



The World Bank

Additional Activities Note on Somalia

September 23, 2005

I. Background

1. The Republic of Somalia (Somalia) is one of the poorest countries in the world, and the impact of state failure in Somalia has been profound, resulting in the collapse of political institutions and the destruction of social and economic infrastructure. Under the World Bank's Low-Income Countries under Stress (LICUS) Initiative, the World Bank included Somalia as one of the pilot countries for the Africa Region. In June 2003, Management submitted and the Board of Directors endorsed a joint Bank/UNDP Country Re-engagement Note (CRN) that operationalized the LICUS approach in the Somali context.

2. **Country Re-engagement Activities.** The CRN identified four strategic entry points for the World Bank:

- (i) Support to macro-economic data analysis and dialogue;
- (ii) Creation of an enabling environment for the livestock and meat industry;
- (iii) Coordinated action plan to address HIV/AIDS issues; and
- (iv) Capacity building for skills development/centers of training.

3. The Bank leveraged a grant of US\$4.6 million grant, spread over three fiscal years, from the Bank's Post-Conflict Trust Fund (PCF), in support of this work. Additional grant support for new interventions in livestock and capacity-building were also approved in FY05 from the LICUS Trust Fund. The support under the strategy is currently ongoing and is in its second phase of support. A recent PCF/LICUS review mission of this support was undertaken in August 2005.

4. **A Collaborative Approach.** The Bank has been supporting activities under the various interventions listed above in close collaboration with sister UN agencies, including UNDP, UNFPA, FAO, UNICEF, and WHO and international NGOs, such as IFRC and CARE, and in consultation with local authorities and Somali civil society. Bank support has been closely coordinated with other donors through the Somalia Aid Coordination Body (SACB). In addition, the Bank has drawn extensively from its own sectors (ESSD, PREM, HD, OPCS, WBI) in support of this work. As part of these re-engagement efforts, the Bank has undertaken several missions to Somalia to engage with a variety of stakeholders and invested in key analytical work, including a Conflict Analysis Report and a Country Economic Report on Somalia.

5. **Purpose and Timing of Note.** A new Interim Strategy Note (ISN) will be prepared in late 2005. However, given the need to respond promptly to emerging opportunities and specific requests from development partners for greater Bank engagement, Management has prepared the attachment to update Executive Directors on recent political and economic developments and highlight Bank support. In addition, Management is seeking approval, on a no-objection basis, for the activities outlined in this attachment. Consistent with the implementation of the Paris Declaration on Aid Effectiveness (March 2005), Bank support will be guided by the *Principles for Good International Engagement in Fragile States*, which seeks to foster a longer-term vision for engagement aimed at building legitimate, effective and resilient state institutions. Somalia is one of

the pilot countries for this, with the Bank and DFID as the lead donors.

II. Political Developments

6. Unfolding alongside the Bank's re-engagement efforts and CRN support, a Somali National Reconciliation Conference was opened in October 2002. The Inter-Governmental Authority on Development (IGAD)-sponsored conference was conceived to include visible support from the international community, comprehensive representation of Somalia's armed factions, and a phased process focusing on key peace-building issues. A declaration was signed by all key faction leaders on 29 January 2004, laying forth an agreement for an inclusive framework for a five-year transition period.

7. *Transitional Institutions.* As part of these efforts, a Transitional Parliament of 275 members was inaugurated in August 2004. The Parliament subsequently elected Mr. Abdullahi Yusuf Ahmed as the President of the new Somalia Transitional Federal Government (TFG), and he selected Mohamed Ali Gedi as the Prime Minister. A cabinet was nominated in January 2005 and the government officially relocated to Somalia on 13 June 2005. The African Union (AU) and IGAD approved a peace support mission, including the deployment of troops and technical assistance, to accompany the government and protect key infrastructure in the initial stages. The establishment of the new Transitional Federal Institutions (TFIs) was also welcomed by the UN Security Council in November 2004 in Nairobi.¹

8. *Framework for International Assistance.* Following an initial meeting in Stockholm in October 2004, the international community is providing support to the new government and has established a joint coordination and monitoring mechanism (CMC) to enable continued dialogue with the emerging Somali institutions.² The envisaged framework of international assistance rests on three components:

- A **Declaration of Principles** outlining an overall framework of cooperation between the international community and Transitional Federal Government. This was agreed upon and signed on 9 February 2005.
- An immediate **Rapid Assistance Programme (RAP)** to provide immediate, critical and targeted support to the TFG in the first twelve months, with a view to bringing progressive normalisation to Somalia. The priority sectors covered under the RAP include: establishment of Transitional Federal Institutions; an improved security environment and rule of law; support to macro-economic and fiscal policy; establishment of a framework for social service delivery; reconciliation and public awareness; visible peace dividend initiatives; and establishment of effective joint coordination mechanisms. Support under this is ongoing, with a number of donors providing assistance in critical areas.

¹ Statement by the President of the Security Council, 19 November 2004 (S/PRST/2004/43).

² Further details on the CMC, including mandate, composition and rules of procedure, are outlined in the Declaration of Principles, which was signed on 9 February 2005 by the UN, on behalf of the international community, and the Transitional Federal Government (Annex 1).

- A more elaborate medium- to long-term **Reconstruction and Development Programme (RDP)** to cover the remainder of the five-year transitional period in collaboration with the new Somali institutions. This programme will be based on a comprehensive needs assessment, and will form the basis of an international donors' conference in Italy.

9. The Bank has been engaged in the CMC structure alongside other donors and the TFG and has been actively involved in all planning processes. The Bank and UN also jointly co-chair the planning level of the CMC with the TFG and co-lead the needs assessment exercise.

10. The current situation in Somalia presents both opportunities and risks. The Stockholm meeting and the establishment of the TFIs present a real opportunity to move toward peace and stability in Somalia and in the Horn of Africa. At the same time, the process remains fragile. Thus, international efforts to support the TFIs must be complemented by strong internal efforts toward reconciliation and peace-building. At present, the TFIs have not been able to establish their authority over the whole country and there is a division inside the government, centering on the issues of location of the government and deployment of foreign troops. The continuing lack of security remains a pressing problem, particularly in central and southern Somalia, and the security situation is likely to fluctuate as the TFIs seek to establish themselves further.

11. The Bank is committed to supporting the transitional process to increase stability and broaden the reconciliation process inside Somalia. The Bank recognises that interventions must remain conflict-sensitive and resilient to ups and downs in the political process. The relocation of the TFIs into Somalia and their gradual establishment and continued stability in other parts of Somalia present an opportunity for the Bank to support peace-building and reconstruction and development efforts in the country.

III. Current Bank Engagement Program

12. *Priority Areas.* Given the need to balance immediate support to the TFG within an inclusive process which builds capacity at the grassroots level as well as in the TFIs, the Bank proposes providing support in the following areas:

- Technical assistance and advice in critical priority sectors, including economic management and development planning, aiming at progressively strengthening TFG institutions in line with identified needs and priorities and alongside internal reconciliation; and
- Community-driven recovery (CDR) to address key stabilization and peace-building efforts.

13. Given the still fragile nature of the new administration, the Bank's support will focus on interventions which are not likely to be reversed in the event of instability, emphasizing investments aimed at capacity- and institution-building. The Bank's assistance will require some flexibility to ensure sequencing of recovery priorities in

accordance with the evolving needs of the TFG.

14. *Interim Strategy Note.* The Bank's support will be informed by its ongoing work through the current CRN as well as analytical work, including its conflict analysis report and Country Economic Report. Support to other areas, including Somaliland and Puntland, will continue through ongoing CRN interventions.³ An ISN for Somalia will be prepared in late 2005 once the transition process has progressed further and a more robust and comprehensive strategy can be articulated.

IV. Specific Activities

15. Building on its mandate and comparative advantage and ensuring close coordination with the support being provided by other donors, the Bank's support will focus on the following strategic areas of support:

- (i) Planning process: Joint planning committee/needs assessment exercise;
- (ii) Technical assistance on economic management and planning capacity;
- (iii) Institutional support to developing a strategy for demobilization and reintegration;
- (iv) Community-driven recovery; and
- (v) Post-tsunami recovery efforts.

■ Planning Process for Somalia: Joint Planning Committee/Needs Assessment

16. The Bank is actively involved in planning processes for Somalia as one of the partners engaged in the Coordination and Monitoring Committee (CMC), which seeks to guide cooperation between the TFG and international community. In addition, the Bank and UN jointly co-chair the Joint Planning Committee (JPC) level of the CMC, which seeks to guide the strategic planning approach and assistance to Somalia with the TFG. A first joint meeting was held on 4 August 2005 in Somalia. Technical support would be required to facilitate this coordination and planning role.

17. In addition, the Bank and UN have prepared a concept note on a comprehensive needs assessment, which would result in a Reconstruction and Development Programme (RDP) that would form the basis of a donors' conference. The needs assessment will provide a multi-sectoral, technical overview of the main rehabilitation and reconstruction needs and priorities to be addressed for peace building and recovery in Somalia.

³ The Somaliland Republic has been a stable administration since declaring independence in 1991. The Puntland administration declared its autonomy in 1998. The United Nations respects the principle of territorial integrity of Somalia as sanctioned by member countries and therefore considers Somalia as a single nation.

■ Technical Assistance on Economic Management & Planning Capacity

18. The collapse of the Somali state in 1991 resulted in much of the destruction of governing and economic management institutions in Somalia, which are now being re-established with the Transitional Federal Institutions. Over the last two years, the Bank has been supporting data collection of the macro-economic and socio-economic situation in Somalia through the Watching Brief mechanism, in partnership with UNDP, to better understand and monitor the macroeconomic situation. This mechanism has yielded a knowledge base of valuable data, assessments, analysis and the production of relevant sectoral studies that will be useful information in improving the delivery and accessibility of social services, aid in economic management and in the monitoring of changes. The Bank is also working on a Country Economic Report, which will provide an analytical basis for this support.

19. Building on these initial efforts, the Bank will initiate assistance through a Bank-executed LICUS TF grant (US\$300,000) to begin a more intensive period of dialogue with Somali counterparts on options for establishing core public administrative functions, based on principles of good, transparent and accountable governance. As appropriate, this support will complement UNDP's project of Somali Emergency Budgetary Support (SEBSP), which seeks to cover essential recurrent expenditures of the TFG and lay the basis for accountability in budgetary and planning processes. In order to provide the means to make key aspects of the new administration self-sustaining at the earliest opportunity, it is also critical that sources of internal revenue are identified and mechanisms put in place for their collection in a controlled and transparent manner. Given this, the Bank will specifically target technical assistance in two components:

- (i) Capacity building to engage in reconstruction and development planning, focusing on building counterpart capacity to engage fully in planning processes and establishment of coordination mechanisms for reconstruction planning; and
- (ii) Capacity-building activities to support initial efforts to establish the most basic systems of public sector management and public finance systems.

20. The Bank has already begun the process of preparing a technical note on the debt situation for Somalia, assessing the overall debt situation and providing options for clearing arrears in the context of longer-term reconstruction efforts.

■ Institutional Framework for Demobilization and Reintegration

21. With over 50,000 Somalis still estimated to be serving as members of various armed militias, the process of demobilising these forces will be critical to the return of security throughout Somalia. While there is a clear need for a comprehensive disarmament, demobilization and reintegration (DDR) strategy and programme to be rapidly developed and launched in coordination with other security and reconciliation processes, the reintegration of militia members into civilian life will be a long-term process, involving formal and on-the-job training, job creation and recruitment programmes, and extensive

community sensitization on the situation of returning militia members.

22. An African Union/UN Somalia Strategic Demilitarization Planning Unit (SDPU) was set up in 2004 to assist in demilitarization and stabilization efforts in Somalia. The SDPU has recently completed its work on a framework and implementation strategy for demilitarization, including identification of gaps and support required to augment existing activities for Somalia. Following a UN Security Council meeting on Somalia in July 2005, the Special Representative of the Secretary-General is now undertaking an initiative to prepare a national security and stabilization plan with Somali counterparts.

23. Building on this work, the Bank is providing technical assistance by:

- (i) Focusing on institutional framework/arrangements as well as social and economic reintegration, including the preparation of a status report on DDR. The Bank will not be involved in any activity related to disarmament. However, the Bank will bring to bear its extensive country experience in DDR from other contexts in this area; and
- (ii) Outlining recommendations as to where the Bank could provide additional support on DDR activities in Somalia, offering a review of opportunities and risks. These recommendations will be considered in the preparation of the ISN.

■ **Community-driven Recovery**

24. In the current context, peace building, reconciliation and administration building are vital in sustaining the transition from conflict to peace in Somalia. The World Bank, together with other donors, acknowledges the importance of ensuring proper approaches to the support of service delivery through community-driven recovery (CDR) and capacity building for governance reform in Somalia – consistent with the priorities of the TFG. To this end, the Bank’s support will:

- (i) Assist peace and reconciliation in Somalia by meeting the urgent needs of the population through community-based decision-making processes;
- (ii) Support the design of community-driven service delivery with relevant partners, as a basis for the scaling-up of international support if the transition process proceeds successfully; and
- (iii) Support regional and district administration building and service delivery initiated by the TFG through technical assistance and capacity-building.

25. Through a Bank-executed LICUS TF grant (US\$232,250), the program will include two complementary components: the first will support the design and validation of a community-driven recovery approach; and the second will support consideration of options for the establishment of core public administration functions at the district and regional levels. DFID has agreed to partner with the Bank on this activity and will be co-financing this initiative.

■ Post-tsunami Recovery Efforts

26. The earthquake-triggered tsunami of 26 December 2004 struck the northeastern coastline of Somalia. A stretch of 650 km between the Bari and Mudug regions in Puntland was the most severely affected area. The tsunami resulted in 289 people being reported dead and missing, and destruction of shelters and water sources in some settlements, and loss of fishing equipment. A multi-sectoral tsunami assessment was conducted in February 2005 to identify the medium- to long-term recovery needs of affected communities. The Bank co-financed a fisheries expert to assist in the preparation of the assessment report.

27. Through two grants from the Japanese Social Development Fund (JSDF), the Bank will support post-tsunami recovery efforts, including:

- (i) Supporting affected fishing communities along the coastal area with the necessary production means to enable them to restart their productive activities and to restore their livelihoods (US\$1,579,670); and
- (ii) Providing continued outreach health response activities to tsunami-affected areas to reduce the morbidity and mortality from the impact of tsunami-related diseases and to prevent and provide an early response to epidemics in the affected areas (US\$500,000).

V. Partnerships

28. The Bank will continue to consult with all relevant partners, including the TFG, regional authorities, donors, UN and civil society to ensure targeted and coordinated efforts in its support. The Bank will coordinate closely with the CMC and Somalia Aid Coordination Body (SACB) structures and will review progress periodically to ensure that the interventions match the evolving needs of Somalia.

VI. Risks

29. In a context such as Somalia, a number of risks have to be taken into account in proceeding with this support. Given that the conditions in Somalia remain unpredictable, a flexible approach is necessary, allowing for frequent revisions to activities in response to changing conditions. In particular, the relocation efforts of the TFG may affect some of the activities to be undertaken as well as initial dialogue inside the country. The Bank will consult regularly with key partners to ensure that its activities remain relevant to the situation on the ground and will inform Board of any changes to the situation on the ground in the planned ISN.

**Resource Plan
(FY05-FY06)**

ACTIVITY	ESTIMATED BUDGET	IMPLEMENTING PARTNERS	FINANCING MECHANISM
I. TA on economic management & planning capacity	US\$300,000	Bank	LICUS TF
II. Community-driven recovery	US\$232,250 US\$1,335,000	Bank	LICUS TF DONORS
III. Institutional framework for Demobilization and Reintegration	US\$220,000	Bank	BANK BUDGET
IV. Planning process/Needs assessment	US\$390,000 US\$750,000	Bank/UN	BANK BUDGET DONORS TF
V. Post-tsunami recovery efforts	US\$2,079,670 US\$30,000	CARE/IFRC	JSDF BANK BUDGET
TOTAL	US\$5,336,920		