



## OPEN LETTER

**NAIROBI, APRIL 19, 2011**

### **SUBJECT: Update on the Closure of the Laas Qoray Jetty Re-development Project**

**Dear Members of the Sanaag Community,**

Horn Relief (HR) would like to inform you of the status of the Laas Qoray Jetty equipment and follow up on the status of the project since the withdrawal of the key donor, Oxfam Novib, and eventual closure of the project by Horn Relief in 2009.

I would first like to provide you a timeline of the events that have taken place since the inception of the project in 2006. The project obtained funding from one key donor, Oxfam Novib (through Oxfam International). The amount committed by Oxfam was US\$ 4,729,500 in 2006 with the total project budget at that time worth US\$ 10,959,739. These funds were provided on the condition that the project implementation would be swift as Oxfam had strict internal deadlines to meet otherwise the funds would be re-allocated to another project. The other condition was that Horn Relief would need to raise the project deficit (in the amount of US\$ 6,230,239) from Diaspora and international donors. From 2006 until 2009 Horn Relief was actively fundraising while simultaneously trying to implement project activities under significant constraints. First we undertook various meetings with Diaspora and Sanaag community members introducing the project in Europe, Canada and USA. Then we proceed to open an office in Minnesota that would focus on working with the Diaspora on fundraising and advocacy. That office and other fundraising initiatives organized by the Diaspora community jointly with Horn Relief resulted in US\$ 476,036 being raised from the Somali Diaspora but in particular the Sanaag community. As far as we know, this is the largest donation from the Somali Diaspora to a development project in Somalia, a feat that the Sanaag communities should be proud of.

In addition to the Diaspora fundraising, the Nairobi office of Horn Relief has organized donor roundtables, written proposals and traveled to various international capitals and held a series of meetings with many international donors, including governments of Italy, Finland, Japan, UK, Norway, Kuwait, Saudi Arabia, United Arab Emirates, United States, Netherlands, Sweden, Iran, Arab League, and the World Bank as well as Islamic Development Bank (IDB). These efforts have been taking place from 2006 until late 2009. Although the project has received overwhelming and extensive support from the Somali communities, the required funds could not be raised due to the widespread piracy and kidnapping taking place in the coast of Somalia. The disputed nature of the Sanaag region between governments of Puntland and Somaliland along with the increased insecurity from piracy and kidnappings of internationals created an environment in which donors were highly reluctant to engage in this project. Further, while trying to undertake swift implementation of project activities we were also significantly hampered by the worsening security context as even sending engineers and other international consultants was becoming impossible.

Due to our inability to meet the two conditions set forth by Oxfam in raising the funds to meet the project deficit, after two years of support, Oxfam pulled out of the project in 2008.

The project was able to accomplish the following activities with the funds from Oxfam and the Diaspora as well as the community contribution:

- 3 Comprehensive Feasibility studies compiled such as the Economic/financial feasibility, the Environmental feasibility, and Socio-political feasibility study.
- Commissioned DHV, a well renowned international maritime firm based in the Netherlands for the Detailed Technical Design of the Port, including a tender document for potential companies including a Bill of Quantities for the construction
- Geotechnical Investigation
- Wave Study
- Resistivity Survey
- Materials Investigation
- Soil Investigation
- Design and develop a bill of quantities to establish a quarry operation to construct the embankment
- Purchase of Heavy equipments and Earth movers required for the quarry operations, including a full crusher plant
- Shipment and logistical support for the movement of the equipment from Italy to Djibouti and by road from Djibouti to Bosaso
- Establish an office in Minnesota to support Diaspora fundraising and advocacy
- Numerous fundraising events in Canada, UK, Australia, USA, Netherlands, UAE, Sanaag, and more organized by the Sanaag and other community supporters, Horn Relief Nairobi, Horn Relief Minnesota and Horn Relief Bosaso offices.
- Detailed project documents for various international donors in English and Arabic
- Hiring the required personnel to undertake the project activities
- Rehabilitation and opening an office space in Laas Qoray

In late 2008, Horn Relief sent a letter informing the Diaspora, the Sanaag communities and all other supporters of the project that Oxfam Novib pulled out of the project. Subsequently, Fatima Jibrell visited both US and UK to discuss the way forward with the Diaspora community and also held various conference calls in which Horn Relief informed the Diaspora as well as the Sanaag community about the Oxfam Novib decision. At this point, Horn Relief invited the community to propose a plan for taking the project forward and Horn Relief even made various suggestions including a private and community partnership. At this stage Horn Relief offered the community full access and use of all the studies, proposals and any other relevant project documents. However, up to now, no serious and concrete proposals or plans were shared with Horn Relief in taking the project forward.

At the time of Oxfam Novib pull out, Horn Relief had procured all the equipment from Italy and was in the process of shipping them to Somalia via Djibouti. Horn Relief prepared an exit strategy for Oxfam that would ensure that all committed costs, including the movement of the equipment to Bosaso, would be covered. However, the funds given by Oxfam prior to the pull out were not enough to cover all the costs. The organization incurred significant expense in moving the equipment from Italy to Djibouti and then by road from Djibouti to Bosaso, a process that took more than 8 months. Since the arrival of the equipment to Bosaso, Horn Relief has been maintaining the equipment and providing security and other expenses without any external funding. This has resulted in an accumulated deficit for the project and Horn Relief by the 2009 audit of US \$ 154,228. However, since the 2009 audit, the current Horn

Relief deficit for this project is slightly over US\$ 200,000 and this cost continues on a daily basis for maintenance and security of the equipment. .

As of December 31<sup>st</sup> 2009, the project had an income of US\$ 2,791,687 and an expenditure of \$2,945,915. 79% of this expenditure was funded by Oxfam (US\$ 2,315,651) and 17% from the Diaspora and the local Sanaag community (US\$ 476,036) and the remaining 4% is the current project deficit of US\$ 154,228 funded internally by Horn Relief. It should be noted that the expenditure was for all the activities highlighted earlier, including the cost of staff and offices in Minnesota, Nairobi, Bosaso and Laas Qoray and the technical support and services of various international engineering firms and consultants over a 3 year period. Although the Diaspora successfully raised US\$ 476,036, Horn Relief and the project spent more than \$240,000 in staff and operating expenses for the Minnesota office over the 3 year period for fundraising efforts - over 50% of the funds raised were used on overheads financed by the project and Horn Relief. **Based on international standards for fundraising where only 10% is used towards fundraising expenses, the actual funds raised by the Diaspora is US\$ 283,640.**

**All the income and expenditure referred to have been audited by external audit firms, which have been posted on the Horn Relief website.**

As a result of this deficit and the financial burden placed on a small organization such as Horn Relief, the Board of Directors made a resolution in 2009 to officially close the project and sell the equipment to offset the existing deficit and use the remaining funds to implement a project for the benefit of the Sanaag community. Another significant reason for the decision to sell the equipment is that **heavy construction equipment needs proper maintenance and to be used regularly otherwise they will be destroyed and lose all value.** The project equipment in Bosaso absolutely cannot stay idle as keeping them idle without any concrete plans for their use in the immediate future will surely result in their destruction. **To watch the slow destruction of the equipment is not a scenario that Horn Relief management and Board of Directors is willing to accommodate.**

Although this decision of the board was made in 2009, Horn Relief management has not implemented this decision in order to ensure full consultation with the communities. This extensive consultation was further conducted through meetings with the Sanaag community throughout the region in June and July 2010. Key community leaders and representatives accepted the closure of the project, the Horn Relief decision to salvage what remains of the equipment and sell it off while it still has value and also obtain some funds to meet its deficit. Although, the project was closed by the donor in 2008 and Horn Relief in 2009 and more than 2 years later, progress has not been made in the closure of the project and realizing a solution on the equipment. Time has run out!

Horn Relief is now left with few options to address the reality that the equipment can no longer be managed by Horn Relief nor can they be left to rot in the Bosaso sun. Therefore, Horn Relief held a meeting with the recognized Warsangeli traditional leaders on April 3, 2011 in Badhan, Sanaag. Thirty four (34) of the leadership (Aqils) from most of the sub-clans of the Warsangeli attended the meeting. Horn Relief provided them with 2 options to choose from in obtaining a final resolution on the equipment, which were:

1. Horn Relief sells the equipment and will use the funds to first cover the organization's US\$ 200,000 deficit. Additional funds from the sale of the equipment will be handed over to the community to choose, manage and implement a project that benefits the Sanaag community – such as a hospital, road, etc.

2. Horn Relief hands over the equipment to community representative(s) appointed by the larger community but retains equipment valued at US\$ 200,000 or obtains US\$ 200,000 in cash payment from the community, in which Horn Relief will use to recover its deficit.

After some discussion, the leadership voted and chose the first option. We further requested them to immediately appoint a group that would manage the funds remaining from the sale of the equipment. However, they requested that Horn Relief hold any funds from the sale of the equipment until December 31<sup>st</sup>, 2011 as by then they would have made a decision and appointed a committee to manage the funds.

Horn Relief is now implementing the decision of the Badhan Agreement and is in the process of selling some of the equipment and putting the remaining on the market for sale. All the equipment is currently valued at US\$ 625,000. After the sale of the equipment, per the Badhan Agreement Horn Relief will inform the Warsangeli leadership of the sale, share the sale agreement and transfer the proceeds from the sale to the appointed committee.

We find it unfortunate that some negative information about the project funds and the sale of the equipment has been circulated in the media and in other forums. We would like to strongly encourage any interested parties to approach the organization for the external audit reports and any information they would like on the project. Furthermore, considering the various allegations made against Horn Relief, its staff or Board members, we would like to strongly encourage the Diaspora to contract an external audit firm of their choosing and conduct another audit of all the financial records pertaining to the project. We are willing and would be happy to engage in such an audit with any members of the community. We believe we have run the project as transparently and honorably as possible.

A copy of the Badhan Agreement signed by the 34 traditional leaders and the external audit reports are available on the Horn Relief website at [www.hornrelief.org/news.htm](http://www.hornrelief.org/news.htm). The video clip of the meeting on April 3, 2011 is also available on [http://www.youtube.com/watch?v=x\\_laVUE7vFM&feature=related](http://www.youtube.com/watch?v=x_laVUE7vFM&feature=related). Please review these documents and the video for any questions that remain. Otherwise, we encourage everyone to seek further clarification from the elders who attended the April 3<sup>rd</sup> meeting on this matter. The project has been officially closed by the organization since 2009 and with the Badhan Agreement and the decision by the leaders to sell the equipment, and with the funds to be transferred to the community in the near future, we consider this issue resolved.

The Laas Qoray Jetty project is not the first project that Horn Relief has implemented for the benefit of the Sanaag community and since 1994 **we have implemented more than 20 million dollars in programs in the region alone**. Currently, as part of our emergency program responding to the drought **we have distributed US\$ 1,064,820 in unconditional cash grants to 56,735 people from December 2010 to March 2011**. The 56,735 people who were the direct beneficiaries of this project are the most vulnerable members of the Sanaag community who were provided the cash to meet their essential food and non-food/water needs. This is just one project amongst the many projects in which Horn Relief continues to support the most vulnerable and marginalized members of the Sanaag community.

It is important to recognize the financial risk a small organization such as Horn Relief is exposed to with a project incurring such a high deficit. Therefore, we must remember that Horn Relief's future and financial viability cannot be jeopardized by one project, considering the overall benefit and positive contribution that the organization has made and continues to make in Sanaag.

The future of the Laas Qoray Jetty project is not bleak as the Government of Kuwait has indicated a commitment to construct the jetty. One of the deciding factors for the Government of Kuwait to accept

this proposed project was the extensive amount of work that was done by Horn Relief, in particular the many technical and comprehensive studies that are now available to any interested parties. We hope that this promise from Kuwait will come to reality and we will all finally see this vital jetty constructed for the benefit of thousands of people of Sanaag and other regions of Somalia.

Horn Relief is grateful to the Somali Diaspora and local communities in Sanaag region for their partnership to date, and to its long term donor, Oxfam Novib and for their generous support and contribution toward this important project.

We would like to reiterate that Horn Relief's Board, staff and management are committed to leveraging much needed resources to all the Somali communities we are serving and hope that the Somali communities both local and Diaspora will learn from this setback but take it as an inspiration to move forward in the development of the country. Horn Relief commitment to the development of the Somali communities continues to remain strong.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Degan Ali', with a stylized flourish at the end.

Degan Ali  
Executive Director  
Email: [dali@hornrelief.org](mailto:dali@hornrelief.org)