



PUNTLAND SITUATION REPORT

Somali Law & Policy Program

July 2020

1. EXECUTIVE SUMMARY

Over the course of July, Puntland regions were relatively stable. Puntland government forces conducted security operations in parts of Bari region, including a raid on ISIS fighters in a mountainous area east of the Puntland port of Bossaso. There were also arrests of terrorism suspects in Bossaso. There were reports of clan violence in parts of Sool, Sanaag and Mudug regions, and Buhodle district. Government response was active in many of the unfolding events.

Sub-national tensions between Puntland and Somaliland were heightened over the month, as Somaliland army's top commander conducted a "secret visit" to Somaliland base at Tukaraq, near the frontline with Puntland troops. A Puntland Cabinet minister accused Somaliland of fomenting clan conflict in Buhodle district, indicating the rising tensions between the two sides. In Galkayo, at least 4 persons were killed in clashes after Puntland forces raided a "criminal network", as part of operations to strengthen local peace.

On the political front, the FGS-FMS proposed summit in Mogadishu was suspended in early July. Instead, the FMS leaders opted to organize their own conference in Dhusamareb, the capital of Galmudug. The conference ended successfully with all FMS leaders agreeing to the principle of timely elections, and extended an invitation to FGS leaders to attend Dhusamareb Conference 2, which concluded with a call for national elections on time. It was a small victory for FMS leaders, who had been campaigning for timely elections and exerting pressure on FGS leaders to travel to Dhusamareb for political negotiations.

The Puntland parliament voted to revoke a 2011 agreement between Puntland and Seychelles governments, regarding the transfer of piracy prisoners to Puntland. The state's prosecutor-general referred to the agreement "illegal" and called for its termination. The state legislature's ordinary session included readings of Islamic Schools Law, review of Puntland Telecom Law, and a proposal to establish the Puntland Constitutional Court.

In this *Puntland Situation Report*, the resumption of the education dispute between the FGS and Puntland is covered and analyzed. The *Report* argues that the education dispute is rooted in varying interpretations of federalism in Somalia, and suggests that curriculum integration should precede unified exams. Further, as higher inflation hit the Puntland economy, the *Report* provides a snapshot of context, overviews roles and responsibilities of FGS, Puntland and the private sector in the economy, and makes recommendations for joint action to stabilize the Somali Shilling exchange rate.

Finally, the *Report* covers the Puntland ports minister's report to state parliament regarding an update on the Bossaso port development deal. State MPs had questioned the minister over the extended delays in the start of construction work. The minister responded to the parliamentarians' concerns with transparency, an indication of the administration's interest to advance good governance.

2. PEACE AND SECURITY

- 2.1 **Key Developments:** During July, there were a total of 26 fatalities (dead and wounded) reported in Puntland state and in the regional fault-lines, representing a 44.4% increase from June. About 34.6% of fatalities were attributed to counter-terrorism operations in eastern Bari region, about 30.8% were attributed to local/clan conflicts in Mudug, Ayn (Buhodle) and Sool regions, about 26.9% attributed to clashes between government forces and local militia in Galkayo, and the remaining 7.7% was attributed to VEO attacks in Bossaso. Joint operations between Puntland forces and US military airstrikes in eastern Bari region reportedly killed “20 ISIS” fighters, while Puntland forces arrested 10 suspects in Bossaso over terrorism links. In Galkayo, government forces clashed with local militia, while political rhetoric and sub-national tensions between Puntland and Somaliland remained high in Sool, Sanaag and Cayn (SSC) regions during the reporting period.
- 2.1.1 **Uncategorized:** On Jul. 21, at least 4 Puntland soldiers reportedly suffered serious internal organ injuries after eating “food mixed with broken glass” at a local restaurant in Armo, Bari region.¹ The soldiers were transported for further medical checks in Mogadishu. Puntland parliamentarian Ahmed Kulu confirmed to journalists that 2 of the soldiers were in “critical condition”.²
- 2.1.2 **Sub-National Conflict:** On Jul. 8, Somaliland forces arrived at Dhahar, eastern Sanaag region. Somaliland army’s Sanaag regional commander Gen. Muse Jama Delef declared that Somaliland had established a military base in Dhahar.³ On Jul. 13, local media reported that Somaliland army commander Gen. Nuh Tani was on a “secret visit” to troops at Tukaraq town (70km west of Garowe), in Sool region. The commander’s visit was described as “inspection” of Somaliland forces in the area.⁴ On Jul. 14, local media reported tensions were high in parts of Buhodle district; the tension was between Puntland forces, who deployed to the area on clan mediation efforts, and Somaliland forces, who had arrived. There was no fighting reported, local reports said.⁵ On Jul. 17, Puntland health minister Jama Farah Hassan told *Puntland Post* that Somaliland administration is “responsible” for clan violence in Horufadhi town, in Buhodle district. In early July, at least 4 fatalities linked to clan violence were reported in the area.⁶
- 2.1.3 **Violent Extremist Organizations (VEO):** On Jul. 27, some local media reported that 2 Puntland soldiers were killed in a roadside bombing south of Bossaso, in Bari region.⁷ Puntland security officials would not confirm the attack and Somali/Puntland mainstream media did not report it.
- 2.1.4 **Counter-Terrorism:** On Jul. 5, Puntland security authorities arrested 10 persons in Bossaso, with officials saying that the detainees are suspected of being members of VEO groups, namely Al Shabaab and ISIS.⁸ On Jul. 22, Puntland forces reported that 20 ISIS fighters were killed in Timirshe mountainous area, in eastern Bari region.⁹ It would be the largest operation against ISIS fighters in Al Miskat mountains of Puntland’s Bari region. During the same operation, US forces conducted airstrikes in the area to “assist partner forces” on the ground.¹⁰ The media statements could not be independently confirmed, but some reports suggested “about 9 casualties” resulted from the security operation.¹¹
- 2.1.5 **Local/Clan Conflicts:** On Jul. 5, clan fighting erupted in Horufadhi district, part of Ayn region (Buhodle).¹² Puntland authorities and clan elders travelled to the fighting area to intervene and stop the violence is linked to clan revenge killings.¹³ At least 4 fighters were killed and an unknown number of others wounded.¹⁴ On Jul. 7, President Deni called for ceasefire and peace among clans in Horufadhi district (Ayn region) and Cowsane town (Sanaag region).¹⁵ On Jul. 6, President Deni issued a decree “banning” citizens from building at new lands and constructing near grazing areas. The presidential decree was addressed to three government ministries – Ministries of Interior; Security; and Environment.¹⁶ Some reports suggested that the ban was the government’s response to “prevent inter-clan violence” in some remote areas of Puntland.

On Jul. 8, Puntland clan elders went to Cowsane village (Sanaag region) to intervene in clan fighting that erupted on Jun. 27, when at least 8 persons were wounded.¹⁷ On Jul. 17, at least 1 person was killed and 2 others wounded when gunmen opened fire in Bursalah town, in western Mudug region. The attack was linked to local clan hostilities.¹⁸ On Jul. 21, clan elders announced that they had successfully mediated clan clashes in Horufadhi town. An agreement was signed between the warring clans to end the violence, elders said.¹⁹ On Jul. 25, clan fighting was reported in Adhiadeeye town, about 30km west of Las Anod, in Sool region, whereby at least 1 person was wounded. Local media reported that Somaliland sent troops to the area.²⁰

2.1.6 **Maritime Security:** On Jul. 26, Puntland prosecutor-general Mohamud Hassan Aw'Osman told state parliamentarians that Somali piracy prisoners in Puntland jails were there "illegally". The prosecutor-general said the prisoners were transferred by Seychelles government in an agreement with Puntland, and he described the agreement as an "injustice" and that the deal was "illegal under Puntland state constitution". Mr. Aw'Osman added that the men were convicted in Seychelles courts "without appeals process".²¹ Puntland parliamentarians voted to revoke the Puntland-Seychelles agreement, signed on 15 March 2011, and ordered Puntland courts to release the detained men charged with maritime piracy crimes.²²

2.1.7 **Security Sector Governance:** On Jul. 6, President Deni chaired Mudug Regional Security Committee meeting in Galkayo, alongside security and interior ministers, and Mudug regional security officials. State media reported that discussions included strengthening local security, counter-terrorism, and cooperation between police and the public.²³ On Jul. 11, local media reported that Puntland state police detained in Garowe Col. Osman Mohamud Burale 'Sulembe', Nugal regional deputy police commissioner, and Capt. Mohamud Muse Bile 'Fardaful', Garowe central police station commander.²⁴ Reports said that authorities suspected that the two senior police officers were "responsible" for a small mutiny, which was later resolve. Nugal regional police officers staged the mutiny after complaining about orders for police retraining at Horgoble training camp, in Qardo. The two police commanders arrested over subordination charges were released on Jul. 23.²⁵

On Jul. 11, armed fighting erupted in the early morning hours in central Galkayo between Puntland police force and local militia.²⁶ The fighting was follow-up to a police raid on an alleged "smuggling criminal network", according to Puntland officials.²⁷ At least 3 persons including civilians were killed and 4 others wounded in the clashes.²⁸ The fighting stopped and meetings were underway between government officials and local elders to diffuse tensions and resolve the matter.²⁹ On the same day, some clan elders held a press conference in Galkayo and blamed Puntland authorities for "attacking civilians" during the police raid.³⁰

3. POLITICS AND GOVERNANCE

3.1 Mogadishu Summit Suspended over FGS-Puntland Tensions

3.1.1 **Key Developments:** On Jul. 1, speaking at a ceremony in Galkayo marking Somali Independence Day, President Deni said he accepted Puntland parliament's advice not to attend Somali leaders' proposed summit, which was to be hosted by Somali President Mohamed Abdullahi Farmajo in Mogadishu on July 5-8, 2020.³¹ For months, the international community has been strongly pushing for the summit to discuss 2021 national elections.³²

The proposed FGS-FMS summit was an opportunity for Somali federal and state leaders to deliberate the upcoming national elections, yet the summit was delayed without any official statement.³³ In Puntland, some voices expressed concern with the state government's policy with regard to relations with FGS leaders. On Jul. 3, a public declaration allegedly signed by 27 persons include politicians, clan elders and other members civil society members in Puntland was issued and addressed to President Deni.³⁴ The declaration called for Somali unity and warned against Puntland 'push towards secession' from Somalia, although state officials did not publicly respond the letter. As political relations remained strained, FGS and Puntland institutions continued to cooperate at the technical-level in some areas. On Jul. 13, Puntland deputy interior minister Mohamed Musadak, joined by Director-General Mohamed Ali Nur Jubba, met with the federal government's Boundaries and Federalization Commission in Garowe.³⁵ The two parties discussed their mandates and the interior ministry noted that Puntland was planning to implement district boundary demarcation process, according to Ministry press statement.

On Jul. 7, the FGS-Puntland dispute was overshadowed by the Upper House of Federal Parliament's a letter rejecting the Electoral Law, after citing "falsified articles" in the law. This became a major blow to federal leaders' electoral plans, adding more pressure to strained FGS-FMS relations.³⁶

3.1.2 **Analysis:** Puntland has continued to maintain its standoff with the FGS, as the scheduled date for national elections nears. Unconfirmed chatter of Puntland state's intentions to secede prompted a letter from some Puntland politicians and civil society members, calling for the maintaining of Somali unity, indicating that FGS-Puntland relations may have potentially reached full blown crisis levels. The national elections, and the uncertainty that surrounds it, is an aggravating factor in a relationship that has been strained historically and has grown arguably worse since 2018. The refusal to attend the summit in Mogadishu by Puntland could be deemed as an attempt to exert pressure on the FGS to ensure that it heeds to the state's concerns and considerations.

From the onset, Puntland has argued against a one-sided approach by the FGS with regards to national processes. As the date for national elections looms closer, President Farmajo and his administration can feel the mounting pressure as the country awaits an election modality for the national polls later this year. Concern over the FGS plotting for a term extension have been repeated by President Deni over the past months, with the state president calling for timely elections. However, in the same token, Puntland refused to attend the summit where the electoral modality was to be deliberated, which could delay the national elections as the deciding on the model has been a contentious affair. The move by Puntland's parliament may be justified and is indicative of tense relations that seem unchanging, but the strategy may ultimately work against Puntland. Meanwhile, in the backdrop of this political row at the leadership level, state ministers and FGS ministers are meeting to discuss border demarcation, signaling a somewhat harmonious working relationship at the bureaucratic level. It seems that the political impasse in Somalia is centered among the political leaders that represent the Somali people. The contentious national elections could be the factor that either brings the Somali leaders together or divides them even further, depending on their willingness to reach a consensus.

3.1.3 **Forecast:** Whether the meetings occur in Mogadishu or Dhusamareeb, the FGS and FMS leadership will have to agree on an electoral model in the coming weeks. Although it seems that the FGS is under a lot of pressure to develop an electoral model with broad support, Puntland may actually be more desperate in reaching a consensus on the electoral model to prevent a term extension, which President Deni has been vehemently opposed to.

3.2 FMS Presidents Convene for Dhusamareb Conference

3.2.1 **Key Developments:** On Jul. 6, Federal Member States (FMS) announced that they are organizing their own consultative conference in Dhusamareeb, capital of Galmudug, after the proposed Mogadishu summit failed.³⁷ The FMS leaders' discussions were expected to be centered around securing a preliminary agreement 2021 national elections.³⁸ On Jul. 9, the FMS presidents from Puntland, Hirshabelle, Galmudug, Jubaland and Southwest states arrived at Dhusamareeb, to attend the FMS consultative conference.³⁹ Federal parliamentarians also attended the conference, but FGS leaders were visibly not present. President Deni of Puntland said the conference intention was to "evaluate" the Somali situation and agree on an election model.⁴⁰

On Jul. 11, the FMS conference opened in Dhusamareeb.⁴¹ During their opening speeches, the leaders from Galmudug, Puntland, Hirshabelle, Southwest and Jubaland, called for timely elections in 2021 for federal parliament and president of Somalia. On Jul. 13, the FMS leaders received support when Abdi Hashi Abdullahi, Speaker of the Upper House of federal parliament, announced that he supports the outcome of FMS conference in Dhusamareeb.⁴²

On Jul. 14, Galmudug president Ahmed Abdi Karie 'Qoorqoor' said that the Dhusamareeb conference would enter phase two with FGS leaders.⁴³ On Jul. 15, federal parliament Speaker Mohamed Mursal told VOA Somali Service that he rejects the Dhusamareeb Conference outcome and argued that the matter of national election is "responsibility of the federal parliament, not the state governments".⁴⁴ Speaker Mursal's comments was direct contradiction to Upper House Speaker Hashi's remarks. On Jul. 23, the FGS-FMS conference (Dhusamareeb 2) concluded with an 8-point communique was issued to hold timely elections and to continue consultative process.⁴⁵ On Jul. 24, Puntland president Said Deni nominated two representatives to the Technical Election Committee, which was agreed at the Dhusamareeb conference 2; the Technical Committee is an advisory body consisting of representatives from FGS and FMS, who are tasked with drafting an electoral model.⁴⁶

3.2.2 **Analysis:** The Dhusamareeb conferences 1 and 2 ended successfully. In Dhusamareeb 1, the FMS leaders agreed on a policy position to present to FGS leaders, including President Farmajo, who attended Dhusamareeb Conference 2, alongside Prime Minister Hassan Ali Khaire. In an unrelated development, federal MPs ousted Prime Minister Khaire in a confidence vote on Jul. 25, only two days after conclusion of FGS-FMS Dhusamareeb Conference 2.⁴⁷ The FGS has been accused of interference in state elections in Southwest in 2019, and Galmudug and Jubaland in 2020. In May 2019, the FGS-FMS conference in Garowe ended without an agreement. Dhusamareeb Conference 2 was the first time that the FGS and FMS leaders met since the Garowe talks collapsed, one year earlier. The necessity of FGS-FMS consultations – a constitutional requirement – was reaffirmed at the Dhusamareeb Conference 2, whereby Somalia's federal and state leaders negotiated the national electoral process to safeguard the continuity of government.

In 2019, Puntland recommended the formation of the 'National Cooperation Council', comprising of FGS Prime Minister and five FMS presidents, as a national platform to deliberate, negotiate and agree on federalization matters, including constitutional review, federal elections, national security, aid architecture, and development of federal laws. The FGS leaders were clearly hesitant against the formation of NCC, and preferred instead to build a stronger alliance with the lower house of federal parliament. However, after the FGS embarked on unilaterally developing federal laws, in conjunction with lower house of federal parliament, FGS-FMS relations increasingly worsened and the country's political transition was thrown into turmoil. Dhusamareeb Conference 2, among FGS

and FMS leaders, was indicative that the FGS leadership has accepted the necessity of NCC or similar council of federal and state leaders to steer the country's federalization process. This alone was a major milestone, and it is hoped that the idea of a National Cooperation Council, tasked with resolving federalization issues prior to developing or amending federal laws, has gained momentum in light of the successful conclusion of Dhusamareb Conference 2.

The divergent views between Lower House Speaker Mursal and Upper House Speaker Hashi is indicative of the unreconciled different within federal institutions, with regard to the federal system and the core constitutional value of maintaining the balance of power between the federal and state governments. This balance should ensure a national government that is representative and upholds the unity, sovereignty and territorial integrity of Somalia, whilst respecting the constitutional autonomy granted to state governments.

- 3.2.3 **Forecast:** Dhusamareb Conference 3 is expected to occur in mid-August, and to be attended by FGS and FMS leaders to conclusively agree on 2020/2021 electoral model.

3.3 Puntland Parliament's 46th Session Concludes in Garowe

- 3.3.1 **Key Developments:** On Jul. 4, Puntland state parliament's ordinary session chaired by Speaker Abdirashid Abwaan and attended by 40 state MPs, debated a review of Puntland's Local Government Law.⁴⁸ Legislators were expected to revise the law before the session ends, however, there were delays. On Jul. 6, Puntland parliamentarians began reading a draft of Islamic Schools Law, which intends to regulate non-formal Islamic schools in Puntland.⁴⁹ On Jul. 14, Puntland parliamentarians voted to sell the parliament house to a private entity and use the funds to construct a new parliament house in the government district of Garowe.⁵⁰ MPs have complained that the current parliament hall is located in the center of Garowe and that parliamentarians want to relocate to an area near government offices for accessibility reasons.

Furthermore, during the 46th session, Puntland parliamentarians commenced discussions on the establishment of the Puntland Constitutional Court, the first-ever such discussions in parliament's 22-year history.⁵¹ The court consists of the five-member High Court, and an additional 2 judges nominated by parliament and 2 judges nominated by cabinet. On Jul. 30, parliament's 46th ordinary session officially concluded in Garowe.⁵² Parliamentarians were distributed copies of Puntland Telecom Law of 11 December 2007, which parliamentarians are expected to review and revise during the next session, in October 2020.⁵³

- 3.3.2 **Analysis:** The Puntland parliament's ordinary session covered many laws and topic, in a continuation of parliamentary duties. The most interesting development was that MPs questioned the state's port minister over the Bossaso port deal (*covered in Section 4.3 below*) and, significantly, that MPs commenced deliberations on the establishment of the state's Constitutional Court, an important milestone for governance in Puntland. The Constitutional Court is vital in many respects, and some political voices have called for the formation of the Constitutional Court before the state conducts planned Local Council elections, sometime in 2021. The role of the Constitutional Court is vital to preserving the constitutional checks and balances between the three branches of government. The parliament's decision to question the ports minister was a commendable step towards more transparency and accountability over the government's port development deal with P & O Ports, a subsidiary company of UAE-based DP World. The parliament played its oversight role, and the government minister was forthcoming, underscoring the administration's commitment to good governance principles.

- 3.3.3 **Forecast:** The Puntland parliament's next session opens in October 2020, and it is not clear whether or not the parliament will approve the Constitutional Court Law during that session.

4. SOCIAL AND ECONOMIC AFFAIRS

4.1 FGS-Puntland Education Dispute Resumes in 2020

4.1.1 **Key Developments:** On Jul. 4, some 16,500 students began taking the 12th and 8th grade exams at over 130 locations in Puntland, managed by the state's Ministry of Education.⁵⁴ Puntland president Said Deni attended the launch of the examinations alongside Ministry officials led by the deputy minister of Education.⁵⁵ Puntland state, which conducts its own annual exams, has been locked in a dispute with federal government's Ministry of Education over national certification.⁵⁶ On Jul. 13, FGS education minister Abdullahi Godah Barre told the media that the FGS shall not issue national certification for Somali students in Puntland who did not take the national exam.⁵⁷ The education dispute between Puntland and FGS has been ongoing since April 2019. In February, the dispute was quietly resolved after lobbying by elders, MPs, Senators and other Somalis.⁵⁸

On Jul. 20, UNICEF and Puntland Ministry of Education jointly announced that Puntland state became the first in Africa to adopt the Learning Passport, an online learning platform developed in partnership between UNICEF, Microsoft and University of Cambridge. Some 11,000 grade-8 students in Puntland will benefit from the program, according to the website.⁵⁹ On Jul. 23, Minister Godah reported that 35,000 grade-8 and grade-12 students in Somalia took national exams, including 5,000 students in Puntland, a claim that could not be independently verified.⁶⁰

4.1.2 **Analysis:** In February 2020, almost a year after the dispute between Puntland and the FGS Ministry of Education went public, a decision was reached quietly between the two to allow certification of Puntland students who took the state exams. The dispute cost Puntland students precious months, and was only resolved after immense pressure from elders, MPs, senators and community activists was put on Minister Godah, as several delegations visited him personally in February.⁶¹ During that month, NAI forecasted that it was too premature to state that Puntland and the FGS have forged a common understanding on national certifications going forward. The retraction of the decision by the FGS to not recognize Puntland state exams came as a result of an unclear agreement, with regards to future national certifications. This is because the decision was largely lobbied for by community members, who could not reach an agreement on behalf of the Puntland administration.⁶² The decision was merely a band-aid remedy applied to an issue that required a long-term agreement.

Interestingly, both the FGS and Puntland did not speak on the reversal of the FGS Ministry's decision. It is clear that both the FGS and the Puntland administration are to blame for the continuation of this dispute, as both sides refuse to come together publicly to reach an agreement on how national exams will be managed. Puntland education ministry officials have claimed the lack of a unified national curriculum, a prerequisite to national exams. Puntland officials have also cited the state's longer experience with examinations, but this claim does not sufficiently justify the lack of a genuine and committed agreement with the two parties. Federal officials' demand for Puntland students to take national exams without learning the national curriculum is unrealistic and unfair, while politicizing the national certifications is an illegal move that further damages delicate federal-state relations. The FGS policy blatantly disregards the fact that this poses a major disadvantage to Puntland students, and that curriculum integration requires an agreed process. Furthermore, Minister Godah has flip-flopped from his hardline stance of Ministry's rejection of Puntland state exams, sending mixed messages to Puntland students and community, and the Somali people more broadly. Disappointedly, the status quo has left the situation in a state of limbo that harms the educational prospects of a selection of Somali students.

It is clear that the two sides continue to refuse to come to a common understanding, each unwilling to budge from their standpoints, at the expense of students and families who are caught in the middle. The two sides have resorted to exchanging accusations on the media, each describing the

other as infringing on their mandate. The education dispute is a symptom of a broader issue, which is the FGS and FMS have been unwilling to decide what type of federalism Somalia should adopt, hence, why the country's federal constitution remains 'provisional', despite close to a decade of half-hearted attempts to finalize it. This essentially puts Somalia in a state of makeshift federalism and perpetual disputes, rooted in varying interpretations of federalism and power balance between the center and periphery. The education dispute could have been a test-run of cooperation between the two sides, showcasing willingness to come together over a national issue and resolve it. The approach of engaging in another standoff is counter-productive to the public interest.

4.1.3 **Forecast:** It is unclear how the education dispute will evolve in the coming months, as relations between the FGS and Puntland remain strained. However, it is likely that, if the Dhusamareeb Conference ends in an FGS-FMS agreement, that education dispute will be quietly resolved, as done in the recent past.

4.2 High Inflation Hits Puntland Local Economy

4.2.1 **Key Developments:** On Jul. 10, local media reported that local markets in Puntland have been hit by hyperinflation. Somali online media *Puntland Post* reported that the Somali Shilling to US dollar exchange rate had risen to 44,000 Shilling per US dollar, up from 35,000 Shilling per US dollar in 2019.⁶³ Rising inflation is leading to higher prices for basic goods and harming local economic activities, especially in light of reduced economic activity due to COVID-19 pandemic response.

4.2.2 **Analysis:** The Puntland economy is a net importer of goods, from basic household materials to construction equipment and other specialized goods. The state economy has been struggling with rising inflation since 2007, when Somali piracy criminal activities injected millions of dollars into the Puntland and Somali economies, while minted Somali Shillings flooded local markets and led to even higher inflation. The exchange has been rising since. But other factors have worsened the economic activities in Puntland. The state's major cities have seen reduced population growth over the past decade, as people sought opportunities in other regions, migrated and others returned to villages to focus on livestock trade. With higher volumes of trade, Bossaso port had a competitive advantage in 1990s Somalia; but as ports in Berbera, Mogadishu and Kismayo became more competitive, Bossaso was soon overshadowed by ports with container capacity. With less trade volume, Puntland has been struggling with higher local prices, as the cost of freight and logistics rose with reduced demand. It is advisable that the state government assigns a joint committee to assess, review and draft policies and strategies to stabilize the exchange across the state through planning and coordination activities between the government and private sector in Puntland.

More significantly, currency policy is a federal power, under Somalia's provisional federal constitution. However, since coming to power as a national permanent government in 2012, the FGS has failed to advance a cohesive monetary policy that focuses on economic recovery objectives. The FGS-FMS disputes are mostly political in nature, and it is unlikely that a viable monetary policy will be rejected by the FMS administrations or federal parliament. The Somali economy, as it takes the path towards recovery, requires a national government that nurtures economic activity, promotes productivity and investment through viable monetary policies and a Central Bank founded on strong institutions. Puntland state's economic woes are largely related to the federal government's inaction on developing monetary policy, a strategy that would foster closer cooperation between federal and state authorities.

4.2.3 **Forecast:** In the near-term, the Puntland economy will continue to face the challenge of high inflation, although joint government-private sector action could have a significant impact on stabilizing the exchange rate and local prices.

4.3 Puntland Minister Grilled over Delayed Bossaso Port Development

4.3.1 **Key Developments:** On Jul. 29, Puntland ports minister Mohamed Abdi ‘Majino’ addressed Puntland state parliament. Minister Majino detailed the government’s Bossaso port development agreement with P & O Ports, and highlighted existing challenges to its implementation.⁶⁴ The UAE-based firm, which a subsidiary of global port operator DP World, secured Bossaso port deal in April 2017 with Puntland state government. Minister Majino indicated that port project was delayed for many months, including delays caused by COVID-19 pandemic; however, the minister expressed hope that the port development project would commence soon.

4.3.2 **Analysis:** Since the inception of Puntland state’s Bossaso port deal with P&O Ports, the project has had several setbacks. The initial signing under former President Abdiweli Ali Gaas lacked transparency, despite approval by the state parliament. The 30-year concession deal did not receive popular support in Puntland; in Bossaso, local protests broke out in the port city shortly after the deal was signed in Dubai, UAE. During the lead up to the 2019 presidential election, President Deni campaigned on a platform pledging to review the port deal, if he was elected president. Less than a month into his term, P&O Ports manager of Bossaso port, Paul Famosa, was assassinated in the port area.⁶⁵ Less than two months later, President Deni on his first official overseas trip, visited the United Arab Emirates (UAE), to discuss the port deal among other issues.

The parliament has been exerting pressure on the executive as to the status of the Bossaso port expansion deal, since June of last year.⁶⁶ In his speech to parliament, Puntland ports minister Majino stated that the port was transferred to P&O Ports in October 2018 and the construction was slated to commence, but due to “challenges”, the project stalled. Since the signing, P&O Ports has not carried out any major construction of the port, with local media reporting that the port required dredging work and business community complaining about the company’s unwillingness to act. Minister Majino did say that, after several meetings, the final pledge by P&O Ports was to move things forward by March 2020, but due to COVID-19 the project stalled yet again. Citing the contract, the minister told parliament: “After the port was transferred to the company, the work should be conducted in 24 months”. According to the official press release announcing the deal in April 2017: “Work on the project will involve building a 450m quay and a 5 hectare back up area, dredging to a depth of 12m with reclamation work using dredge spoil.”⁶⁷

The minister also stated that the Puntland government had an official invitation to the UAE, which he indicated would be the final meeting where the two sides would either agree on going ahead with the project or terminating it. This statement was the key takeaway from his speech to parliament, as this is the first time that a Puntland minister has publicly verbalized his sentiment towards the port deal. The question remains as to how much of a guarantee will the Puntland government have, that this upcoming meeting will be the deciding venue. If the basis of the argument is that the final agreement between the two sides was March, is it possible that P&O Ports can claim force majeure due to COVID-19. Furthermore, what is the legal argument if the state wanted to nullify the contract.

Both Puntland citizens and the state legislature have expressed their disappointment in the way the UAE company has managed the port deal. Some voices have questioned the true intentions of the company’s deal for Bossaso port. The main question on the mind of citizens is: why has DP World expedited the Berbera port contract, but its subsidiary has faced stalled progress at Bossaso port? P&O Ports and parent company DP World have arguably lost a substantial amount of credibility in Puntland, which may be difficult to restore in the near future. It is up to the Puntland administration to deliver clarity on the controversial agreement going forward, as promised by Minister Majino.

4.3.3 **Forecast:** Minister Majino mentioned that the Puntland government has an official invitation to meet with P&O Ports management in August. It is unlikely that, in the next reporting period, the Puntland leadership pays a visit to UAE, as the FGS-FMS conference in Dhusamareeb is scheduled to occur mid-August. It is more likely that the meeting occurs sometime in September.

New Access International (NAI Somalia), founded in 2012, is a research and development agency based in Somalia. NAI specializes in research, development, and advocacy. NAI Somali Law and Policy Program publishes the monthly Puntland Situation Report and the Somali Federalization Monitor.

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ENDNOTES

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