.1	267.0	-3.8	116.6	417.4	47.3	252.4	12.0	90.9	414.0	50.8	18.4	-19.5	-98.7	135.4	36.8
2005	.	.	.	325.6	.	157.8	493.4	52.7	314.6	.	133.7	495.5	56.8	19.0	.	-113.6	151.6	41.7
2006	.	.	.	375.7	.	199.8	551.6	55.3	367.4	.	182.7	552.1	58.0	7.4	.	-118.5	133.3	39.6
2007	.	.	.	427.7	.	230.9	624.5	61.8	419.6	.	211.4	627.8	65.4	14.2	.	-141.2	169.7	48.9
2008	.	.	.	479.5	.	262.2	696.8	68.3	471.9	.	243.6	700.3	71.7	10.4	.	-147.4	168.1	49.6
2009	.	.	.	531.3	.	292.0	770.6	75.2	524.2	.	273.3	775.2	78.9	12.7	.	-163.9	189.3	55.5
2010	.	.	.	583.1	.	320.9	845.3	82.4	576.5	.	302.3	850.8	86.2	11.5	.	-174.5	197.4	58.4
2011	.	.	.	634.9	.	349.2	920.6	89.8	628.9	.	330.4	927.3	93.8	12.3	.	-189.7	214.3	63.5
2012	.	.	.	686.7	.	376.9	996.5	97.3	681.2	.	358.1	1004.3	101.5	11.9	.	-202.9	226.8	67.5

Annex II: Derivation of the Macro-model and Economic Base Projections

2.1 Theory and Underpinnings

One-region models are based on Keynesian economic analysis and Economic Base Theory.⁴⁸ Their distinguishing characteristic is that the value of income (endogenous) is determined by some autonomous (exogenous) activity. It could be investor behaviour, or it may be purchases by consumers outside the region as in the economic-base model. The Keynesian model of the closed economy is a convenient tool to start the development of the Puntland model. In the standard format, the model must contain a minimum of building blocks:

Mathematical identities (definitions) that are tautologies; for example, National income (planned expenditures, E) must equal planned sources of income, consumption, and investment (C and I). Actual income (output Y) must also equal the sum of actual dispositions of the income into consumption and saving (C and S).

(1) $E \equiv C + I$ and:

(2) $Y \equiv C + S$

Behavioural or technical assumptions, equations describing the economic behaviour of society or certain groups of actors in the economy; for example, it is postulated that both planned and actual consumption is based on income and is a linear function of the latter. It is also postulated that Investment, I, is equal to Planned Investment, I', an exogenously determined value.

(3) $C = f(Y)$, and $C = a + cY$, ($c = dC/dY < 1 < C/Y$ representing the marginal propensity to consume). An immediate outcome of the above inequalities is that saving S becomes a function of income:

(4) $S \equiv Y - C = -a + (1 - c)Y$

In equations 3 and 4, the term "a" is the autonomous consumption. As long as $a > 0$, $dC/dY < C/Y$. Furthermore,

(5) $I = I'$

Another important technical assumption is the production function like the familiar example $Q = f(K, L)$ where labour L and capital K are combined to produce output.

Equilibrium condition: this ensures that the expectations (plans) of decision makers (actors) in the system are met. In this model the equilibrium condition is that actual income equals planned expenditures.

(6) $Y = E$

Alternatively, with $C + I = C + S$, we can subtract C from both sides to form an equivalent equilibrium condition, showing that Drains = Additions.

(7) $I = S$

Solution by substitution:

$Y = C + I$ (1) into (6)
 $Y = a + cY + I'$ (3) and (5), hence,
 $Y - cY = a + I'$ and,
 $Y = \{1/[1 - c]\} \cdot (a + I')$

The simple Keynesian multiplier is

$$dY/dI = 1/[1 - c]$$

Equation 1-7 set up the essential relations for building the Puntland model: (1) definitions or identities; (2) technical or behavioural conditions; and (3), equilibrium conditions. The model describes an economy where the only leakage from the income stream is savings. Keynes described a depressed economy as one in which planned investment fell below full-employment equilibrium level due to lack of business confidence among investors. The endogenous variable, Consumption, failed to rise due to a disconnection between savings and investment of the economy. This illustrates the need to search for policy toward re-equilibrating the economy.

2.2 The Planning Approach: Deriving the Economic Base Investment Multipliers

To render the model more realistic, less simplistic, and adaptable to the modelling of a regional economy like Puntland, we consider the open economy whose overall income is determined by production, exports and imports, both toward the rest of Somalia and to the rest of the world. Using the same arguments as above, we have:

Mathematical identities (definitions): Total expenditures are equivalent to Domestic production (D) + Exports (X) + Investment (I); Income (Y) is equivalent to Consumption (C) + Saving (S); Consumption also equals Domestic expenditures (D) plus Imports (M) or, equivalently, Domestic expenditures equal total consumption (C) minus Imports (M).

$$(8) E \equiv D + X + I$$

$$(9) Y \equiv C + S$$

$$(10) C \equiv D + M, \text{ or } D \equiv C - M$$

Behavioural or technical assumptions: Consumption (C) is again a linear function of income; Imports (M) are also a linear function of income; Exports (X) are determined exogenously (outside the region, priced without control of the producing region); Investment is similarly determined outside the system.

$$(11) C = cY \text{ (c = the marginal propensity to consume)}$$

$$(12) M = mY \text{ (m = the marginal propensity to import)}$$

$$(13) X = X'$$

$$(14) I = I'$$

Equilibrium condition: The equilibrium condition is that Income (Y) equals Expenditures (E).

$$(15) Y = E \text{ or Drains} = \text{Additions, i.e.};$$

$$(16) M + S = X + I$$

Solution by substitution:

$$(17) Y = C - M + X + I \quad (8) \text{ and } (11) \text{ into } (15)$$

$$(18) Y = cY - mY + X' + I' \quad (11), (12), (13) \text{ and } (14), \text{ hence};$$

$$(19) Y = Y - cY + mY = X' + I' \quad \text{and};$$

$$(20) Y = \{1 / [1 - (c - m)]\} (X' + I')$$

The economic-base and investment multipliers are:

$$dY/dX = 1/[1 - (c - m)], \text{ and } dY/dI = 1/[1 - (c - m)]$$

Concentrating on practical tools for regional planning, economists developed economic-base ratios relating Total and regional income or employment (T) to Basic regional income or employment (B). Tiebut (1962) has shown the Keynesian macroeconomic modelling approach to be equivalent to the analysis of economic-base theory where, in a regression line formulated as $T = a + bB$, coefficient b is the marginal multiplier ($\Delta T / \Delta B$) for the region.

Economic-base multipliers are thus important tools in the modelling of the Puntland economy as a region of Somalia.

The multiplier-type framework of Economic Base Theory is derived in several models, but the one closest to the Keynesian type framework is derived as follows, with income and imports as endogenous and exports as exogenous:

Let D = Domestic spending
 M = Imports; Then:

$$(21) \quad Y = (D - M) + X$$

$$(22) \quad D = dY$$

$$(23) \quad M = mY$$

$$(24) \quad X = \hat{X}$$

Substitution yields

$$(25) \quad Y = dY - mY + \hat{X}, \text{ and}$$

$$(26) \quad Y = \hat{X} / (1 - d + m) = k\hat{X} \text{ where } k \text{ is the export base multiplier. Finally}$$

$$(27) \quad \Delta Y = k\Delta\hat{X}$$

One weakness of the base multiplier framework is the imposed condition/assumption that growth is balanced between export (base) and local (non-base) sectors. This would be unrealistic for the Puntland economy, for example, where periodic droughts and the civil strife cause economic disruption. One can introduce a constant term that allows for imbalances (e.g. a trade imbalance).

$$(28) \quad NB = a_0 + a_1Y, \text{ then}$$

$$(29) \quad Y = B + NB = B + a_0 + a_1Y; \text{ we can write,}$$

$$(30) \quad Y = a_0 / (1 - a_1) + \{1 / (1 - a_1)\} B$$

$$(31) \quad NB = a_0 / (1 - a_1) + a_1 / \{1 - a_1\} B$$

Economic Base Theory is flexible and can be cheap to apply in regional planning where data is scarce or the time series is restricted. It can be applied in states, regions, cities, etc. and can be useful for short-run or long-run planning. New econometric methodologies have reinforced applications of the theory in planning.⁴⁹ Nevertheless, the empirical research procedures available to help in explaining the nature of the local economy and its relationships with broader economies are not highly refined. The ability of these procedures to explain the local economy and its relationships is highly dependent upon two things: the quality of the information available, and the quality of the local knowledge that must be used to interpret and verify the results of any quantitative method. The results of these research procedures should thus be used with a great deal of caution.

2.3 Applying Economic Base Theory to the Puntland Economy

There is unfortunately difficulty in finding an ideal measurement for use in Economic Base analysis. The most frequently used measurement unit is employment, due to easier access to data. Other measures are Payroll, Sales, and Output. The Economic-base technique is based on the assumption that the local economy can be divided into two general sectors:

The basic sector that is largely dependent on non-local demand, external factors, and business conditions. This analysis states that the existence and growth of an economy depends upon basic economic activities that produce and sell their goods or services to non-residents. Growth of the basic sector propels wealth creation locally and promotes the stability and growth of the local economy. Puntland, for example, is highly dependent upon the export market for the growth of the livestock and fisheries sectors.

The non-basic sector is largely dependent on local demand, factors, and business conditions. Non-basic activities produce and sell their goods or services to local residents. In Puntland, sectors such as grocery stores, construction,

⁴⁹ Lesage and Reed (1985) and Lesage (1990) used Granger causality and cointegration techniques to prove long-run and causal links among Y , B , and NB . Kraybill and Dorfman (1992) used VAR methodology to show similar theoretical underpinnings.

most services, etc. depend on local demand and business conditions.

Using this framework, we see that the term “export” refers to the place a good or service is consumed, rather than whether export earnings are brought into the region. The term “exports” as a definition for basic activities would be erroneous by excluding activities that are consumed within the region by non-residents. Economic Base theory treats the basic sector as the engine of growth and it is therefore the prime cause focus for output and employment growth, as well as development. Growth and development of firms that sell goods and services primarily to external markets strengthen the economy, whereas locally oriented firms are limited by the narrowness of the local market as well as economic slumps.

Inherent in the concept of Economic Base analysis is an assumption of a cause-and-effect relationship between basic and non-basic activities. The assumption is that as money comes into the local economy through a basic activity, it is then available for recirculation within the local economy through non-basic activities. Growth could not occur by a simple recirculation of the same money, but only results from a net inflow of money to the economy.

2.4 Techniques for Estimating the Base Multiplier

The method for assessing the impact of the base sector on the regional economy is the base multiplier. The index provides an insight into the question: how many non-basic jobs does one basic job create? It is calculated as:

$$\text{Base Multiplier} = \frac{\text{Total Employment Year } i}{\text{Basic Employment Year } i}$$

As an example, one could find the results:

$$\text{Base Multiplier} = \frac{\text{Total Employment Year } i}{\text{Basic Employment Year } i} = \frac{18,000}{10,900} = 1.65$$

The above base multiplier estimates that for every one basic sector job created by growth in the sector, 0.65 non-basic sector jobs are created, or for every 100 basic jobs created, we expect 65 non-basic sector jobs.

There are a number of techniques for analysing the local economy in the basic sector/non-basic sector spheres of economic activity:

- d) The Assumption technique (the simplest technique);
- e) The Location Quotient technique (with greater complexity; and
- f) The Minimum Requirements technique (the most complex of the three).

This plan uses the Location Quotient technique, the most widely used and compelling method for estimating the export employment (or income). The technique compares the local economy to the reference economy and is able to map and identify specialisations in the local economy. A location quotient or coefficient of specialisation is defined as the ratio:

$$LQ_i = (e_i/e)/(E_i/E),$$

where e_i is area employment in industry i , e is total employment in the area, E_i is employment in the benchmark economy in industry i , and E is total employment in the benchmark economy. Normally, the “benchmark” economy in our case would be defined as the nation (Somalia), as the closest available approximation to a national economy. A location quotient greater than one suggests that the economy generates more than enough employment to supply the region with its product. A quotient of less than one indicates the region is deficient in the product and is a net importer. The three possible outcomes are:

- LQ = 1: The region has the same proportion of its employment in sector i as the nation
- LQ < 1: The region is not producing enough to meet local needs – key indicator for import substitution strategies
- LQ > 1: The region has a larger proportion of its employment in sector i than does the nation
- LQ = 3: The region has three-quarters of the sector i employment devoted to export production

Surplus or export employment supplied by the industry is computed under the formula:

$$EX_i = (1 - 1/LQ_i) * e_i, LQ_i > 1,$$

This is the difference between the actual industry employment in the region and the employment that would be obtained if the region was merely self-sufficient.

Based on the SES @002 Zonal Analysis, population and employment indicators cited in Table 3, the analyses show the following Location Quotients.

Table 2: Location Quotients for the Main Sectors of the Puntland Economy

Sector	Location Quotient	Classification
Agriculture (CL)	0.18	$L < 1$
Livestock (CL)	1.74	$L > 1$
Construction (CL)	0.18	$L < 1$
Wage Employment	1.08	$L > 1$
Business/Trade	1.10	$L > 1$
Others (CL)	2.07	$L > 1$

The highest coefficients of specialisation are in the category “Others” (2.07), followed by Livestock (1.74), Business/Trade (1.10), and Wage Employment (1.08).⁵⁰ This is indicative of areas that Puntland can develop as niche “centres of expertise” or “engines of growth”. However, the region is not producing enough to meet local needs in agriculture and construction growth is not meeting local needs. These are key indicators for the removal of constraints that impinge on the development of local agricultural supplies and construction. Coefficients of specialisation for Others, Livestock, Business/Trade, and Wage Employment all meet local demand and generate some export-related jobs. The largest number of jobs is created in the Livestock category.

An important finding is the base multiplier for Puntland at 3.234. Economic Base Theory posits that the local economy is strongest when it develops those economic sectors that are not closely tied to the local economy. By developing economic activities that rely on sales to external markets, the local economy can better insulate itself from economic instability or recession. The multiplier above for Puntland estimates that Puntland’s basic sector is strong and has the potential to drive medium-term growth. For every one basic job created, over three non-basic sector jobs are created, notably in the “Others” category, Livestock, Business/Trade and Wage Employment, in that ranking. The objective of poverty-reducing growth, if it takes place in the medium-term, would thus be served well by the strength of the multiplier. The employment and incomes would benefit most the category “Others”, which contains small-scale operators and probably low-income groups in the economy – fishermen, salt miners, tailors, repairmen, etc. Sectors that gain little from basic sector economic activity are agriculture and construction. The basic sector thus is a major factor in the development of the Puntland economy.

⁵⁰ See the Analytical Annex describing this category. It should be noted that the beneficiaries of the growth of the basic sector are by and large small-scale lower income groups: fishermen, repairmen, salt miners, livestock brokers, tailors, etc. In this regard, the basic sector could be poverty-reducing and it may promote livelihoods.

Table 3: Results of Calculation of Economic Base Multipliers for Puntland

Sector	NATIONAL EMPLOYMENT (1) E_i	NATIONAL SECTOR SHARE (2) = (E_i/E)	PUNTLAND EMPLOYMENT (3) (e_i)	PUNTLAND SECTOR SHARE (4) = (e_i/e)	LOCATION QUOTIENT (5) $LQ = (e_i/e)/(E_i/E)$	SHARE PRODUCING FOR EXPORT $EX_i = (1 - 1/LQ_i)$	BASIC EMPLOYMENT $EX_i = (1 - 1/LQ_i) * e_i$
	No.	%	No.	%			
Agriculture	742632	35.5	12,220	6.4	0.18	0.00	0
Livestock	615231	29.4	98,303	51.2	1.74	0.43	41,938
Construction	46828	2.2	781	0.4	0.18	0.00	0
Wage Employment	156457	7.5	15,506	8.1	1.08	0.08	1,172
Business/Trade	405756	19.4	40,939	21.3	1.10	0.09	3,766
Others	127280	6.1	24,112	12.6	2.07	0.52	12,451
Total	$E = 2094183$	100	$e = 191,860$	100			59,326
				PUNTLAND BASIC MULTIPLIER = 191860/59326 = 3.234			

Example of application of the model's multiplier: If Puntland succeeds in recruiting a manufacturing firm that employs 100 people, what will be the total change in employment in Puntland? $\text{CHANGE} = 100 \times 3.234 = 323.4$ jobs

2.5 Upper Case Scenario: 5 Percent Constant Increase in National Employment: 2003–2012

The following table calculates a 5 percent constant annual increase in employment in the core/aggregated sectors of the Economic Base model. Compared to 2002, it is estimated that an additional 1.3 million jobs will be created nationally for the available economically active population.

Upper Case Scenario: 5 Percent Increase In National Employment Per Annum: 2002–2012

Sector	Total No.(2002)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	742631.6	779763.16	818751.3	859688.9	902673.3	947807	995197.3	1044957	1097205	1152065	1209669
Livestock	615230.9	645992.41	678292	712206.6	747817	785207.8	824468.2	865691.6	908976.2	954425	1002146
Construction	46827.74	49169.13	51627.59	54208.97	56919.41	59765.39	62753.65	65891.34	69185.9	72645.2	76277.46
Wage Employment	156456.9	164279.78	172493.8	181118.5	190174.4	199683.1	209667.3	220150.6	231158.1	242716.1	254851.9
Business/Trade	405755.7	426043.46	447345.6	469712.9	493198.6	517858.5	543751.4	570939	599485.9	629460.2	660933.2
Others	127279.8	133643.83	140326	147342.3	154709.4	162444.9	170567.2	179095.5	188050.3	197452.8	207325.4
Total	2094183	2198891.8	2308836	2424278	2545492	2672767	2806405	2946725	3094062	3248765	3411203

2.6 Lower Case Scenario: 2.5 Percent Constant Increase in National Employment: 2003–2012

Under the lower case scenario, 587,000 jobs will be created.

Lower Case Scenario: 2.5 Percent Increase In National Employment Per Annum: 2002–2012

Sector	Total No.(2002)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	742631.6	761197.37	780227.3	799733	819726.3	840219.5	861225	882755.6	904824.5	927445.1	950631.2
Livestock	615230.9	630611.64	646376.9	662536.4	679099.8	696077.3	713479.2	731316.2	749599.1	768339	787547.5
Construction	46827.74	47998.437	49198.4	50428.36	51689.07	52981.29	54305.83	55663.47	57055.06	58481.43	59943.47
Wage Employment	156456.9	160368.36	164377.6	168487	172699.2	177016.7	181442.1	185978.1	190627.6	195393.3	200278.1
Business/Trade	405755.7	415899.57	426297.1	436954.5	447878.3	459075.3	470552.2	482316	494373.9	506733.2	519401.6
Others	127279.8	130461.83	133723.4	137066.5	140493.1	144005.5	147605.6	151295.7	155078.1	158955.1	162929
Total	2094183	2146537.2	2200201	2255206	2311586	2369375	2428610	2489325	2551558	2615347	2680731

2.7 Constant Share Projections for the Puntland Economy: 2003–2012

Having generated some insights into the structure of the Puntland economy in 2.4, the planning question is to project the five-year period of FYDP. A number of techniques are available, using the results of 2.4, 2.5, and 2.6 above.

Constant Share Projection Technique: This technique assumes that the regional share of the individual sector will remain constant over the period, relative to the benchmark economy.

Shift Share Projection technique: This variant of the constant share approach adds some complexity to the above by adding a “shift” factor to the equation to attempt to account for labour mobility depending on changing economic conditions.

The projection of the Puntland outlook for the medium term is conducted utilising the Constant Share technique. It is assumed that the core sectors used in the analysis will grow nationally by 5 percent per annum to 2012. Using this coarse assumption, the first task is to ask and calculate how the Puntland economy will grow in the core sectors. Estimates show that we should expect about 121,000 additional jobs to be created by 2012 under the 5 percent growth scenario. The greatest increase will be in livestock (about 62,000 jobs), followed by the business/trade sector (about 26,000 jobs) and the “others” category (about 15,000 jobs).

Projected Medium-Term Employment Growth of the Puntland Economy: 2003–2012 Upper Case Scenario – 5 Percent Growth Rate

Sector	National Total No.(2002)	PUNTLAND Total No.(2002)	PUNTLAND Share	National Proj. No.(2012)	National Growth to 2012	PUNTLAND Proj.	PUNTLAND New Jobs
Agriculture	742631.6	12219.8	0.0165	1209668.6	0.6289	19904.7	7684.9
Livestock (CL)	615230.9	98302.8	0.1598	1002146.3	0.6289	160124.8	61822.1
Construction (CL)	46827.7	780.6	0.0167	76277.5	0.6289	1271.4	490.9
Wage Employment	156456.9	15505.6	0.0991	254851.9	0.6289	25256.9	9751.4
Business/Trade	405755.7	40939.4	0.1009	660933.2	0.6289	66686.0	25746.6
Others (CL)	127279.8	24111.7	0.1894	207325.4	0.6289	39275.5	15163.7
Total	2094182.6	191859.8	0.0916	3411202.8	0.6289	312519.4	120659.6

Projected Medium-Term Employment Growth of Puntland Economy: 2003-2012 Lower Case Scenario – 2.5 Percent Growth Rate

Sector	National Total No.(2002)	PUNTLAND Total No.(2002)	PUNTLAND Share	National Proj. No.(2012)	National Growth to 2012	PUNTLAND Proj.	PUNTLAND New Jobs
Agriculture (CL)	742631.6	12219.8	0.0165	950631.2	0.2801	15642.3	3422.6
Livestock (CL)	615230.9	98302.8	0.1598	787547.5	0.2801	125835.8	27533.1
Construction (CL)	46827.7	780.6	0.0167	59943.5	0.2801	999.2	218.6
Wage Employment	156456.9	15505.6	0.0991	200278.1	0.2801	19848.4	4342.9
Business/Trade	405755.7	40939.4	0.1009	519401.6	0.2801	52405.9	11466.5
Others (CL)	127279.8	24111.7	0.1894	162929.0	0.2801	30865.1	6753.3
Total	2094182.6	191859.8	0.0916	2680730.8	0.2801	245596.8	53737.0

2.8 Data Used in the Economic Base Model of the Plan

Employment by Major Sectors (compiled from Socio-economic Survey data, 2002)			
National			
	Urban	Non-urban	Total
Sector	%	%	%
Agriculture (CL)	13.0	42.3	35.5
Livestock (CL)	6.6	36.3	29.4
Construction (CL)	6.6	0.9	2.2
Wage Employment	18.2	4.2	7.5
Business/Trade	43.9	11.9	19.4
Others (CL)	11.7	4.4	6.1
Total	100	100	100
Puntland			
	Urban	Non-urban	
Sector	%	%	%
Agriculture (CL)	5.9	6.6	6.4
Livestock (CL)	14.4	64.3	51.2
Construction (CL)	0.0	0.6	0.4
Wage Employment	23.1	2.7	8.1
Business/Trade	33.9	16.9	21.3
Others (CL)	22.7	9.0	12.6
Includes fishing	18.0	5.8	9.0
Total	100	100	100

2.9 Description of “Other” Employment In the Projections

2001 SES North East: Employment Status Indicated Option for “Other” Employment					
	<i>Region</i>	<i>District</i>	<i>Cluster No</i>	<i>HH No</i>	<i>Other Type of Employment</i>
1	Bari	Bossaso	235	14	Doctor
2	Bari	Iskushuban	288	7	Livestock Broker
3	Bari	Qandole	290	1	Fisherman
4	Bari	Qandole	290	2	Fisherman
5	Bari	Qandole	290	7	Fisherman
6	Bari	Qandole	290	10	Fisherman
7	Mudug	Galkacyo	292	7	Tailor
8	Mudug	Galkacyo	294	6	Sew Machine
9	Mudug	Galkacyo	296	4	Driver
10	Mudug	Galkacyo	297	1	Radio Operator
11	Mudug	Hoby	298	7	Salt
12	Mudug	Hoby	298	10	Salt
13	Mudug	Hoby	299	2	Salt
14	Mudug	Galkacyo	300	3	Driver
15	Mudug	Galkacyo	300	8	Driver
16	Nugal	Eyl	302	1	Fisherman
17	Nugal	Eyl	302	4	Fisherman
18	Nugal	Eyl	302	6	Fisherman
19	Nugal	Eyl	302	7	Fisherman
20	Nugal	Eyl	302	8	Fisherman
21	Nugal	Eyl	303	5	None
22	Nugal	Eyl	303	8	Fisherman
23	Mudug	X/dhere	314	1	Fisherman
24	Mudug	X/dhere	314	3	Fisherman
25	Mudug	X/dhere	314	5	Fisherman
26	Mudug	X/dhere	314	6	Fisherman
27	Mudug	X/dhere	314	7	Fisherman
28	Mudug	X/dhere	314	9	Fisherman
29	Mudug	X/dhere	314	10	Fisherman
30	Mudug	Galkacyo	320	1	Salt
31	Mudug	Galkacyo	320	2	Salt
32	Mudug	Galkacyo	320	3	Salt
33	Mudug	Galkacyo	320	4	Salt
34	Mudug	Galkacyo	320	5	Salt
35	Mudug	Galkacyo	320	6	Salt
36	Mudug	Galkacyo	320	7	Salt
37	Mudug	Galkacyo	320	8	Saltman
38	Mudug	Galkacyo	320	9	Saltman
39	Mudug	Galkacyo	320	10	Saltman
40	Mudug	Hoby	322	1	Fisherman
41	Mudug	Hoby	322	2	None

42	Mudug	Hoby	322	3	Fishing
43	Mudug	Hoby	322	4	Fisherman
44	Mudug	Hoby	322	5	Fishing
45	Mudug	Hoby	322	6	Fisherman
46	Mudug	Hoby	322	7	Fishing
47	Mudug	Hoby	322	8	None
48	Mudug	Hoby	322	9	Fisherman
49	Mudug	Hoby	322	10	Fishing
50	Mudug	Hoby	324	1	Fishing
51	Mudug	Hoby	324	2	Fisherman
52	Mudug	Hoby	324	3	Fisherman
53	Mudug	Hoby	324	4	None
54	Mudug	Hoby	324	5	None
55	Mudug	Hoby	324	6	Fisherman
56	Mudug	Hoby	324	7	None
57	Mudug	Hoby	324	8	Fisherman
58	Mudug	Hoby	324	9	None
59	Mudug	Hoby	324	10	Fisherman

Annex III

FYDP Puntland State: Output-Based (Poverty /MDG) Monitoring Matrix

Sector: Economic Governance						
Subsector: Monetary Economy & State Regulation						
MDG 1: Halving extreme poverty and hunger. Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day. MDG 8: Developing a global partnership for development with targets for aid, trade, and debt relief.						
MDG Puntland-specific targets (by 2015): 21.6% population with less than US\$1 a day. Long-term development goal: Sustainable development and steady growth with equity and justice, through creating an enabling economic environment.						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators+	PSS Budget Allocation 2007	Main UN Partners
-Poverty reduction -Sustainable economic growth -Employment -Monitory and fiscal stability -Exchange stability	-GDP growth over 3% per annum -Extreme poverty reduced by 35% -Employment by 6% per annum -Growth of primary sector 3% -Country-led donor coordination	-JNA alignment -MDG master plan -Macroeconomic policy framework	-MoPIC -Min. of Finance	-Exports & imports* -Urban land values -Exchange rate variation -Changes in wage rates		-UNDP -EC -ILO
(*) Core Indicators. Others are desirable extensions.						

Sector: Economic Governance							
Subsector: Revenue Generation							
<p>MDG 1: Halving extreme poverty and hunger. Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day. MDG 8: Developing a global partnership for development with targets for aid, trade, and debt relief.</p>							
<p>MDG Puntland-specific targets (by 2015): 21.6% population with less than US\$1 a day. Long-term development goal: Overall fiscal stability through fiscal responsibility and generation of resources to meet the development goals.</p>							
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners	
-Balanced/Surplus budget -Economic stability	-Trade deficit manageable -Budget deficit manageable	-Fiscal responsibility guidelines approved by government & tracked -Central bank empowered by ordinance -Economic survey	-MOPIC -MoF -Central bank	-Revenue from exports -Revenue from Khat		-UNDP -IMF (TAs)	
Sector: Economic Governance							
Subsector: Financial Planning							
<p>MDG 1: Halving extreme poverty and hunger. Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day. MDG 8: Developing a global partnership for development with targets for aid, trade, and debt relief.</p>							
<p>MDG Puntland-specific targets (by 2015): 21.6% population with less than US\$1 a day. Long-term development goal: To achieve predictable and improved resource availability to meet the long-term development needs of the state and to have a monetary and fiscal policy conducive to development, stability, and private enterprise.</p>							
Proposed FYDP Outcomes (2007-2011)	Planned Outputs	Tentative Outputs	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners	
-Adequacy of financial resources to meet development needs in the short/long term -Strengthening Central bank	-FYDP -Resource Mobilisation Plan -Financing Plan -Recommendations of TPS implemented	-Annual Plan 2007 -Budget 2007 -JNA aligned with FYDP -Tax potential study (TPS) undertaken	-MOPIC -MoF -National Planning Commission	-Allocation of budget* -Composition of expenditure*		-UNDP -JNA	

Sector: Economic Governance						
Subsector: Private Sector						
<p>MDG 1: Halving extreme poverty and hunger. Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day. MDG 8: Developing a global partnership for development with targets for aid, trade, and debt relief.</p>						
<p>MDG Puntland-specific targets (by 2015): 21.6% population with less than US\$1 a day.</p>						
<p>Long-term development goal: Promoting the private sector through creating an enabling environment and a free enterprise economy to foster national growth and reduce poverty.</p>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institutions	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Free market economy -Strong regulatory framework -Enabling environment 	<ul style="list-style-type: none"> -National private sector development plan -Medium-term trade and fiscal (tax) policies -Incentive package -Procurement/contract and covenants -Rule of law 	<ul style="list-style-type: none"> -Business plan by chamber of commerce -Strategy for diaspora announced -Policy on investment and capital flows 	<ul style="list-style-type: none"> -MOPIC -MoF 	<ul style="list-style-type: none"> -New registrations -Tariff and customs* -Composition of new industries 		UNDP

Sector: Economic Governance						
Subsector: Trade						
<p>MDG 1: Halving extreme poverty and hunger.</p> <p>Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG 8: Developing a global partnership for development with targets for aid, trade, and debt relief.</p>						
<p>MDG Puntland-specific targets (by 2015): 21.6% population with less than US\$1 a day.</p>						
<p>Long-term development goal: To establish an open, transparent, and rule-based trading system in alignment with the imperatives of the domestic economy and the international trade system (under WTO through the federal government), to make use of the comparative and locational advantage of the State.</p>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Food security -Economic growth -Improved welfare -Transparent and open trade system -Optimal trade barriers 	<ul style="list-style-type: none"> -Long-term trade policy announced -Disincentives for illegal imports -Enforcement of customs law 	<ul style="list-style-type: none"> -Customs duty rationalised -Items listed in OGL 	<ul style="list-style-type: none"> MOPIC -MoF -Ministry of Fisheries & Ports -Ministry of Commerce & Industry -Ministry of Agriculture 	<ul style="list-style-type: none"> -Policy announced* -Growth in exports* -Trade balance* -Custom duty rate 		UNDP

Sector: Public Works and Infrastructure						
Subsector: Water and Sanitation						
MDG Target 10: Halve by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.						
MDG Puntland-specific targets (by 2015): Population with access to improved water source, from 31% (northeast Somalia) to 63% by 2015.						
Long-term development goal: To ensure to its citizens sustainable and equitable access to quality drinking water (to both humans and animals) and sanitation, as a basic human right and thereby improve health conditions and reduce poverty.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Sustainable and improved access to water and sanitation facilities -Quantity, service level, and quality improved -Participatory and gender approach institutionalised 	<ul style="list-style-type: none"> -Improved wat-san infrastructure for 1,000 rural/nomadic people and 600,000 urban people -Sanitation for 300,000 rural beneficiaries and 200,000 urban -New water and sanitation policy -PSAWEN capacity developed 	<ul style="list-style-type: none"> -PSAWEN's capacity development plan -Networking institutions and agencies -Improved allocation in budget 	<ul style="list-style-type: none"> -Ministry of Public Works -PSAWEN 	<ul style="list-style-type: none"> -Water supply coverage* -Sanitation coverage* -ODA and humanitarian assistance* -Budget allocation as a % of total allocation 		<ul style="list-style-type: none"> -FAO -FSAU -WSP -World Bank and UNICEF

Sector: Public Works and Infrastructure						
Subsector: Environmental Protection						
MDG Goal 7: Ensure environmental sustainability.						
MDG Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.						
MDG Somalia-specific targets (by 2015): 21.6% population with less than US-\$1 a day.						
Long-term development goal: Conserve nature and protect the environment for the present and future generations and improve sustainable environmental and natural resource development management for equitable growth, poverty reductions and livelihoods.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Environmental sustainability and quality -Intergenerational equity 	<ul style="list-style-type: none"> -Establish institutional arrangements for environmental protection -Illegal marine activities controlled in the EEZ -Appropriate land tenure and ownership rights established & protected -Disaster Management Plan ready & operationalised 	<ul style="list-style-type: none"> -Steering Committee on environmental protection constituted -Consortium of international military groups creates flotilla agrees to enforce law of the sea & regulate it as a transitional arrangement -Annual plan for watershed development & management -Illegal trading of charcoal controlled 	<ul style="list-style-type: none"> -Ministry of Public Works -PSAWEN -MOPIC -MoF -MOLAE 	<ul style="list-style-type: none"> -Area under forest cover* -Area under land & water conservation plans* -Water availability -Env. monitoring report * -Area conserved* -Quantity of charcoal seized* 		<ul style="list-style-type: none"> -FAO -FSAU -UNEP -UNDP -GEF and UNICEF

Sector: Public Works and Infrastructure						
Subsector: Energy Infrastructure						
MDG Goal 1: Halve extreme poverty and hunger.						
MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.						
MDG Somalia-specific targets (by 2015): 21.6% population with less than US\$1 a day.						
Long-term development goal: Integrated and sustainable development of quality energy services; improved access and energy security ensured.						
Proposed FYDP Outcomes (2007-2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
Energy security	<ul style="list-style-type: none"> -Energy mapping and assessment -Alternate energy development strategy (including oil & gas) -Institutional and capacity building arrangements -Energy policy announced -Charcoal use significantly reduced 	<ul style="list-style-type: none"> -Awareness campaign launched -Energy development policy adopted -Annual plan finalised and implemented with focus on alternative energy (wind and solar) 	<ul style="list-style-type: none"> -Ministry of Public Works -PSAWEN 	<ul style="list-style-type: none"> -Per capita availability* -Access to electricity* <ul style="list-style-type: none"> – rural & urban -Alternatives to firewood and charcoal used 		<ul style="list-style-type: none"> -FAO -FSAU and UNICEF -GEF

Sector: Public Works and Infrastructure						
Subsector: Roads, Airports, and Port Infrastructure Development						
MDG Goal 1: Halve Extreme poverty and hunger.						
MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.						
MDG Somalia-specific targets (by 2015): 21.6% population with less than US\$1 a day.						
Long-term development goal: Develop and sustain quality infrastructure for security, improved access, resource management, growth, and development.						
Proposed FYDP Outcomes (2007-2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Quality multi-modal infrastructure network developed -State's capacity built to mobilise capital, design, implement & manage projects 	<ul style="list-style-type: none"> -NESHA capacity building plan developed and implemented -Transparent and credible private and foreign sector participation in place -Rural urban connectivity improved 	<ul style="list-style-type: none"> -Rural Infrastructure Development Fund (RIDF) constituted -Rehabilitation plan in place -Airport, sea port, and fishing harbours development plan incorporated -Annual plan finalised and implemented. 	<ul style="list-style-type: none"> -Ministry of Public Works -NESHA 	<ul style="list-style-type: none"> -Roads density* -Access to markets* -Access to coast* -Facilities rehabilitated* 		<ul style="list-style-type: none"> -UNDP -JNA -ILO -FAO

Sector: Public Works and Infrastructure						
Subsector: Housing Infrastructure						
MDG Target 11: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.						
MDG Somalia-specific targets (by 2015): To provide housing for all by 2020.						
MDG Target: Increase households with permanent houses from 60% to 80% in urban areas and from 6% to 50% in rural areas by 2015.						
Long-term development goal: To enable its citizens to stay and grow and have their varied housing needs met in sustainable human settlements that are eco-friendly, safe, and affordable.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Security & safety -Decent living conditions and well-being 	<ul style="list-style-type: none"> -National Housing Policy unveiled -Construction-related skill improvement -Social housing scheme -Urban dev. plans 	<ul style="list-style-type: none"> -Annual plan -Budget -Policy -Schemes 	<ul style="list-style-type: none"> -MOPIC -MoF -Ministry of Public Works 	<ul style="list-style-type: none"> -% of homeless to total households* -No. of additional houses constructed* -No. of rehabilitated urban slum dwellers & IDPs -No. of skill development programmes -Allocation and expenditure* 		<ul style="list-style-type: none"> -UNDP -UN-HABITAT

Sector: Public Works and Infrastructure						
Subsector: Telecommunications Infrastructure						
MDG Target 18: <i>In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.</i>						
MDG Somalia-specific targets (by 2015): <i>Access to connectivity increased from 12% to 50% by 2015.</i>						
Long-term development goal: <i>To ensure universal, efficient, affordable, and regionally balanced telecom and ICT services for accelerated socio-economic development, improved governance, and better integration with the rest of the world.</i>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
-Improved coverage and connectivity	-Telecom policy (including investment) approach -Regulatory framework in place -Integration of ICT & governance -Connectivity to villages	-Annual Plan -Budget -Policy framework	Ministry of Information	-Allocation* -Expenditure* -Telephone density* -New investment -Connectivity		UNDP

Sector: Natural Resource-Based Production						
Subsector: Livestock Sector						
<p>MDG Goal 1: Halve extreme poverty and hunger.</p> <p>MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p> <p>MDG Goal 7: Ensure environmental sustainability.</p> <p>MDG Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.</p>						
<p>MDG Somalia-specific targets:</p> <p>MDG 1: 21.6% population with less than US\$1 a day.</p> <p>MDG 2: From 26% to 13% prevalence of underweight children under 5 years.</p> <p>MDG 2: Proportion of population below minimum level of dietary consumption (1,600 kcal a day): 21.6%.</p>						
Long-term development goal: To enhance the livelihood opportunities of the Puntland population through sustainable and integrated development of the bovine economy.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
-Improved food security despite fragility of environment	<ul style="list-style-type: none"> -Livestock policy and development strategy in place -Export markets diversified -Improved value addition and processing -Improved production through veterinary, rangeland, and water management -Disease surveillance system designed and operationalised 	<ul style="list-style-type: none"> -Train additional veterinarians, veterinary assistants, and extension workers -Participatory resource management plans -Diplomatic efforts to promote expertise and lift trade embargo -Immunisation & breeding programme launched -International disease and quality audit 	Ministry of Livestock	<ul style="list-style-type: none"> -Allocation* -Expenditure* -No. trained -Area protected* -Livestock immunised* -Vets/cattle ratio* -Livestock & population composition* -Export quality standards* -Value addition 		<ul style="list-style-type: none"> -FAO -FSAU -UNDP

Sector: Natural Resource-Based Production						
Subsector: Fishery Sector						
<p>MDG Goal 1: Halve extreme poverty and hunger.</p> <p>MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p> <p>MDG Goal 7: Ensure environmental sustainability.</p> <p>MDG Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.</p>						
<p>MDG Somalia-specific targets:</p> <p>MDG 1: 21.6% population with less than US\$1 a day.</p> <p>MDG 2: From 26% to 13% prevalence of underweight children under 5 years.</p> <p>MDG 2: Proportion of population below minimum level of dietary consumption (1,600 kcal a day): 21.6%.</p>						
<p>Long-term development goal: A marine and coastal resource that belongs to the entire people of Puntland and that is shared equally in a fair, transparent, and sustainable manner. It will be environmentally healthy; free from pollution, waste, and degradation; rich in all forms of marine life; productive; and accessible, to create equitable opportunity for sustainable development.</p>						
Proposed FYDP Outcomes	Planned Outputs 2006	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Improved livelihoods and food security -Environmental and biodiversity protection and management of marine and coastal resources 	<ul style="list-style-type: none"> -Increased production, value addition, and processing -Surveillance mechanism instituted, strengthened, and enforced -Fishing harbours developed and access improved -Fisheries training institute and capacity building plan 	<ul style="list-style-type: none"> -Resource potential study -Expert committee on fisheries -Coast guard created -International military flotilla agrees to surveil illegal trawling in the short run 	<ul style="list-style-type: none"> -Ministry of Fisheries, Ports and Marine Transport 	<ul style="list-style-type: none"> -Fishery sector export figures* -Coast guard operationalised -No. of people trained and students passed -No. capacity building programmes -Trainers (No.) trained 		<ul style="list-style-type: none"> -FAO -ILO -IMO

Sector: Natural Resource-Based Production					
Subsector: Agriculture Sector					
<p>MDG Goal 1: Halve extreme poverty and hunger.</p> <p>MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p> <p>MDG Goal 7: Ensure environmental sustainability.</p> <p>MDG Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.</p> <p>MDG Somalia-specific targets (by 2015):</p> <p>MDG 1: 21.6% population with less than US\$1 a day.</p> <p>MDG 2: From 26% to 13% prevalence of underweight children under 5 years.</p> <p>MDG 2: Proportion of population below minimum level of dietary consumption (1,600 kcal a day): 21.6%.</p> <p>Long-term development goal: The development of an agricultural policy that aims at improving the agro-pastoral infrastructure with the wider aim of alleviating poverty by supporting sustainable agricultural livelihoods and achieving the Millennium Development Goals.</p>					
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007
<ul style="list-style-type: none"> -Food security and livelihood improved -Improved and sustainable agricultural management practices 	<ul style="list-style-type: none"> -Comprehensive agricultural policy <ul style="list-style-type: none"> – integrating livestock and agriculture (frankincense) -Improved production & productivity -Establish seed/seedling multiplication centres, nurseries, and research centres -Extension services provided -Soil and water conserved -Rehabilitation of water harvesting structures -Pest surveillance system 	<ul style="list-style-type: none"> -Seed farms and seed certification centres -Agricultural Extension Centres (AECs) set up -Technology adoption/innovation -Collaboration with international research agencies (ICRISAT) -Surface water developed -Irrigation systems established -New sustainable agricultural policy announced -Soil and water conservation prioritised -Surveillance and forecasting system established -Agro-forestry institute established -Pesticide mgt system & integration mgt 	Ministry of Agriculture	<ul style="list-style-type: none"> -Food production -Sectoral growth* -Area under improved farming systems* -Density of extension centres -Area under protective irrigation -Expenditure in technology improvement -Area under drought proofing* -New boreholes and shallow wells constructed* 	-FAO -FSAU

Sector: Natural Resource-Based Production						
Subsector: Frankincense Sector						
<p>MDG Goal 1: Halve extreme poverty and hunger.</p> <p>MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p> <p>MDG Goal 7: Ensure environmental sustainability.</p> <p>MDG Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.</p>						
<p>MDG Somalia-specific targets (by 2015):</p> <p>MDG 1: 21.6% population with less than US\$1 a day.</p> <p>MDG 2: From 26% to 13% prevalence of underweight children under 5 years.</p> <p>MDG 2: Proportion of population below minimum level of dietary consumption (1,600 kcal a day): 21.6%.</p>						
<p>Long-term development goal: Sustainable development of the frankincense sector and improved yield through better access and improved harvesting technology, quality assurance, and marketing support.</p>						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Improved livelihoods -Improved accessibility -Improved revenue & foreign exchange earnings 	<ul style="list-style-type: none"> -Increase in quantity produced, harvested, and marketed -Increase in exports -Improved income and employment -Improved accessibility to farmers and markets 	<p>Development strategy announced</p>	<p>Ministry of Agriculture</p>	<ul style="list-style-type: none"> -Production* -Quantity harvested* -Export* 		<ul style="list-style-type: none"> -FAO -FSAU

Sector: Social Sector						
Subsector: Education						
<p>MDG 2: Achieve universal primary education.</p> <p>MDG Target 3: Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.</p> <p>MDG Target 4: Eliminate gender disparities in primary and secondary education, preferably by 2005, and at all levels of education by 2015.</p>						
<p>MDG Somalia-specific targets (by 2015):</p> <p>MDG Target 3: Primary GER Grade 1-5 from 45% (2004) to 80% by 2015;</p> <p>Primary GER Grade 1-8 from 18% (2004) to 71% by 2015;</p> <p>adult literacy rate from 19% (2004) to 50% by 2015.</p> <p>MDG Target 4: Female primary enrolment rate as a % of male rate: from 54% (2004) to 100% by 2015.</p>						
<p>Long-term development goal: Contribute to the development of a society committed to the preservation and enrichment of Somali and Islamic cultural values and traditions; foster the ability for logical thought, critical judgment, self-expression, and self-reliance; and encourage increased literacy and scientific, technological and managerial knowledge and skills among the people of Puntland.</p>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Education for all and universal literacy -Dignity, gender empowerment and equity, and skills 	<ul style="list-style-type: none"> -Education policy, strategic plan, and education act ratified -Alternative education system for nomadic people (the majority of the population) -Enrolment increased to 52 percent -Number of new schools: 13 primary and 3 secondary 	<ul style="list-style-type: none"> -Annual Plan -Allocation increased -Policy announced -Dropout reduction strategy -Informal/adult education strategy announced 	<ul style="list-style-type: none"> -Ministry of Education -MoF -MOPIC 	<ul style="list-style-type: none"> -Literacy -No. of new schools set up -Allocation* -Expenditure as % of total outlay* -Dropout ratio* -Student-teacher ratio* -Access to schools -Enrolment rate* 		UNICEF

Sector: Social Sector						
Subsector: Health						
<p>MDG 4: Reduce child mortality.</p> <p>MDG Target 5: Reduce by two-thirds the mortality rate among children under five years of age.</p> <p>MDG Goal 5: Improve maternal health.</p> <p>MDG Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate.</p> <p>MDG 6: Combat HIV/AIDS⁵¹, malaria and other diseases.</p> <p>MDG Target 7: Halt and reverse the spread of HIV/AIDS by 2015.</p> <p>MDG Target 8a: Reduce the incidence of malaria by 2015.</p> <p>MDG Target 8b: Reduce the incidence of tuberculosis by 2015.</p>						
<p>MDG Somalia-specific targets (by 2015):</p> <p>MDG Target 5: Under-5 mortality rate from 224/1,000 live births (2002) to 92/1,000 by 2015.</p> <p>MDG Target 6: Maternal mortality rate from 1,100/100,000 live births (2002) to 400/100,000 by 2015.</p> <p>MDG Target 8a: Malaria prevalence from 205/100,000 (2002) to 0/100,000 (2015).</p> <p>MDG Target 8b: Incidence rate of smear positive cases from 162/100,000 to 138/100,000 in 2008 (reduce by 3% per annum).</p>						
<p>Long-term development goal: Sustained equitable access to high quality, affordable, and appropriate health services provided through effective institutional building and partnership among the government, the private sector, and international agencies.</p>						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Health for all by 2015 -Improved quality of life and well-being -Progress of HIV/AIDS halted 	<ul style="list-style-type: none"> -National health Policy in Place. -Improved medical education, infrastructure, and capacity of health staff -Increased awareness about HIV/AIDS and Khat chewing -Reduced incidence of FGM 	<ul style="list-style-type: none"> -Health policy -Capacity-building programme for key stakeholders and institutions Pharmaceutical policy -Awareness campaign designed and implemented, adopting social marketing tools 	Ministry of Health	<ul style="list-style-type: none"> -Allocation* -Expenditure* -Health exp. as % of total -Per capita health expenditure -Bed strength -Doctor-population ratio* -Infant mortality rate* -Maternal mortality rate* 		<ul style="list-style-type: none"> -WHO -UNICEF

Sector: Social Sector						
Subsector: Women's Development and Family Affairs						
<p>MDG 3: Promote gender equality and empower women.</p> <p>MDG 1: Halve extreme poverty and hunger.</p> <p>MDG Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.</p> <p>MDG 4: Reduce child mortality.</p> <p>MDG Target 5: Reduce by two-thirds the mortality rate among children under five years of age.</p> <p>MDG Goal 5: Improve maternal health.</p> <p>MDG Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate.</p>						
<p>MDG Somalia-Specific Targets (by 2015):</p> <p>MDG 1: 21.6% population with less than US\$1 a day.</p>						
Long-term development goal: Provide equal opportunities for women to develop and live in dignity; eliminate all discriminatory practices and empower them to better contribute to nation building and development.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Women's empowerment, welfare, and gender-inclusive development -Improved life expectancy 	<ul style="list-style-type: none"> -Women's development plan formulated -Reduction in maternal and infant mortality -Women's health facilities improved with specialised doctors -Micro-enterprises, employment, and promotion of women's cooperatives 	<ul style="list-style-type: none"> -Ministry of Women and Family Affairs provided with extra budget for development -Policy announced -Self-help women's groups formed -Thrift and micro-enterprises on profit sharing 	Department of Women and Family Welfare	<ul style="list-style-type: none"> -Gender ratio in primary schools* -Women's literacy in 14-25 age group* -Departmental/state level gender ratio -Women's work participation rate -No. women entrepreneurs -Maternal and infant mortality -Per capita expenditure* 		<ul style="list-style-type: none"> -UNICEF -WHO -ILO

Sector: Social Sector						
Subsector: Youth and Sports						
MDG Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.						
MDG Somalia-specific targets (by 2015): Productive employment for 50% of unemployed youth.						
Long-term development goal: Create well-disciplined and high-quality youth through proper education, social guidance, and recreation facility provision.						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Integration of youth into development process -Healthy & disease-free youth power 	<ul style="list-style-type: none"> -National youth policy and employment generation in place -Vocational training & skill development institutes established -Reduce youth unemployment and juvenile crimes -Creation of sports and recreation infrastructure 	<ul style="list-style-type: none"> -Policy announced -Youth development programmes 	<ul style="list-style-type: none"> Ministry of Sports and Youth Affairs 	<ul style="list-style-type: none"> -No. trained -Expenditure* -Youth employment 		<ul style="list-style-type: none"> -WHO-UNICEF -ILO

Sector: Social Sector						
Subsector: Internally Displaced Persons						
MDG Somalia-specific targets (by 2015): 21.6% population with less than US\$1 a day.						
Long-term development goal: Rehabilitate and integrate all the IDPs into the national mainstream and utilise their capacities for nation building.						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
-Improved welfare and well-being through credibility and confidence	-Reduce the number of IDPs -Improve basic social services for IDPs -Strengthen the rights of IDPs	-Policy on IDP announced -IDP development plan and strategy -Access to service programme	Ministry of Interior	-No. rehabilitated* -Employed* -Expenditure*		UNHCR

Sector: Governance Sector						
Subsector: Rule of Law						
MDG 8: Develop a global partnership for development.						
MDG Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.						
MDG Puntland-specific targets (by 2015): Exports grow by 16–18% per annum and EEZ protected from illegal activities.						
Long-term development goal: <i>To restore law and order that will in turn enhance state and public security, minimise crime, prevent and resolve social conflicts, disarm civilians, and foster a disciplined society that practices an Islamic way of life.</i>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Improved governance, peace, security and stability -Deepening democracy and decentralisation -Enabling environment for growth 	<ul style="list-style-type: none"> -Sources of conflict, internal as well as external, addressed -Electoral framework and legal procedures for democratic process in place -Road map to decentralisation finalised and approved -Civil service reforms completed, together with capacity building -Regulatory mechanisms for civil society organizations and media in place 	<ul style="list-style-type: none"> -Governance & Development Modernisation Programme -Capacity building need assessment -Hardware support plan -Operational guidelines -Devolution roadmap developed 	<ul style="list-style-type: none"> -Ministry of Labour -MOPIC -Ministry of Local Government -MoF 	<ul style="list-style-type: none"> -Allocation* -Expenditure* -No. of cases detected and prosecuted -Transparency audit function developed -Finance devolved -District council elections completed 		UNDP

Sector: Governance Sector						
Subsector: Judiciary						
<p><i>MDG 1: Eradicate extreme poverty and hunger.</i></p> <p><i>MDG 3: Promote gender equality and indicators that empower women.</i></p> <p><i>MDG 7: Ensure environmental sustainability.</i></p> <p><i>MDG 8: Develop a global partnership for development.</i></p>						
Long-term development goal: To restore law and order that will in turn enhance state and public security, minimise crime, prevent and resolve social conflicts, disarm civilians, and foster a disciplined society that practices an Islamic way of life.						
Proposed FYDP Outcomes	Planned Output	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Improved state credibility; citizens enabled through rule of law -Creation of an enabling environment for development partnerships and the private sector 	<ul style="list-style-type: none"> -Land and planning laws implemented -Rationalisation of various legal systems -Expansion of formal courts to cover the majority of cases 	<ul style="list-style-type: none"> -Institutional and manpower strengthening -Legislative and executive support to the law 	<ul style="list-style-type: none"> -Ministry of Justice and Courts -Ministry of Interior 	Expenditure*		ILO
Sector: Governance Sector						
Subsector: Security and Law Enforcement						
Proposed FYDP Outcomes (2007-2011)	Planned Outputs	Tentative Outputs	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Security, safety, and social justice, for the people as well as their habitat 	<ul style="list-style-type: none"> -Build efficient and well-equipped PSPF, to be part of SPF -Ensure 15 percent participation of women in PSPF -The lives and property of citizens protected, i.e. a reduction in the crime rate 	<ul style="list-style-type: none"> -Conflict resolution mechanisms built on consensus -Police force strengthened 	<ul style="list-style-type: none"> -Ministry of Interior -Ministry of Justice and Courts 	<ul style="list-style-type: none"> -Expenditure* -Cases reported* -Qualitative assessments 		UNDP

Sector: Governance Sector						
Subsector: Demobilisation, Disarmament, and Reintegration						
Long-term development goal: <i>The parallel structures and forces demobilised and disarmed fully, and national integration achieved through participatory, inclusive, consensual, and peaceful means, in accordance with the law.</i>						
Proposed FYDP Outcomes (2007–2011)	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
-Integration of all former militias into security services or civilian life	-Security sector reform completed -The armed forces (Darawish, police, and custodial forces) to be downsized by 60 percent to limit budgetary pressure	-Disarmament plan -“Surrender of arms” policy -Setting up of counselling, training, and rehabilitation centres	Ministry of Interior	-Armed forces demobilised* -Arms seized or surrendered* -Budget expenditure as % of total*		UNHCR
Sector: Governance Sector						
Subsector: Mine Action						
Long-term development goal: <i>To ensure that the entire state is de-mined and free from future threats.</i>						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
-All areas are fully cleared of landmines and UXOs for increased safety	-Making Puntland Mine Action Project (PMAC) fully functional -Clear mines and UXO from identified areas -Training & capacity building of the PMAC	-De-mining activities completed in recognised zones -Surveillance system strengthened -Rehabilitation process accelerated	Ministry of Interior	-Area de-mined and marked* -Number of areas rehabilitated* -Expenditure on awareness creation* -Budget/Plan allocation*		

Sector: Governance Sector						
Subsector: Prison Service						
Long term development goal: Reduce crime, bring criminal activity under the judicial process, and ensure basic human rights and facilities to prisoners as provided under the law.						
Proposed FYDP Outcomes	Planned Outputs	Tentative Outputs 2007	Key Focal Point Institution/s	Monitoring Indicators	PSS Budget Allocation 2007	Main UN Partners
<ul style="list-style-type: none"> -Criminals reformed and corrected -Social welfare improved and society free from crime 	<ul style="list-style-type: none"> -Juvenile courts established -Separate cells for women and children -Basic facilities ensured -Living conditions improved -National prison service established and strengthened 	Improved prison infrastructure	<ul style="list-style-type: none"> -Ministry of Religion and Endowments -Ministry of Interior 	<ul style="list-style-type: none"> -Review reports* -Third party audit -Judicial audit* 		ICRC

Note: Wherever Puntland specific figures are not available, data available for Somalia has been used.

Annex IV

POVERTY/MDG MONITORING AND ANALYSIS

9.1 Poverty/MDG Monitoring

Reduction of absolute poverty is the overarching goal of the FYDP for Puntland State of Somalia. The development goals of growth with justice and equity, peace and security, good governance, improved livelihoods, better employment opportunities, targeted food security, access to resources, and environmental protection all have a central focus on poverty reduction and improved well-being for the people of Puntland. The National Poverty Reduction Strategy (PRS), together with the MDGs, is the key to achieving sustained reduction in poverty. Strategically, the state would strive for modest yet sustainable growth in the medium term, along with resource conservation and the creation of opportunities for the poor to participate in the development process. This shall have to be supplemented with a “targeted social security net”, where the efforts of the international community are expected to supplement the efforts of the state. Comprehensive efforts to significantly increase savings and investment through the creation of an enabling environment would be the focal theme of the plan in achieving sustainable reduction in poverty.

9.1.1 Poverty Reduction Strategy

The poverty reduction strategy of the Government of Puntland is contained in the overall development strategy of the FYDP, harmonised with the RDP. This is in alignment with the Poverty Reduction Strategy Paper for Puntland. The focal thrust of the development plan is on peace, security, development, and poverty reduction. It creates opportunities for people to participate in development and benefit from the outcomes in an equitable and sustainable manner; the process is supplemented with targeted safety nets. The key focus, therefore, shall be on livelihood and resource support, coupled with food security. Strategically, the major thrust of the plan is on achieving the MDGs as speedily as possible.

9.1.2 Dimensions of Poverty: Situation Analysis

Poverty manifests in many ways, quantitative and qualitative. Sets of poverty maps created through surveys, a GIS database, and the Human Development Index (HDI) are all valuable systems to monitor and track poverty. The key task, however, is to arrive at an agreed definition of poverty (quantitative and qualitative) and to create a composite index. The percentage of households in extreme poverty, the lack of access to basic needs, asset ownership patterns, an understanding of potential risk factors that can accentuate poverty, and behavioural characteristics of the people are all dimensions of poverty that need careful analysis.

According to the Human Development Report 2001, Somalia is amongst the least developed countries of the world, having a per capita income of US\$200 per annum. The HDI is declining, though there has been some improvement in the growth of income. Vulnerability (mainly food security in the context of poverty) is generally found among the pastoralists, nomads, agro-pastoralists, fishermen, slum dwellers, and IDPs. In terms of nutritional status, acute malnutrition is estimated at around 17 percent for Somalia. Adult literacy has reportedly fallen during the post-war period to around 17 percent; the gross enrolment rate has gone from 18 percent to 13.6 percent during 1999 and 2000, with a high dropout rate. Over the past decade, disruptions to political, socio-economic, and social systems that sustain lives and livelihoods have weakened the coping capacities of the people even further.

9.1.3 Poverty Monitoring: Key Challenges

Poverty monitoring using income and consumption data and absolute poverty lines is important for comparing poverty across time, which can determine policy and programme priorities for the state. This would also help to evaluate the impact of the policies and development plans. In the context of a state like Puntland, where the stakeholders in poverty reduction are both national and international, it is critical to assess aid effectiveness in the context of poverty reduction and the level of MDG achievement.

The Somalia Human Development Report (2001) and the Socio-economic Indicators Survey (2002) Report are the basic data sources on poverty indicators in Somalia. The above data sets, along with the indicators generated through Food Security Analysis Unit (FSAU), the FAO, UNICEF, and WHO, shall need to be collated and validated to generate a reasonable baseline. However, there is an urgent need to disaggregate and analyse the data for Puntland.

Another key challenge is the lack of accurate demographic data on Puntland. There has not been a reliable, comprehensive census and the population is estimated at 3.96 million. The current level of data sets does not

enable the design of an absolute poverty line (the minimum income required to meet basic needs) for Puntland. Similarly, the methodology used to estimate GDP and per capita income needs to be validated. Even where data is available, it is not ready at a fairly disaggregated level, reflecting regions, districts, and gender and economic subgroups. The data on unemployment is also very limited. After the collapse of the federal government, there was an overall breakdown of the statistical system, which needs to be significantly strengthened.

Designing the poverty monitoring system is a great challenge. This requires strong political ownership and leadership (champions), effective inter-ministerial links and coordination, and active presence and involvement of statistical agencies and institutes to make the system complementary to the existing framework. The involvement of regional/local governments is also required. The overall strategy shall be to keep the system simple and flexible, built progressively and perfected over a period of time. The monitoring system itself needs to be evolving, considering the state-specific indicators, institutional and manpower capacities, and resource capabilities. There is a need to prioritise activities and to establish and integrate them into the line ministries, not only in monitoring and evaluation, but also in planning and budgeting.

9.1.4 Indicators

Poverty indicators are an integral part of Poverty/MDG Monitoring and Analysis (PMAS), as they provide the basis for measuring the effectiveness of interventions. In a state like Puntland, where the statistical data collection and analysis system is still in its infancy, the indicators selected should be simple and able to reflect the dynamics of poverty and its trends over a period of time. It should also provide data at the macro-level, the sectoral level, and the community level. The set of indicators are to be adopted using a cascading model determined on the basis of the criteria: simplicity; cost-effectiveness; feasibility in the short-, medium-, and long-term; comprehensives; and measurability (Table 9.1). Strategically, to measure poverty and the MDGs the state has to use globally developed indicators to facilitate international comparison and aid flows. However, they could be suitably modified if the rationale is strong enough to account for state-specific dimensions. There are core indicators and desirable extensions. The core indicators are to be adopted immediately and the desirable extensions over a period of time. As an immediate priority, it would be best to start with the expenditure indicators at the ministry/programme level and the outcome and impact indicators collected periodically through household surveys (sample or census, using participatory tools like PRAs at the community level). While the table lists all the compressive indicators, it would be difficult to obtain information on some of the core indicators such as income and expenditure at the household level in the short and medium term. The use of simple and available proxy indicators would help in assessing the changes. For instance, it may be difficult to estimate the GDP and per capita incomes; instead, proxy indicators like export/import information, prices/wages, or urban land values can assess the macro developments. Similarly, micro changes can be captured using participatory methods such as timelines, participatory poverty and livelihoods assessment, etc.

Table 9.1: Poverty Monitoring Matrix: Puntland State

Dimensions of Poverty	Potential Indicators	Core Indicator	Desirable Extension	Properties of Indicator/source	Baseline*	Feasibility*
Macro-level	-% of population below poverty line	√		(Q) HH income & exp surveys, food consumption/nutrition surveys		I
	-% of population in absolute poverty	√			√	I
Internally displaced	-% to total population	√		(Q) Direct, official statistics	√	I
The landless (land < than threshold level)	-% to total population		√	(Q) Direct landholding survey	X	MT
	-% to total population		√		X	MT
Orphans/ Widows/Destitute	-% to total population	√		(Q and QL) Direct & indirect/proxy census data	X	ST
	-Dependency ratio		√	HH surveys	X	MT
	-Female-headed households	√			√	MT
Receiving Zakat	-% to total population		√	(Q) proxy estimates/surveys	X	ST

Dimensions of Poverty	Potential Indicators	Core Indicator	Desirable Extension	Properties of Indicator/source	Baseline*	Feasibility*
Food insecurity	-Calorie intake less than 2250 per person per day -Malnutrition -Crop production -Relative food price	√ √ √	√	(Q) Direct HH surveys price index	X √ √ X	I I I MT
Casual labourers	-% to total population		√	(Q) household surveys (employment status)	X	MT
Slum dwellers	-% to total population -Housing status	√ √		(Q) Direct housing status surveys	X X	ST MT
Livestock assets	-No. of camels per household		√	(Q) Direct HH/asset surveys	√	MT
Environmental shock	-Drought/flood -Degradation -Afforestation -General resource depletion		√ √ √ √	(Q & QL) Settlement surveys studies/EIAs	X X X X	MT LT MT LT
Low income	-PCI less than US\$1 a day -Average household income	√ √		(Q) Household survey, Head Count Index, Poverty Gap Index	√ √	I ST
Low consumption	-Average household expenditure -Nutritional status	√	√	(Q) Direct household surveys	X √	ST ST
Lack of access to basic services – water & sanitation	-% quantity less than 70 litres per day -% quality affected (salinity) -Distance more than 1 km -% having no latrines	√ √ √ √		(Q & QL) Settlement/HH surveys	X X √ √	I MT ST I
Low education and illiteracy	-Years of schooling -Primary enrolment rate -Dropout rate -% illiterate	√ √ √ √		(Q) HH surveys Institutional reporting, census	X √ X √	I I ST I
Poor health & disease	-Life expectancy -Infant mortality -Child mortality -Distance to nearest health facility	√ √ √ √		(Q) Direct Health Status Assessments HH surveys	√ √ √ √	ST I I I
Other vulnerability access to infrastructure and credit	-Social exclusion -Distance to markets -Access to credit -Distance to all-weather roads	√ √ √	√ √	(Q & QL) Direct/indirect settlement survey PRA	X √ X √	MT ST MT ST

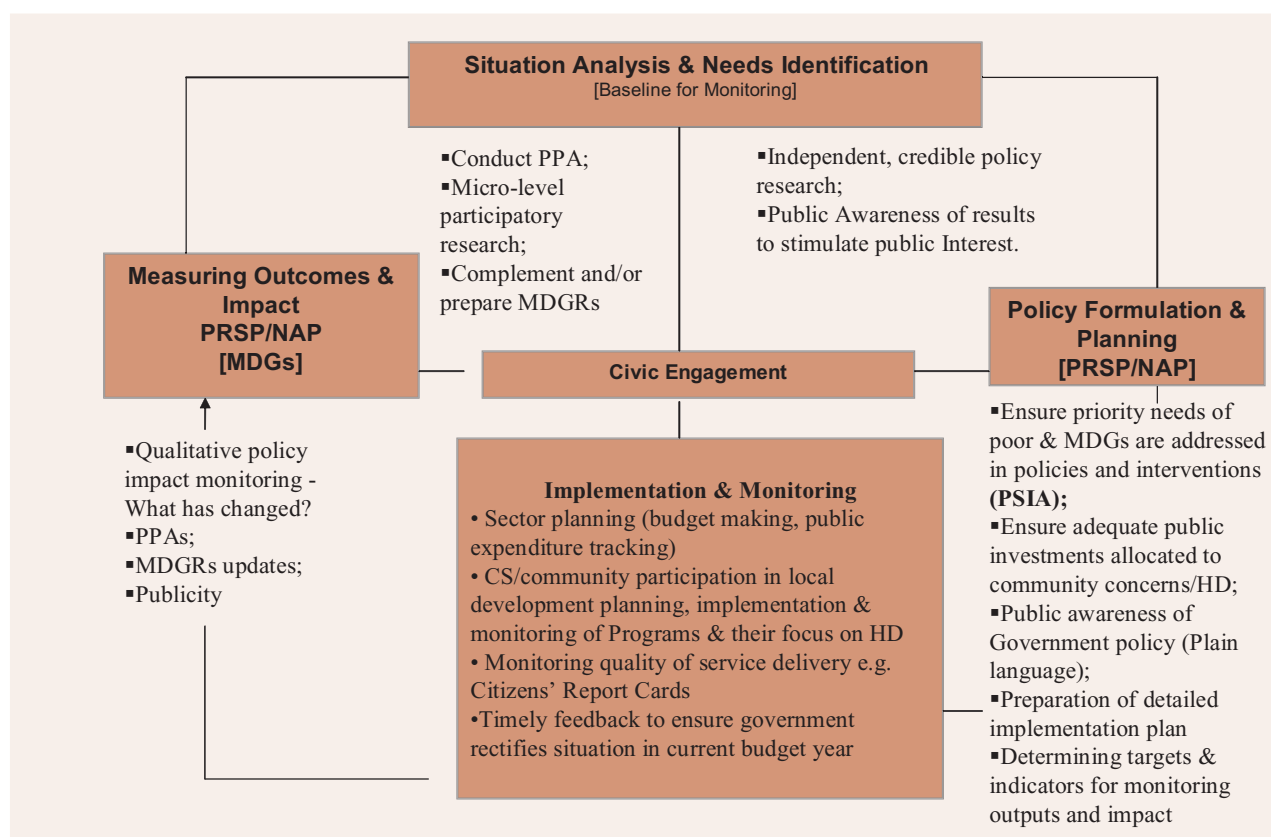
(*) I – Immediate; ST – Short Term; MT – Medium Term; LT – Long Term; X – Not available

9.2 Qualitative Analysis – Participatory Monitoring

Tools such as the participatory poverty assessment and wealth ranking, as well as other PRA tools (focus group discussions, unstructured interviews, matrix ranking and scoring, problem tree analysis, livelihood analysis, and well-being ranking) could be employed to capture the qualitative indicators and dimensions of poverty. These techniques are simple and cost-effective and could be carried out in a short time. However, they would need to be cross-checked using triangulation methods. Public expenditure tracking and monitoring at the district and grassroots level, social audits, process audits, and citizens' rating cards, etc. could be used as supplementary but effective instruments to track poverty, empowerment, and transparency.

Civil society and NGOs, both national and international, play a crucial role in community empowerment, participatory development, and poverty reduction. As such, their role is also crucial in monitoring poverty/MDGs during the entire monitoring cycle from design to evaluation. “Community choice and community voice” has become an effective tool in this field. These groups can play an important role in participatory monitoring, involving all the key stakeholders in the process. One of the key outcomes of the poverty reduction strategy is to enable the poor to influence policy and programmes. The development hierarchy required for adopting the rights-based participatory approach is given in Figure 9.1.

Figure 9.1: Participatory Monitoring of MDG/PRS and Monitoring Cycle



9.3 Periodicity

The frequency at which a given indicator is monitored depends on the desirability of the updated data for analysis, which will have a cost implication. Data on input indicators such as public expenditure are to be monitored at least on a quarterly level, as part of the budget monitoring by the respective ministries (output indicators can follow the same schedule). However, impact assessments are done together with the mid-term evaluation and post-plan evaluation, which would be supplemented by periodic reports on programme evaluations. Table 9.2 gives indicative guidelines on input/output assessment, impact assessment, possible indicators, and periodicity.

Table 9.2: Poverty Monitoring: Indicators and Periodicity

Parameters	Indicator	Instrument	Frequency
Input	Budget data / expenditure by heads	Budget data, allocation/ expenditure	Quarterly – monthly
Output	Physical outputs, infrastructure	Ministerial reports MIS	Half-yearly to quarterly

Outcome	Access and use of basic services	PRAs, sample surveys, household surveys (multi-topic)	Yearly
Impact	Exports and imports, prices and wages, no. of hospitals, no. of schools	Budget, qualitative/quantitative surveys/studies	Quarterly, 3-5 years
Macroeconomic performance	Inflation, land values, trade balance, absolute poverty	Economic surveys budget documents, poverty estimates	Quarterly, 3-5 years (with periodic tracking systems)

9.4 Institutional Arrangements

The MOPIC M&E Department (which might be called the Plan Monitoring and Evaluation Unit) will have a designated section or officer for Poverty/MDG Monitoring and Analysis. The unit will work with the respective ministries in monitoring and tracking poverty. MOPIC would also coordinate the efforts of international agencies in designing and implementing an effective PMAS. Every ministry will have a poverty reduction and assessment plan dovetailed into their annual plan and budget, which would be consolidated and analysed by MOPIC. The key elements in using PMAS are:

- *Analysis and evaluation:* If poverty monitoring is to influence policymaking, the practice of analysis and evaluation needs to be institutionalised.
- *Outputs and dissemination:* Information and analysis resulting from monitoring activities must be compiled into outputs and disseminated across government and to the public. A dissemination strategy should be a central part of PRS monitoring systems.
- *Links with budget and planning:* Perhaps the most promising strategy for building demand is to link PRS monitoring to the budget process. When linking a PRS monitoring system to the budget, care needs to be taken to avoid creating perverse incentives that may distort the monitoring process.
- *Links with parliament:* Lack of involvement of parliaments in existing PRS monitoring systems represents a missed opportunity to help ensure parliaments are able to carry out their role of oversight and control of the executive and their role of representation for their constituencies.
- *Links with civil society:* Non-governmental organizations, private interdisciplinary research entities, universities, unions, lobby groups, and other members of civil society can play a role in PRS monitoring on both the supply side and the demand side.

The PMAS will be an integral part of the overall monitoring framework. The M&E Department in MOPIC will be responsible for data collection, compilation, and analysis. The raw data would flow up, aggregated at the regional level and consolidated at the state level. The feedback mechanism will have operational and policy dimensions, for on course correction and for use as programme and policy inputs. MOPIC will bring out Annual Poverty/MDG Monitoring Reports. A key feature of the PMAS is the horizontal flow of information at the respective levels to the key stakeholders, including communities, to enable corrective measures at that level.

9.5 Strategic Summary

Poverty/MDG monitoring is a complex and challenging task, more so in a situation where data collection and availability are in their infancy. There is no baseline data to compare and assess. In the absence of systematic data, available data must be used to assess the situation. For instance, it is difficult to assess poverty in the absence of data on GDP, per capita income, expenditure, or calorie intake. When such core data are not available, proxy data may be used till these data are generated. In the present context, data on prices, exports/imports, land values, construction activity, and construction costs can be used to assess the macro picture. Meanwhile, the micro picture can be assessed using data on access to basic amenities such as water, education, and health.

In the absence of systematic disaggregated quantitative data, qualitative methods ought to be adopted in order to get a quick assessment of the situation. Qualitative methods like focus group discussions, participatory poverty assessments, and livelihood assessments are cost-effective. Moreover, these techniques are widely accepted. Some even argue that they are better than the expensive and time-consuming quantitative approaches. The time interval between assessments or data generation depends on the type of indicator that is being assessed. MOPIC will continue to be the nodal agency for poverty/MDG monitoring; it will coordinate with different ministries to assess and monitor different programmes.

Annex V: List of Names and Contacts of Technical Unit

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