

A consultative process Thinking about the petroleum sector in the Somali Peninsula

On August 2012, a new phase of peace building, stability and recovery commenced on the Somali peninsula. Since its establishment, the Federal Government of Somalia (FGS) has emphasized improved governance and economic management as key pillars of its development plan and is laying the foundations for the implementation of a federal system of governance.

The petroleum sector

Petroleum exploration on the Somali peninsula began in 1956. Although no commercial discoveries have been made as yet, regional geological trends and domestic data collection indicate the likely presence of petroleum. The perceived potential of these reserves, if managed well, holds the hope for revenue streams that could contribute to the inclusive economic development of Somalia.

Working towards a common goal

Many Somali stakeholders have identified the need for federal and regional authorities to collaborate in reviewing the provisional federal constitution, and relevant legislation, with respect to the **ownership, management and revenue sharing of oil and gas**. It's important to find the right political and economic balance that takes into account issues such as the spatial distribution of oil and gas resources, regional equity concerns, the capacity of different levels of governments to manage and absorb funds, and accountability to local citizens. In order to respond to these challenges Somalia needs appropriate legal and institutional mechanisms.

The consultative process & technical assistance

The FGS and the World Bank have signed a Memorandum of Understanding, whereby under the sponsorship of the Minister of Petroleum and Mineral resources, the World Bank will facilitate a consultative process aimed at harmonizing issues related to the ownership, management and revenue sharing of petroleum resources between Somali stakeholders, using its convening power and technical expertise.

Once issues related to the ownership, management and revenue sharing of oil and gas have been fully harmonized, the Bank - in cooperation with other donors - intends to continue supporting the federal, as well as the regional authorities, to develop the petroleum sector so that it supports the inclusive development of Somalia for decades to come.

Phases for the consultative process

Harmonization of ownership, management and revenue sharing of petroleum resources - in the context of

the development of the constitutional and legal framework of Somalia - can only be achieved through the active participation of all relevant Somali stakeholders.

As part of this effort the FGS and the World Bank will identify and seek the participation of relevant federal and regional stakeholders in the process, based on advice provided by Somali and non-Somali actors. All participants will need to have access to knowledge on how federal societies around the world have dealt with resource management issues, so that solutions for Somalia can be jointly explored.

The consultative process has four phases:

- ⇒ **The first phase** of political accommodation, carried out in 2015, served to understand the realities and expectations from relevant decision makers across Somalia and agree on the importance to have an open space for knowledge and dialogue.
- ⇒ **The second phase** of the process consisted of two technical knowledge-building workshops held in Nairobi, Kenya in December 2015.
- ⇒ **The third phase** of the process started in January 2016 and consists of consultative meetings between authorities from the Somali Peninsula with the aim of reaching a common understanding and vision for the development of the petroleum sector in Somalia.
- ⇒ **In the fourth phase**, Somali authorities will subsequently be responsible for updating the constitutional and legal framework with respect to the definition of ownership, management and revenue sharing of petroleum resources that meets the legitimate expectations of all Somali stakeholders.

In parallel, the World Bank will provide technical assistance for the review of petroleum policy, legislation, and fiscal and revenue sharing frameworks for the Federal Republic of Somalia, and training of FGS staff to negotiate and manage petroleum contracts.

Conflict Dynamics International, a not-for profit organization with over a decade of experience providing neutral and impartial support to the resolution of conflict around the globe, will provide neutral technical support to the consultative process.

The international community contributes to this program through the Multi-Partner Fund for Somalia (MPF).