



Exploring Public-Private Partnerships in Somalia:

Opportunities, Challenges, and
Strategies for Sustainable Development

Comprehensive Forum Report



Executive Summary

The Magan Forum on "Exploring Public-Private Partnerships (PPP) in Somalia: Opportunities, Challenges, and Strategies for Sustainable Development" was held on August 20, 2024, at Jazeera Place Hotel, Mogadishu. This landmark event brought together key stakeholders from the government, private sector, financial institutions, and civil society to explore the potential of PPPs in advancing Somalia's development agenda. Through insightful presentations, dynamic panel discussions, and a keynote address, the forum provided a comprehensive overview of the current PPP landscape in Somalia, identified key opportunities and challenges, and proposed actionable strategies for enhancing PPP implementation. The forum concluded with a set of key outcomes and recommendations aimed at driving Somalia's economic growth through effective PPPs.



Background and Objectives

In the context of Somalia's evolving economic landscape, Public-Private Partnerships (PPPs) represent a critical mechanism for fostering sustainable development. Recognizing the untapped potential of PPPs, the Magan Forum organized this event to advance the discourse on PPPs in Somalia, providing a platform for dialogue, knowledge sharing, and partnership building. The forum was attended by over 300 participants, including government representatives, local business leaders, financial institutions, policymakers, academicians, development professionals, and civil society representatives. The forum engaged in discussions aimed at identifying opportunities, addressing challenges, and formulating strategies to effectively implement PPPs in Somalia.

01

To provide a comprehensive understanding of PPP models, its global applications, and its relevance and applicability in the Somali context.

02

To explore and highlight sectors within Somalia that could benefit most from PPP initiatives.

03

To identify and discuss the specific challenges and barriers to implementing PPPs in Somalia and suggest viable solutions.

04

To develop actionable strategies and policy recommendations that can aid in the effective implementation of PPPs in Somalia.



Opening Session



Welcome Address

The forum opened with a welcome address by Mr. Mohamed Mohamud Addow, Chairperson of the Magan Forum. Mr. Addow highlighted the significance of PPPs in Somalia's development journey and set the tone for the discussions that followed.



Opening Remarks

Opening remarks were delivered by key government officials, including **H.E. Mohamud Abdirahman Sheikh**, Minister of Planning, Investment, and Economic Development; **H.E. Bihi Iman Ige**, Minister of Finance; **H.E. Abdirahman Odowaa**, Member of the Somali Parliament; **Malik Abdalla**, Member of Somali Parliament; **Mohamud Abdikarin Gabeyre**, Chairman of the Somali Chamber of Commerce and Industry; and **Fartun Sharif Mohamed**, Director of Benadir Hospital. Each speaker emphasized the critical role of PPPs in accelerating Somalia's economic growth and infrastructure development, reaffirming the government's commitment to fostering effective partnerships between the public and private sectors.





Key Presentations

Presentation I: The New Public-Private Partnership Legal Framework: Key Insights from Somalia's PPP Framework

Delivered by Mr. Mohamed Abdullahi Khalif (Wardi), Senior Legal Advisor at the Ministry of Finance, this presentation provided a comprehensive analysis of the recent amendments to Somalia's Public Procurement Act of 2016, specifically targeting the facilitation and regulation of Public-Private Partnerships (PPPs).



Key Highlights:

Current Regulatory Framework: Mr. Khalif began by outlining the existing legal framework for PPPs in Somalia, noting that while the Public Procurement Act of 2016 included provisions for concessions and partnerships, it lacked the specific guidance and structure necessary for effective PPP implementation. This necessitated the recent amendments to create a more robust and adaptable legal framework.

Amendments to the Public Procurement Act: The presentation detailed the key amendments made to Part VI of the Public Procurement Act, which now serves as the cornerstone of Somalia's PPP legal framework. These amendments include:

01 Clear Allocation of Roles and Responsibilities:

The revised framework clearly defines the roles of key government stakeholders, such as the Ministry of Finance, the Inter-Ministerial Committee (IMC), and the Technical Unit (TU), ensuring accountability and transparency throughout the PPP process.

02 Streamlined Processes:

The amendments introduce a streamlined process for the identification, approval, and implementation of PPP projects. This includes a more structured approach to managing unsolicited proposals, which are prevalent in Somalia due to the country's evolving infrastructure needs.

03 Risk Management and Compliance:

Emphasizing the importance of a system of checks and balances, the framework includes provisions for rigorous risk assessments, regular audits, and the establishment of a Project Committee for each PPP project to oversee its progress and ensure compliance with legal and financial requirements.

04 Challenges and Solutions:

Mr. Khalif acknowledged the challenges Somalia faces in implementing PPPs, such as limited institutional capacity and a challenging investment climate. The amendments aim to address these issues by providing clear guidelines and support mechanisms for both public and private stakeholders.

05 Implementation Strategy:

The presentation concluded with a discussion on the implementation strategy for the new PPP legal framework. This includes the establishment of dedicated a Technic Unit, capacity-building initiatives to enhance local expertise, and the development of a prioritized project pipeline to attract investment and ensure successful project execution.

Presentation II: Lessons from Global Success Stories: A Comprehensive Case Study Analysis of Public-Private Partnerships

Dr. Abdisalam Salad Warsame, Head of Research at The 7 Institute and Professor of Economics at the Somali National University, delivered a compelling paper presentation, produced by The 7 Institute, focusing on global success stories of Public-Private Partnerships (PPPs) and the critical lessons that can be drawn from these experiences to inform and shape Somalia's PPP initiatives



Key Presentation Highlights:

Global Context of PPPs: Dr. Warsame provided an overview of the global landscape for PPPs, highlighting their role as a pivotal mechanism for delivering public infrastructure and services. He emphasized that successful PPPs have been instrumental in driving economic growth, improving service delivery, and fostering innovation in both developed and developing countries.

Case Studies of Successful PPPs:

London Underground PPP: Dr. Warsame discussed the London Underground modernization project, a PPP between Transport for London (TfL) and private sector consortia. He highlighted the key success factors, including a clear legal framework, effective risk allocation, and strong governance structures. The lessons from this project underscored the importance of having well-defined roles and responsibilities, robust contract management, and transparent decision-making processes.

Sydney Desalination Plant: Another case study focused on the Sydney Desalination Plant, which was established to secure Sydney's water supply. Dr. Warsame pointed out that the success of this PPP was largely due to efficient risk management, financial viability, and stakeholder engagement. He emphasized that PPPs must be carefully structured to balance risks and rewards between public and private partners.

Gautrain Rapid Rail Link: Dr. Warsame also presented the Gautrain Rapid Rail Link project in South Africa, a high-speed rail link connecting Johannesburg, Pretoria, and OR Tambo International Airport. He noted that solid financial planning, effective risk allocation, and robust governance structures were crucial to the project's success. The key takeaway was the importance of comprehensive financial planning and the alignment of stakeholder interests.

Key Success Factors for PPPs:

■ **Robust Legal and Regulatory Frameworks:** Dr. Warsame emphasized that a well-structured legal framework is essential for the success of PPPs. Such a framework should clearly define the roles and responsibilities of all parties, establish transparent processes for project approval and management, and provide mechanisms for resolving disputes.

■ **Effective Risk Management:** He highlighted the need for a thorough risk assessment and management strategy in any PPP project. This includes identifying potential risks early in the project lifecycle, allocating risks to the parties best equipped to manage them, and ensuring that there are adequate contingencies in place.

■ **Stakeholder Engagement:** Dr. Warsame stressed the importance of engaging all relevant stakeholders throughout the PPP process. This includes not only government agencies and private sector partners but also the communities affected by the projects. Effective communication and consultation are key to securing public support and ensuring the long-term sustainability of PPP initiatives.



Panel Discussions

Panel Discussion I: Exploring Public-Private Partnerships in Somalia: Opportunities, Challenges, Financing Models, and Policy Frameworks

Moderated by Mr. Ahmed Shire, Deputy Rector of Puntland State University, this panel brought together esteemed experts to discuss the multifaceted aspects of Public-Private Partnerships in Somalia, with a particular focus on opportunities, challenges, financing models, and the necessary policy frameworks. The panelists included:



Dr. Hassan Adam Hosow, Director of the National Economic Council and National Economic Advisor to the President of Somalia

Dr. Mohamud Mohamed Ulusow, Former Governor of the Central Bank of Somalia

Mr. Yasin Ibar, CEO of the Somali Bankers Association

Key Discussion Points:

Opportunities for PPPs in Somalia

The panel discussion highlighted several significant opportunities for advancing Public-Private Partnerships (PPPs) in Somalia, particularly in the development of critical infrastructure. With a substantial need for 22,100 kilometers of roads, including 4,625 kilometers of primary roads, there is a clear opportunity for PPPs to enhance connectivity and stimulate economic growth. By investing in key infrastructure projects such as highways,

ports, and airports, Somalia could strategically position itself as a logistics hub in the region, leveraging its advantageous geographic location. Furthermore, Somalia's potential in renewable energy, particularly solar and wind, offers vast opportunities for PPPs. The current demand for approximately 1,000 megawatts (MW) of power could be met through targeted investments in renewable energy projects, which would diversify the country's energy sources and support sustainable economic development. Additionally, the fisheries sector, currently contributing \$135 million annually to the economy, has the potential to grow to \$4 billion with the right infrastructure and investment through PPPs, thereby significantly enhancing economic diversification and creating employment opportunities.

Challenges to Implementing PPPs

Despite these promising opportunities, the discussion highlighted several formidable challenges that could hinder the effective implementation of PPPs in Somalia. One of the primary obstacles identified is the absence of a comprehensive legal and regulatory framework tailored to PPPs. This regulatory uncertainty creates an unpredictable environment that can deter both domestic and international investors. Additionally, the lack of an independent judiciary capable of impartially adjudicating PPP-related disputes further exacerbates the legal and regulatory risks. Political instability and ongoing security concerns also present substantial risks, undermining investor confidence and complicating the execution of long-term projects. The panelists noted the insufficiency of institutional capacity within the public sector to manage and oversee PPP initiatives effectively, coupled with a lack of transparency and governance, which hampers the establishment of trust and accountability. Furthermore, there is a pervasive lack of awareness and understanding of PPPs among public officials and key stakeholders, which poses a barrier to the effective formulation and execution of PPP strategies. The absence of government guarantees for PPP investments also limits private sector engagement, as investors are reluctant to commit to large-scale projects without assurances against potential losses.

Financing Models for Successful PPPs

The discussion explored various financing models that could be employed to support the successful deployment of PPPs in Somalia. The importance of conducting rigorous feasibility studies, including detailed cost-benefit analyses and clear assessments of Return on Investment (ROI), was emphasized to ensure that PPP projects are financially viable and attractive to investors. To attract a diverse range of investors, both foreign and local, the development of innovative financing models was deemed essential. Such models should include risk-sharing mechanisms and government-backed guarantees to mitigate financial risks and enhance investment security. The panel also highlighted the potential of engaging international financial institutions and adopting blended finance approaches that combine public and private funding. Establishing a dedicated PPP unit, ensuring transparency, and fostering investor confidence through legal and institutional reforms were identified as critical steps. These strategies could effectively mobilize the capital required for extensive PPP projects, thereby creating a more favorable investment climate, enhancing investor confidence, and promoting sustainable economic growth.



Policy Frameworks to Support PPPs

The establishment of a robust policy framework was identified as critical to creating an enabling environment for PPPs in Somalia. The panel stressed the need for the government to prioritize the development of a comprehensive legal and regulatory framework that clearly defines the roles and responsibilities of all stakeholders involved in PPP arrangements. This framework should incorporate provisions for an independent judiciary and specialized courts dedicated to resolving PPP-related disputes, ensuring that the legal system can effectively support and protect PPP ventures. Additionally, the creation of a strong public financial management system and an anti-corruption authority was recommended to enhance transparency, accountability, and governance in PPP transactions. Building institutional capacity within public sector entities was also highlighted as a priority, with a focus on improving governance structures and fostering a culture of accountability. By creating a policy environment that safeguards investor rights, ensures fair and transparent processes, and addresses political and security risks, Somalia can attract greater investment and successfully implement PPP projects that contribute to sustainable development.

Panel Discussions

Panel Discussion II: Exploring Key Sectors for Public-Private Partnerships in Somalia: Opportunities, Challenges, and Future Prospects

Moderated by Mr. Mowlid Ahmed Hassan, Program Coordinator at NIS Foundation, this session provided an in-depth exploration of the potential for PPPs across various sectors in Somalia, with a focus on infrastructure, the blue economy, energy, and healthcare. The panelists included:



Dr. Hussein Ali Ahmed, Fishing and Marine Resources Expert, and Head of Regulations at the Ministry of Petroleum and Mineral Resources

Mr. Mohamed Dhubow, Director of Somalia Investment Promotion Office (SOMINVEST) at the Ministry of Planning, Investment and Economic Development

Dr. Abdirisak Dalmar, Founding Director of Dalmar Specialist and Technical Hospital

Mr. Abdirashid Ali Ainanshe, Deputy Chairman, Somali Chamber of Commerce

Key Discussion Points:

Opportunities for PPPs in Key Sectors

The panel identified opportunities for Public-Private Partnerships (PPPs) in Somalia's infrastructure, energy, fisheries, and healthcare sectors. In infrastructure, there is a need to upgrade the road network, with over 90% of paved roads in poor condition. PPPs could develop new roads, ports, and airports enhancing transportation, trade, and positioning Somalia as a regional logistics hub. In the energy sector, Somalia's high electricity costs and reliance on diesel generators are challenges, but its solar and wind potential offers opportunities for PPPs to lower costs, improve access, and promote sustainable energy. The fisheries sector, part of the blue economy, is underdeveloped despite vast marine resources and a production potential of up to 835,000 metric tons annually, currently producing less than 30,000 metric tons due to inadequate infrastructure like fishing ports, markets, and cold storage. The sector, currently contributing \$135 million annually, could grow to \$4 billion with proper infrastructure and investment through PPPs. PPPs could modernize practices, enhance processing, and boost production, exports, and economic diversification, unlocking the blue economy's potential. In healthcare, there is a need to improve service delivery and infrastructure. Partnerships with private entities could develop modern healthcare facilities, improve patient care, and achieve better health outcomes.

Challenges to Implementing PPPs

Several challenges were highlighted in implementing PPPs in these sectors. The lack of a comprehensive legal and regulatory framework tailored to each sector's needs poses a significant barrier. The absence of an independent judiciary system, commercial courts, and clear commercial laws creates uncertainty, deterring investment. Political instability and security risks further complicate the environment for long-term investment, especially in regions where infrastructure improvements are most needed. The high cost of electricity and the absence of a national grid limit both industrial growth and daily living standards, particularly in rural areas. In fisheries, inadequate facilities and regulatory oversight constrain growth and reduce competitiveness in global markets. In healthcare, the lack of investment in modern facilities and the need for effective management systems are major obstacles to improving the sector.

Strategies for Advancing PPPs

To advance PPPs, the panel recommended establishing robust, sector-specific legal frameworks, providing government-backed guarantees, and creating a regulatory environment that supports investments in renewable energy, healthcare, and the blue economy. Developing infrastructure for fisheries and healthcare, such as modern ports, processing facilities, and healthcare centers, through PPPs is essential. Enhancing public-private dialogue, increasing awareness of PPP benefits, and building institutional capacity are crucial to attract investment and foster sustainable development. Additionally, promoting sustainable practices and investments in the blue economy can harness Somalia's maritime resources for economic growth and environmental conservation. By leveraging PPPs in these sectors, Somalia can enhance its infrastructure, develop its renewable energy capacity, expand its fisheries and blue economy, and improve healthcare services, driving overall economic growth and improving public welfare.



Key Outcomes and Recommendations

Key Outcomes

- Enhanced Understanding of PPPs:** Participants gained a comprehensive understanding of the role of PPPs in driving Somalia's economic growth. The forum highlighted the importance of adapting global PPP models to the Somali context, ensuring they address the unique challenges and opportunities within the country.
- Identification of Strategic Sectors:** The forum identified key sectors where PPPs can have the most significant impact, including infrastructure, energy, the blue economy, and healthcare. These sectors were recognized as priorities for immediate focus and long-term investment through PPP initiatives.
- Acknowledgment of Challenges:** The forum recognized the challenges facing PPP implementation in Somalia, including regulatory uncertainty, political instability, security risks, limited institutional capacity, absence of independent judiciary, lack of transparency, and limited access to long-term financing. Addressing these challenges was deemed essential for the success of PPP projects.
- Identification of Sector Opportunities and Challenges:** The forum identified key sectors for Public-Private Partnerships (PPPs) in Somalia, including infrastructure, energy, fisheries, and healthcare. Opportunities include developing 22,100 kilometers of roads and harnessing renewable energy. Challenges include regulatory uncertainty, lack of independent judiciary, political instability, and inadequate infrastructure.
- Recognition of Financing Needs and Models:** The discussions highlighted the need for innovative financing models to support PPP projects, emphasizing blended finance, risksharing mechanisms, and government guarantees to attract investors. Feasibility studies and return on investment (ROI) assessments were deemed essential for financial viability.
- Commitment to Capacity Building:** There was a strong emphasis on the need for capacity building within Somali institutions to effectively manage PPP projects. This includes training for public officials, private sector partners, and other stakeholders involved in PPPs.
- Advocacy for Stakeholder Engagement:** The forum emphasized the need for inclusive engagement of all stakeholders—government, private sector, and communities—in the PPP process. Effective communication, transparency, and dialogue were seen as crucial for building trust and ensuring successful outcomes.
- Understanding of Policy and Legal Frameworks:** The forum stressed the importance of a robust legal and regulatory framework for PPPs, including recent amendments to Somalia's Public Procurement Act. Clear roles, transparent processes, and effective risk management strategies were identified as necessary for successful PPP implementation.

Key Recommendations

- Foster Public-Private Dialogue:** Establish continuous dialogue platforms to build understanding and align interests. Engage stakeholders throughout the PPP lifecycle to ensure transparency, public support, and sustainable outcomes
- Enhance Institutional Capacity:** Strengthen public institutions' ability to manage PPPs, including establishing dedicated units, providing training, and fostering a culture of transparency and accountability.
- Encourage Sustainable Energy Investments:** Promote PPPs in renewable energy to reduce costs, increase access, and support sustainable development. Provide incentives and develop a supportive regulatory environment for clean energy investments
- Improve Financial Viability and Access to Funding:** Diversify funding sources and implement sound financial planning for PPP projects. Consider partnering with international financial institutions and creating a PPP fund.
- Leverage International Support and Best Practices:** Utilize international support for the design and implementation of PPP projects. Adopt and adapt best practices from successful PPPs globally.
- Prioritize Infrastructure Development:** Focus on developing critical economic infrastructure projects through PPPs, ensuring that Somalia's infrastructure meets the demands of its growing economy and supports long-term sustainable development.
- Promote Innovation in PPP Financing:** Explore and implement innovative financing models, such as blended finance, green bonds, and public-private funds, to attract investment in PPP projects, particularly in renewable energy and infrastructure.
- Establish a Clear and Robust Regulatory Framework:** Develop and enforce a comprehensive legal and regulatory framework for PPPs that clearly defines roles, responsibilities, and dispute resolution mechanisms.
- Recognition of the Blue Economy Potential:** The forum underscored the untapped potential of Somalia's blue economy, particularly the fisheries sector. With strategic investments through PPPs, the sector could significantly boost economic output, potentially growing from \$135 million to \$4 billion annually. This presents a substantial opportunity for economic diversification and job creation.
- Enhance Government Support and Commitment:** Ensure strong and consistent government support for PPP initiatives, including allocating budgetary resources and providing necessary guarantees.
- Develop Strong Governance and Accountability Structures:** Establish robust governance frameworks and accountability mechanisms, including regular audits and performance evaluations, to oversee PPP projects.
- Invest in Infrastructure and the Blue Economy:** Prioritize PPP investment in critical infrastructure, such as roads and ports, to enhance connectivity and economic growth. Promote the blue economy by investing in fisheries infrastructure to increase production and diversify the economy.
- Strengthen Risk Management:** Develop risk management strategies, including risk assessments, clear allocation mechanisms, contingency funds, and insurance schemes. Ensure all PPP projects undergo thorough feasibility studies and ROI assessments.

Closing Remarks



The event concluded with closing remarks from **H.E. Osman Mohamed Abdi (Daalo)**, Deputy Minister of Commerce, and **H.E. Mohamed Aden Moallim Ali**, Minister of Communication & Technology. The Guest of Honor, **H.E. Hamza Abdi Barre**, Prime Minister of the Federal Government of Somalia, officially closed the conference, reaffirming the government's commitment to leveraging PPPs as a strategic tool for sustainable development.



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Dissemination of Report

The Magan Forum will disseminate this detailed report, along with supporting materials, to participants and stakeholders. The report will also be made available to the public and other interested parties on the Magan Forum's official website, www.maganforum.so.

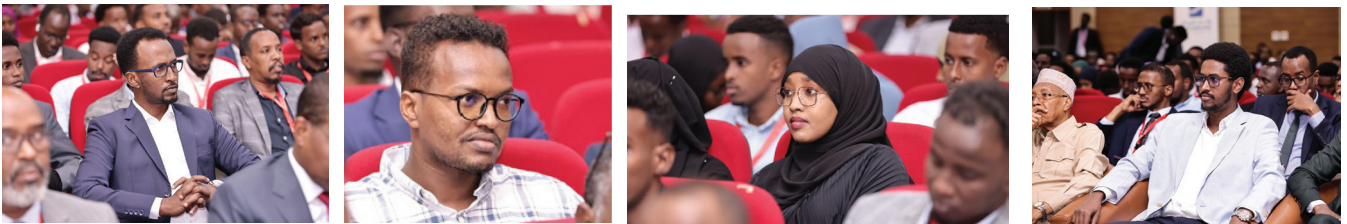
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Acknowledgments

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Somalia.





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