



Q&A on the Closure of the Laas Qoray Jetty Reconstruction Project

Why was the LQ Jetty Project closed?

The project was closed in 2009, after the withdrawal of the key donor, Oxfam Novib.

Why did Oxfam Novib withdraw?

Oxfam Novib funded the project 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 but unfortunately the required funds to cover the deficit couldn't be raised within the time frame given by Oxfam Novib.

Why were other donors reluctant to fund the project?

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.

What did the project achieve before it was closure?

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
- 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

Why did Horn Relief want to sell the equipment?

To offset the existing project deficit. in addition to salvage the equipment value and save it from destruction since heavy construction equipment needs proper maintenance and to be used regularly otherwise they will be destroyed and lose all value.

How did Horn Relief incur a deficit – what is this deficit comprised of?

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 in 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 deficit increased from US\$154,228 to slightly over US\$ 200,000 as the organization had to continue paying for recurring cost for maintenance and security of the equipment.

How was the decision to sell the equipment arrived at?

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 the 2011, no serious and concrete proposals or plans were shared with Horn Relief in taking the project forward.

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.

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.

What options were presented to the community?

Since 2009, in the numerous meetings with Sanaag community in the USA, UK and teleconference calls between Horn Relief and the Sanaag community, all options have been provided to the community on the equipment and the project, including asking the community to put together a private group to take over the project and its construction, payment of the Horn Relief deficit in installments and handover of the community to responsible parties and more. As none of the options

provided were not realized on and with no progress on the matter, Horn Relief decided to find alternative means of obtaining a decision on the equipment. 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 31st, 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 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.

What will happen to the money from the sale of the equipment?

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How much income did the project raise and what was the total expenditure level?

As of December 31st 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 project deficit by then 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/overheads, the actual funds raised by the Diaspora is US\$ 283,640.

What material is available about the finances of the project and how can I get this material?

The badhan agreement with the warsangeli leaders, a link to the Youtube video of the meeting with the warsangelie leadership, an open letter to the Sanaag community from Horn Relief, 2009 Horn Relief audited accounts, are all available on the Horn Relief website at www.hornrelief.org/news.html. Also, all the studies commissioned, technical designs, tender documents and all reports on the project

are available to any interested parties who want to construct the jetty and one can contact Horn Relief at hrnairobi@hornrelief.org.

Was the Laas Qoray jetty project the 1st project implemented by Horn Relief in the area?

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.

How will be the future of the Laas Qoray Jetty project?

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 will provide all available documents to any interested parties.