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PUBLIC-PRIVATE PARTNERSHIPS IN FRAGILE STATES

**Reflection on the practice,
challenges and opportunities
in Somaliland**

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opportunities in Somaliland

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1.0 Introduction

In the aftermath of the collapse of the Somali central government, the country has been mostly unstable and insecure for over two decades. The situation has seen the country torn apart in almost all aspects of life. To date, despite considerable investment by the international community aimed at enhancing stability, Somalia still experiences challenges in security, governance and rule of law.

This paper largely draws from the experiences of the DfID-funded Sustainable Employment and Economic Development (SEED) programme implemented in Somalia. It seeks to shed light on Public Private Partnership (PPP) in fragile states to justify the continued dialogue on the viability of the PPP approach in enhancing governance and service delivery in public institutions and sustaining them towards economic development in Somalia. The thrust of this paper is that public and private sector partnership if enhanced in Somalia will create incremental effect to development which can later on be strengthened by a stable and credible polity. The operational thesis is that PPP can rely on existing structures and resources (local and external) to improve the deteriorated situation in Somalia but with a strong resolve to strengthen these structures for posterity.

The paper introduces various conceptual frameworks on PPP, advanced by scholars in the last decade. It also presents a variety of thoughts on the subject for purpose of getting insights into how the concept has been practiced in selected parts of the world.

It explores the pros and cons of public private sector collaboration and examines its application in Somalia. From a practical perspective a review of PPP implemented under the SEED programme is presented while exploring the opportunities to enhance the limited success so far experienced after implementation. In the final analysis, the paper presents suggestions on how to improve the investment environment as pertaining to PPP in order to contribute to sustainable economic development.

2.0 The concept of public-private partnerships

So far, there is no standard definition of PPP. Nabeela (2006) suggests that PPP involves two actors – the government and the private sector who develop arrangements for provision of public infrastructure, community facilities and other services. She notes that the arrangements are characterized by sharing of investment, risks, responsibilities and rewards between the state and the private sector. Most importantly, the sharing involves financing, design, construction, operation and maintenance of public goods (Nabeela, 2006 p.1).

Other scholars have defined PPP as a contractual agreement between the private sector and a public institution in which the private sector assumes financial, technical and operational risks in design, financing, building and operation of a project (Farlam, 2005 p.1). In other words the guiding principal in PPP is the comparative advantage that each of the parties brings to the table. Jutting's concept introduces another actor in the PPP process that he calls not-for-profit sector. He argues that PPP have institutional relationship between the state and private sector in form of for-profit and not-for-profit actors. The private and public actors jointly define the objectives and methods of implementation of an agreement of cooperation (Jutting, 1999 p.5). Jutting's concept further introduces International and local civil society organizations (CSOs) as not-for-profit entities that have overtime become important actors in PPP processes the world over.

In the U.S.A, the national council for private-public partnerships (NCPMP) defines PPP as that contractual understanding between a public agency (federal, state or local) and a private sector entity in which both share skills and assets of each other in delivery of services or use of facilities by the general public. Apart from sharing resources, each entity shares in risks and rewards embedded in service delivery (NCPMP, 2010). The Canadian Council of Public-Private-Sector-Partnerships views PPP as that cooperation between public and private sectors, built on each others' expertise that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards (Canadian PPP Council, 2010).

Traditionally the state is mandated by the citizenry to oversee resource (wealth) distribution and ensure service delivery. In turn, the citizenry pays taxes to facilitate effective functioning of the state as obligated by the law. However, things have not always worked out as anticipated leaving the state with no alternative but to seek the assistance of other entities such as Not-for-profit and profit-oriented private sector entities to deliver to its citizenry on its behalf. When the state government has limited capacity to actualize its plans for service delivery, it may invite the private sector under specific terms to inject funds and expertise in the management of its resources to enhance efficiency and effectiveness in its operations to deliver according to the public expectations (OECD, 2010).

3.0 Status of affairs on public-private sector partnership

In the last 10-15 years, most countries have followed three forms of PPP paths. EU countries began the PPP process with the development of a comprehensive policy and regulatory framework, which has enabled them to embrace a substantial number of projects with the United Kingdom leading the way (Flinders, 2005). Another category is that of countries that embraced enactment of a legal and policy framework, but has done little to attract PPP projects. These include Netherlands, Germany and Greece (Babcock and Brown, 2008). The last groups come from Eastern Europe and some states in Africa, which have mostly reacted with skepticism towards the PPP concept. Their policy regulation and legal framework is believed to be modest and have earmarked few projects for PPP despite overwhelming evidence of state incapacity.

The origin of PPP comes from the fact that local and national governments have restricted budgetary resources to fully deliver on their public goods and services resorting to the private sector to fill-up the budgetary deficits. PPP therefore aims at subsidizing inefficient state enterprises or agencies (Rondinelli n.d p.2). Participation of the private sector in several forms is sought to meet public needs such as expansion and management, infrastructure development, provision of basic services like health, education, water and housing. This cooperation between the private sector and the government complements efforts by the government and assists in fulfilling their mandates. One form of such an arrangement is postponing the obligation of payment and record though PPP. In this arrangement, the government builds now and pays later, this is an attractive arrangement to cash-strapped governments (Murphy, 2008 p.96).

The private sector actors in a PPP may include local, national and international actors. For instance, small scale independent providers engaged in provision of public goods or service delivery with for-profit or not-for-profit organizations like the community based organizations (CBOs) and Non-Governmental Organizations (NGOs) (PPP Handbook p.7). PPPs engage citizens in the process of public governance and implementation of public policies that affect their lives as a means of enhancing good governance, transparency and accountability (UNECA, 2001 p.1). UNECA sums-up PPP relationship as one where public needs together with private capability and resources create market opportunities through which such needs are met and a profit earned.

Proponents of PPP posit that such arrangements are justifiable because of their value for money. The intention sought by the government in embracing PPP is to meet its social obligations by realizing optimal benefits from available resources through private sector actors. To achieve this, the best balance between economy, efficiency and effectiveness is done. The private sector gains rewards being tied onto performance of the project in terms of early project delivery, innovations and subverting the need to borrow to finance infrastructure investments and service improvement. Hearne (2009) warns that not all PPPs are the best for the public and all options should be examined critically since there are risks and potential problems (Hearne, 2009 p. 12). A public sector comparator (PSC) is necessary when determining the proposed PPP project. To measure value for money, preparation of public sector comparator and comparing with PPP bids determines where value for money lies.

In terms of benefits, PPPs provide the private sector with access to secure, long-term investment opportunities enabling them to do business with relative certainty and security of a government contract (An Introduction to PPPs, 2003). Other potential benefits to the private sector include high returns on investment, use of proven technological skills and equipment in other markets, better cost effectiveness, technological innovation in provision of goods and services; profits as a result of increases in sales; improvement in capacity, expertise and market share; public recognition; using that experience as a leverage for additional business partnerships with the public sector and other organizations; and also the advantage of sharing the risks of market development with the government (Tain Bendahmane, 2001).

Contrary to the foregoing discussion, PPPs have been criticized for inflating real costs than the traditional government procurement process, which means they do not meet the value-for-money (VfM) criteria neither enhancing value consciousness. The private sector is profit-driven and therefore has associated inefficiencies. In some instances, the profit motive sought by private sector lowers the quality of service especially where design and construction of infrastructure is involved. Shoddy works have been observed in the past out of PPP processes. The engagement in the PPP therefore is not sufficient enough to ensure overall resource effectiveness. Some scholars have argued that in such a case, carefully crafted contract standards with effective oversight, provide the public with the power to define and control the levels of quality and service required of its private sector partners (Murphy, 2008). For instance, penalty clauses and right to terminate the contract can be used to instill discipline and ensure quality in service delivery.

PPP projects need to under-go value for money assessments at critical stages particularly at the point of selection and point of assessing bids. Whenever lobbying for contracts by potential bidders creates unfairness; this can be stopped through anti-lobbying policies that disqualifies such bidders. Monitoring and evaluation requires public reporting performance measures, mechanisms for complaint redress and information about retendering. In emerging fragile states like Somalia the challenge would be lack of expertise by the government to conduct such rigorous vetting and selection processes (Murphy, 2008).

Table 1 below presents a summary of different PPP models (World bank, 1997).

Table 1: Types of PPP arrangements

| Option | Asset ownership | Operations and maintenance | Capital investment | Commercial risk | Duration |
|--|-------------------------------|----------------------------|--------------------|-----------------|--|
| Service Contract | Public | Public and Private | Public | Public | 1-2 years |
| Management Contract | Public | Private | Public | Public | 3-5 years |
| Lease | Public | Private | Public | Shared | 8-15 years |
| Concession | Public | Private | Private | Private | 25-30 years |
| Build Operate Own Contracts (BOO) | Private and public | Private | Private | Private | 20-30 years |
| Divesture | Private or private and public | Private | Private | Private | Indefinite (may be limited by license) |

Source: World Bank (1997).

4.0 The PPP approaches

PPP approaches are categorized along various typologies: (1) empirical substance category which includes policy sector studies, local regeneration projects, third world development and financial infrastructure schemes; (2) Type of actors category comprising of government, business, non-profit, local organizations or donor countries; (3) organizational characteristics category such as formal contracting or loose organizational arrangement; and (4) others based on less theoretical assumptions, which result in more explanatory or descriptive formats (Peterson, 2011).

For the purposes of this paper, the study focuses on local regeneration, financial infrastructure and third-world development approaches. The former is concerned with partnerships between local authorities and corporations as regards local development projects. This includes projects touching on town house planning and urban use of public land projects. The focus here is on mutual interest between the local authorities and private business entities where projects are developed jointly. In this scenario, the forms of partnerships are less formalized and ad-hoc in nature.

The financial infrastructure approach focuses on asset-based physical infrastructure development. The areas of joint partnership are design, build, and finance, operate and maintain (DBFOM) and build, own, operate and transfer (BOOT). It is restricted to construction schemes. The third world development approach focuses on partnership between international NGOs and national governments where joint partnerships along economic, institutional, medical and humanitarian aid are established (Peterson, 2011).

5.0 Potential risks of public-private partnerships

Despite much hype about PPP, it may be necessary for those concerned to interrogate its viability based on potential threats within a given context. The following represent some of the risks that PPPs present.

Loss of control by the government/public sector: The issue of who controls the project is of major concern and thus it needs to be extensively addressed by the parties to the agreement so as to ensure smooth implementation. Depending on the contractual agreement, it is only prudent that whoever, between the government and the private party, takes the larger share of the risks involved should take control of the project.

Increased costs: Due to the complex nature of PPPs, "...considerable time and organizing effort must be spent searching for suitable collaborative partners, negotiating price arrangements and monitoring the agreement after both parties have reached a deal" (Thia and Ford 2009)p. 216). There is also the need to clearly define the roles and responsibilities of each party and also come up with a dispute resolution mechanism. This increases the contractual costs thus raising the overall costs of the project to the government.

Political risks: These are risks that are often associated with weak political, legal, and it lowers the investment appetite of the private sector. Furthermore, "with increasing political risks, the expected minimum internal rate of return (IRR), minimum required debt-service-coverage-ratio (DSCR), the risk margin on loans, and the insurance premiums increase (Tillman and Tiong, n.d)." Given that user fees may increase under a PPP arrangement, this may trigger some political discomfort as most of the time the public is averse to increase in user fees. Also when PPP arrangements are for a long period of time, there is a risk that when new governments are elected into power these projects may be unpopular to them resulting in them being neglected.

Bias in selection process: Due to the unique nature of PPPs as a different procurement process the government will always be accused of bias selecting PPP partners given that "low bid" may not always win the contract if there are other forms of established criteria such as value for money and experience in the field of interest. Strict structures on funds governance need to be factored in such as designing a rigorous participatory criteria and process to ensure private sector actors are selected also on the basis of skills, competency and experience.

Labor issues and unreliable/ reduced quality or efficiency services: Due to the potential for loss of federal jobs or decrease in staffing level in partnered transactions (Strategies for expanding PPP), this could trigger adverse reactions from labor unions in the country. As a result of these labor disputes, financial problems or other circumstances private partners may not be able to honor their commitments. "It is sometimes argued that the only incentive motivating the private sector will be the tendency towards cost cutting rather than service enhancing activities... Another problem with PPPs is that private sector involvement may reduce the likelihood of an equitable provision of services (Thia and Ford 2009). Other risks include lack of trust, conflicts of interest among stakeholders and incapacities by governance institutions

6.0 Multi-governance theory

Policy and governance pundits point to evidence of a paradigm shift from the traditional government roles towards new models of public governance with participation of the private and public actors drawn from local and central government and the private sector. This points to a shift in trend from the government as the prime entity to governance as an all inclusive process, which has resulted into dispersal of decision making authority vertically as well as horizontally, in the long run creating multi-level governing system (Stocker, 1998)

According to Teisman, there has been a gradual depletion of boundaries between market and hierarchy (Teisman and Klijn 2002). This has made governments and the private sector inter-dependent subsequently leading to search for cooperation, joint decision making and private partnerships (Van Ham & Koppenjam 2002). According to Hooghe and Marks (2003), modern government is spread across multi-level centers of authority.

The multi-governance theory lends credence to the move towards PPP in the sense that the shift from government to governance creates opportunities to non-state actors to engage the state in efficient and profitable ventures. In essence, this creates an opportunity for all to engage and participate in governance processes such as economic development without necessarily losing their position in society (Hooghe & Marks, 2003).

In view of this thesis, one can rightfully conclude therefore that PPP if effectively implemented in Somalia could provide important lessons for the state hence contributing to the good governance and wealth creation in the long run.

7.0 Public-private partnership in conflict zones

State instability is characterized by ethnic fragmentation, armed violence, secession struggles and rebellion against central authority; factors that threaten peace and security. In such a situation, the inability of various state departments to function optimally due to declining revenues and departure of local expertise, leads to poor delivery of public goods and services (Anoop, 2009 p.53-55). In conflict prone states, PPP serves for a short term period the function of delivering basic essentials to the needy public. Conversely, absence of stable government institutions like legislature, functioning executive and judiciary delay long term recovery during post-conflict investment climate period hence making the PPP process fragile. For instance, unstable legislative bodies may not have the capacity to formulate bills and laws that provide a legal framework for PPP. This may frustrate PPP implementation (UNECA, 2005 p.5). In most cases, conflict affected states receive donor support when in crisis, but the support declines as they stabilize during reconstruction and growth. The emergency of a strong private sector is therefore relied upon to facilitate services to the public since the quest for profit and opportunities presented by recovering economies acts as a motivation for business-oriented individuals.

8.0 The conflict in Somalia

Recent development at the political front project signs of hope that peace and stability is not a farfetched dream for the nation of Somalia. Notably, the international community has started to re-engage with Somalia and in the process pledging both technical and financial assistance to enhance stability. One factor that should not escape the minds of those involved is that conflict in Somalia is multi-layered and that one of the most destructive drivers of conflict is the existing suspicion between clans and families that has continued to feed into the more visible struggle for state control. But this is not the only arena where negative inter-clan/family relations have had adverse impact. Looking at how these relations manifest at community level, one would easily conclude that the distribution of resources largely depends on how these relations are defined by both individuals and clans as a social entity. More often than not, this leaves would-be beneficiaries harboring ill-feelings and

resentment of those accused of blocking access to resources. The result is a cycle of conflict where each interest group looks for an opportunity to get even or to take advantage of the other hence affecting any external efforts to provide assistance.

Other existing socio-economic and governance related drivers manifest themselves at different points in time along the conflict trajectory. Menkhaus (2011) outlines these drivers as follows:

- Manipulation of clan identities and connections
- Politicization of identities
- Struggle for control of state and related resources
- Consumption of khat and other illicit drugs
- Youth predisposition to violence due to limited income generation opportunities
- Control of commercial arteries
- Speculation on the existence of mineral resources
- Competition over access to and control over natural resources
- Militarization of communities due to proliferation of small arms and light weapons
- Contested clan based territories
- Group (horizontal) inequalities

The aforementioned drivers of conflict portray a situation with multi layers of conflict pitting one interest group against another. These drivers continue to paint a grim picture of Somalia with pundits labeling it one of the most fragile and dangerous place in the world in terms of human security.

The question of secession of Somaliland region of Somalia still remains largely unanswered by the international community. So far a lot of attention has been on stabilization and reconstruction with Mogadishu being the central focus. The position of Somaliland in the process is not clear and this explains the cautious approach adopted by most external actors on issues related to peace, security and development portraying a lukewarm reception to the idea of self-determination by Somaliland.

All these factors to a great extent affect potential investments as they present risks that no external investor would want to interact with. However this has not deterred the spirit of local investors who have resolved to fill the void by engaging in local level investments that have continued to bear fruits with time despite the prevailing challenges. Remittances and investments from the diaspora have been effective in providing a buffer for the fragile but resilient economy.

9.0 Challenges associated with implementing PPP initiatives in Somaliland

Lack of policy frameworks

One of the challenges that PPPs have faced in Somalia is the lack of a policy framework to guide the implementation process. There have been attempts supported by ILO and UNDP to the Somaliland administration towards establishing a PPP Policy framework and strategy. Considering the importance with which PPP is viewed in Somaliland, UNDP in partnership with the Ministry of Commerce and Tourism of Somaliland unveiled a PPP strategy and a draft PPP policy. The adoption of these documents by the administration has remained in abeyance with no indication of when they will be adopted and translated into action. In the absence of a viable policy and legal framework puts to question the validity of the PPP agreements so far in place.

IFAD (2007) through agricultural lenses defines the private sector as a whole continuum of economic agents, ranging from subsistence or smallholder farmers, rural wage-earners, livestock herders, small-scale traders and micro-entrepreneurs to medium-sized, local private operators such as input suppliers, micro-finance institutions, transporters, agro-processors, commodity brokers and traders to other, bigger market players including local or international commodity buyers and sellers, multi-national seed or fertilizer companies, commercial banks, agribusiness firms and supermarkets. Associations of farmers, herders, water users or traders also constitute an important part of the private sector.

Public private divide on Somalia is blurred with individuals often playing the role of both the public and private sector actors interchangeably. While in many instances this is done inadvertently oblivious of the need to maintain the two entities separately. In some situations the ambiguity is taken advantage of by individuals within the public sector who also seek to benefit from engaging in private ventures.

Property rights in Somalia, like in most under developed countries, are not clear. For instance, the land tenure system and the land ownership process have often been a source of conflict. Even though the traditional governance mechanism under the leadership of clan elders has in the past generations mediated and resolved such conflicts, state formation and increased influence of modern market forces are making such resolution mechanisms largely ineffective. Such an environment is not conducive to investors especially those with interest in infrastructure development since it is viewed as a high risk area.

Due to the poor regulatory framework, conflict-prone states are susceptible to corruption and other forms of mismanagement of public resources. This stems from the notion that during the recovery period governments engage in rapid spending so as to drive economic growth. This they do with minimal/few accountability controls and also with little, if any, transparency thus providing breeding grounds for corruption. Such states are also characterized by politics of patronage which in turn hinders the efficiency of the public service (Anoop, 2009). The lack of a clear framework at either policy or legislative level has meant that most PPPs rely on the convictions of certain individuals well placed within the social-economic and political sphere of influence. PPP in this situation is therefore confronted with issues ranging from individual interests in PPP related investments and questions on the legitimacy of decisions made within any PPP. This therefore means that the process is either owned or supported by a policy or legal framework from where it draws its legitimacy hence creating room for malpractices both within the administration and the PPP structures.

Non-recognition by the international community

Reluctance by the international community to recognize Somaliland as a state has to a great extent been an obstacle towards external investments. Such situations are never attractive to investors who more often than not rely on state guarantees to safeguard their interests, a pre-condition that Somaliland may not be in a position to meet at the moment. Furthermore, absence of formal banking facilities and a sound monetary policy characteristic of a globally connected economy regulations are all missing hence making Somaliland not so attractive as an investment destination.

Clan hindrances

The clan structures and individual interests within the social-cultural set up in Somalia puts to question considerations of the public good in decision making processes. In most situations clan interest precede those of the society hence making it difficult for any initiative to operate based on what is considered good for all. Expectations pegged on individuals by this socio-cultural structure in some instances provides opportunities for them to meet their own personal interests while fronting clan interest, a situation that undermines the potentiality of the clan as a positive force to reckon with in development arena. This to some extent explains why it is common for certain levels of consultations to either drag for long or come to naught all together.

In terms of local investments, the territorial tendencies of some clans inhibit investment opportunities for those viewed as coming from outside the clan. In some instances such blockades apply even when it is obvious that “insiders” have no potential to invest hence arresting potential development opportunities. Additionally, mistrust among interest groups and communities hinder provision of services. Delivery of services to certain groups or communities and denying others the same due to political or cultural power affiliations, causes major rifts and mistrust among the communities. Various clan based interest groups in Somalia, are in constant conflicts over resource control, ownership, and utilization. PPPs therefore inadvertently present themselves as drivers of conflict in given situations making cohesion amongst interest groups a prerequisite for successful PPPs in such situations. For instance, the PPP initiative on the Borama slaughterhouse (a facility put up by FAO-Somalia) in

Somaliland took longer than expected due to what most people in the area believe to be divergent interests amongst various groups and individuals. These had to be reconciled through negotiations and mediation forums before the initiative was finally unveiled in 2010.

Fragility of the state

The fragility in all regions of Somalia poses a major security concern to the private investors. This is because the risk of sporadic violent conflict remains high even in the otherwise calm regions such as Somaliland. As media reports continue to paint a grim picture of Somalia, relatively stable areas such as Somaliland continue to suffer the effects of such publicity. For instance, donors are reported to be reluctant to invest in areas with high risk of insecurity as this does not present an opportunity for impact driven programmes. Areas such as Sool and Sanaag in Somaliland which have opportunities for investment in honey, fodder and livestock value chains have often been left out due to the security risk factor. This however has not deterred local investors who operate based on their understanding of local socio-economic dynamics though limits posed by availability of start-up capital has continued to pose a great challenge.

Inadequate institutional capacity

Newly established government institutions in post conflict states lack the capacity to oversee a smooth implementation of PPP and proper regulation (Anoop, 2009 pp 53-55). While Somaliland has put in place institutions and structures to act as the pillar of good governance, the region still struggles with issues related to capacity of the civil service and political class to clearly conceptualize and put into operation emerging concepts related to governance, PPP being one of them. This therefore means that despite the prevailing goodwill, issues of capacity still act as stumbling blocks to full implementation of PPP.

Limited revenue and low levels of accountability within governance structures in conflict and post conflict political orders have also reduced their economic bargaining power. This exposes political administrations to manipulation by the financially robust and profit driven private sector looking for opportunities to invest and return quick profits. In Borama-Somaliland, while the collapse of the PPP arrangement between the municipal council and DAMSCO on the livestock slaughterhouse cannot entirely be blamed on the private sector, but its high expectations in terms of realizing immediate and high profit margins after hefty investments is a contributing factor. Expectations therefore turned into frustrations when low financial returns dominated the balance sheet resulting in requests to the municipal council to allow for termination of the agreement.

During times of conflict, government plans to provide basic infrastructure such as roads, rails, bridges, schools as well as utilities such as electricity and water are often put on hold in favour of security related expenditures. In situations where such infrastructure exists, armed violence always results in destruction, thus cutting off the public from accessing basic services. In the case of Somaliland, despite attempts to develop infrastructure, dependency on external assistance and capacity of pillars of governance has meant that the process of recovering from years of violent conflict has been at snail pace (Bing, 2005).

A good percentage of the population in Somalia has very low literacy levels and numeracy skills. This, coupled with years of reliance on traditional governance structures, explains why most issues are approached from a very informal perspective with little regard to documentation or the need for accountability to stakeholders. Such situations result in a population incapable of participating in the running of the state and development initiatives in the post-conflict period. State institutions as a result are under-capacitated therefore unable to carry out their mandates effectively (Anoop 2009).

10.0 Local level PPP experiences in Somaliland

The Sustainable Employment and Economic Development (SEED) programme was inaugurated in late 2010 as a flagship project to improve economic and employment prospects for youth and women in Somalia. The UKAID-funded programme brings together FAO-Somalia, UNDP-Somalia, ILO-Somalia, and Save-the-Children as implementing partners. The goal of the programme is to improve stability in Somalia through economic growth and sustainable employment. All these are to be achieved by developing markets and creating employment with accompanying skills training focusing on agriculture, livestock, fisheries, fodder and honey production in Somaliland, Puntland and south central regions of Somalia. The programme also works towards improving the investment climate and supporting strengthening of the regulatory framework to enhance economic growth in the three regions (DFID, 2010).

Programme interventions entailed infrastructure development along the livestock and fisheries value chain. This included rehabilitation of the meat market in Borama Somaliland, rehabilitation of the livestock market in Hargeisa Somaliland, construction of a slaughterhouse in Burco Somaliland and rehabilitation of a fish market in Garowe, Puntland. Stakeholders including regional administrations, local authorities and associations within the value chain show concern for the fact that there are challenges related to governance by stakeholders. It is generally agreed that the said infrastructure projects should be managed through public-private partnership. This is viewed as a means through which local authorities can improve revenue collection, the private sector realize profitability, while ensuring effective delivery of services to value chain actors and the general public.

It is noteworthy that the PPP under implementation within the SEED programme though operating within the globally accepted PPP framework, is largely influenced by local dynamics which demand that a certain level of customization has to be undertaken for the concept to be acceptable at that level. For instance, social-cultural norms demand that before considering outsiders for existing opportunities, the clan members are given special preference. This differs radically with the open bidding process that is characteristic of formal high level PPP processes in developed economies. The prolonged conflict in Somalia to a great extent interfered with governance structures to the level that communities lost hope in central authority. In formulating PPPs therefore, the local authorities emerge as strong and acceptance entities in describing the Public side of the PPP. This is because it is a structure that is present and visible to the people interacting with their issues and concerns even though very weak and at times ineffective in delivering development at that local level. To actualize PPP at this level therefore needs a process that is in tandem with needs, priorities and expectations of the people with one of the key products being a simple and people sensitive PPP agreement that is easy to understand in local terms.

It is also important to recognize that though project locations were relatively calm, latent drivers of conflict to a great extent determined communal relations including business and political interests. Interests and expectations emerging from the deeply embedded clan structure, low literacy levels, low civic awareness of PPP, segregation of youth and women in development processes, failed attempts on PPP in the past, mistrust and suspicion amongst beneficiaries all presented interventions with a somewhat difficult climate to deal with.

The SEED programme generated very important lessons as far as PPP is concerned. The participation of all stakeholders and involvement in decision making is one of the key lessons learnt. During the negotiation process, the inclusion of value chain actors to generate “buy-in” is very important and failure to do this could potentially result in sabotage and boycotts along the value chain which can adversely affect productivity of the facility. For there to be practical participation of stakeholders however, there has to be deliberate measures aimed at improving the understanding of PPP as a concept and reasons behind the introduction of the concept in given interventions. This will shape public perceptions by dispelling misconceptions that feed into such processes resulting in the much needed support for successful completion and operation of projects.

PPP interventions has to be accompanied by robust dispute resolution mechanism that will play the critical role of mediating disputes as they arise and providing a platform on which past and emerging grievances can be mitigated within a communally-agreed framework of reference. Such a mechanism can also play the role of offering checks and balances in PPP negotiations to ensure that the interests of all parties are taken into considerations before critical decisions are made (Webb, 2002). It is therefore an important opportunity for getting rid of suspicion and develops a high level of understanding amongst stakeholders.

While conventional PPP models rely on the expertise of legal minds to craft complex agreements that involve the state and private sector actors with colossal sums of money as capital, PPPs in Somaliland are perceived to be ventures that require simple agreements with key issues being participation of key stakeholders, and profit sharing (Bache, 2005). Negotiations mostly involve the local authority as the face of the public and individual business persons interested in investing a given sum of money in anticipation of profit.

The quest for profit has, however, been blamed for the collapse of some PPP ventures. A number of private sector actors bid for selection without basing their interest in a sound financial analysis (Webb, 1997). They then start requesting for revision of terms or termination of agreements on realization that the rate of return is either low or slower than earlier anticipated.

11.0 Opportunities for enhancing PPP in Somaliland

Despite prevailing challenges, the entry cost for private investors in a conflict-affected state is relatively low with high returns. Donor intervention, in terms of funds provision and institutional capacity-building, provides a good opportunity for development of PPPs in conflict-affected states (McDonald 2005 p.15). Somalia's conflict situation has resulted in investors disregard Somaliland as a potential investment destination. Non- Governmental Organizations and UN agencies have nonetheless worked hard to change the negative perception by supporting local investors to realize the potential associated with their immediate socio-economic environment. While it is too early to pass judgment on the effectiveness of their strategies on such concepts as PPP, it is easy to recognize the marked improvement in terms of how the regional administration in Somaliland perceives the private sector which has resulted in a number of PPP initiatives in water, public health and hygiene, and in livestock related infrastructure.

Public-private partnerships in Somaliland has the potential to create synergy that can help spur economic growth, create employment and generate income to the local people, bringing a new meaning to the life of an ordinary person. This has the potential of consolidating peace and securing livelihood and contributing to economic development in the long run. The Sustainable Employment and Economic Development (SEED) Programme is crafted along this line of thinking making it a flagship project that will for years to come serve as a bench-mark for development programming in Somalia. Indeed the inclusion of the PPP component in the economic development programme is an opportunity to learn from the practice.

The government's resources may not be sufficient to allow it to provide all the basic needs to the public, especially in rural areas (IAWG, n.d). PPPs provide an opportunity for expansion and extension of the provision of services through funding by the private sector. With enhanced Public-Private Dialogue Somaliland with its relatively calm situation could easily reach this stage if such dialogues are structured to result in concrete steps towards policy implementation and confidence building amongst investors. There is increasing concern on revenue leakages especially at the local authority level due to limited capacity for revenue collection and accountability. In situations where PPP has been put in place, a sharp increase in revenue is experienced giving confidence to both investors and the public sectors that the partnership was worthwhile (Ford, 2009).

Through engaging in new investment opportunities and/or innovative technologies, PPPs are likely to foster economic growth by breaking new grounds that previously neither the public nor the private sector would have invested in separately. This will in turn create employment opportunities both directly and indirectly. It will also ensure that the ultimate goal of PPPs, which is provision of goods and services to the public, is met.

12.0 Pre-conditions for successful PPP ventures in Somaliland

This question of viability of PPP in Somaliland is critical to this discourse given the aforementioned factors. It is also important to note that while good governance is one of the key pillars of PPP, the direction to which Somaliland will move in pursuit of statehood against a backdrop of international interventions to stabilize Somalia remains largely unknown.

The focus in reaping possible dividend out of PPP is enshrined in creating a conducive environment for mutual benefit of the public and the private sector. The limited gains so far made in the few years of implementing PPP can be further consolidated and enhanced to provide the much need impetus against which future initiatives will be hinged (Brown, 2008). The following therefore are some of the steps that need to be pursued in order to enhance the viability of PPP in Somaliland:

- The adoption and implementation of PPP draft policies needs to be fast-tracked to reflect the good will of the political administration. This will have a positive impact on potential investors
- While the issue of investment opportunities attracts a lot of attention, challenges in ensuring speedy resolution of disputes arising from such ventures to some extent affects the appeal that PPP has on most business interests. The policy guidelines and accompanying legislations therefore need to be able to cushion PPPs from such obstacles through the establishment of parameters within which socio-political and economic interests can be mediated.
- Encourage local investors by supporting capital acquisition ventures and building their capacity to engage in high cost investments.
- In response to calls for enhanced capacity building for administrative officials, there is need for concerted efforts amongst interested parties in structuring a short course on PPP targeting them. The administration should also look towards the Diaspora and explore possibilities of tapping from the existing knowledge and experience.
- There is need for all external and local actors on PPPs implementation in Somaliland to come together for lessons learned and building synergies and complementarities for improvements of the process.
- The effect of public perception on development processes in Somalia is quite clear to most development partners. Need therefore exists for public awareness on PPP through local media houses and public forums to generate buy-in and avoid speculation on perceived negative intentions of such initiatives.
- A broader view of human security needs to be considered for Somaliland. The premise here is that drivers of conflict, insecurity and instability are closely tied to the immediate need of society and that in the quest to develop a conducive environment for business, a response to these drivers should be the first step forward. This should include involving communities in designing interventions that will impact positively on their lives by improving and sustaining livelihoods.

13.0 Conclusion:

From the foregoing, the resuscitation of the economy and the reconstruction of Somalia will largely depend on the business acumen of the private sector. The existing potential needs to be harnessed and directed towards ensuring business discipline that will not only serve the interests of the people of Somalia but also link them to the international market that they have been delinked from for more than two decades. PPP initiatives have the opportunity to serve show case what joint ventures with the public can result into given the orientation towards profit by the private sector and dedication towards service delivery to the general public that defines the state-citizens relations.

14.0 Recommendations

The question of fragility in Somalia and the accompanying insecurity continues to pose a major challenge to investment even in the otherwise calm regions like Somaliland. While there is hope that efforts by the international community to stabilize Somalia will bear fruits, this will largely depend on local socio-political and economic dynamics. The situation therefore calls for increased investment capacity of local private sector operatives, a scenario where external interventions may be required.

The focus on local private sector players could have the benefit of compensating (to a certain extent) for the loss of external investors but more importantly increased local investment which is good for a recovering local economy with potential returns in employment creation and income generation. To this end, the private sector in Somaliland needs to be empowered to respond to demand for better services, guaranteeing quality output, and profitability. The existing social networks purely based on family/clan ties can facilitate such arrangements but this needs to be looked at vis-a-vis the presentation of the same networks as drivers of conflict a situation that projects that more of a dividing element in the complex web and layers of conflict in the greater Somalia.

Despite all existing challenges that face PPP interventions in fragile states such as Somalia, greater opportunities exist that could act as a driving force towards strengthening such processes. The idea that PPPs could provide opportunities for investments that in turn creates employment and improve service delivery is a good justification for continued support for such ventures. Nevertheless, efforts towards making the operational environment conducive for business needs to be of prime priority as this will determine increase in the level of investment in the long run.

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