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USAID/EAST AFRICA/LPC SOMALIA PROGRAM

SECOND QUARTERLY REPORT, JULY – SEPTEMBER 2011

OCTOBER 31, 2011

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PARTNERSHIP FOR ECONOMIC GROWTH

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CONTENTS

- PROGRAM SUMMARY3**
- INTRODUCTION3**
- STAFFING & SUPPORT.....3**
- RESULT FRAMEWORK.....5**
- SUMMARY OF PROGRAM HIGHLIGHTS THIS QUARTER6**

- PROGRESS THIS QUARTER8**
- SECOND QUARTER, JULY 1, 2011 – SEPTEMBER 31, 2011.....8**
- MOBILIZATION8**
- PHASE ONE: PARTICIPATORY ASSESSMENT AND TECHNICAL ANALYSIS10**
- PHASE TWO: PRIORITIZATION, DESIGN, AND DEVELOPMENT OF SUB-ACTIVITY SOWs.....10**
- PHASE THREE: IMPLEMENTATION16**
- PHASE FOUR: LOCALIZATION18**
- MONITORING AND EVALUATION19**

- FORTHCOMING QUARTER20**
- THIRD PROGRAM QUARTER, OCTOBER 1 – DECEMBER 31, 201120**
- MOBILIZATION20**
- PHASE ONE: PARTICIPATORY ASSESSMENT AND TECHNICAL ANALYSIS.....20**
- PHASE TWO: PRIORITIZATION, DESIGN, AND DEVELOPMENT OF SUB-ACTIVITY SOWs.....20**
- PHASE THREE: IMPLEMENTATION21**
- PHASE FOUR: LOCALIZATION21**
- MONITORING AND EVALUATION21**
- SECOND QUARTERLY FINANCIAL REPORT, JUL1 – SEP.30, 201123**
- SECOND QUARTERLY LEVEL OF EFFORT REPORT, JULY 1 – SEPTEMBER 30, 201125**

PROGRAM SUMMARY

The purpose of this program entitled, “Partnership for Economic Growth,” is to help local authorities and private sector groups improve the enabling environment for investment and generate more productive employment, operating mostly in northern Somalia and possibly in south and central regions. This is the first development initiative targeting economic growth for the USAID/EA/LPC Somalia program, and is partially funded with Department of Defense 1207 funds transfer. The funding was supplemented by Department of State grant of \$250,000 during the second quarter to be used for communications and outreach activities.

Using a flexible approach that relied on a comprehensive assessment of the private sector in Somaliland, the activity focused on two areas: overall private sector development, including women’s business development, and strengthening specific productive value chains, including livestock and fisheries. As a result of the comprehensive assessments completed in the first quarter, the Partnership for Economic Growth (Partnership) designed three sub-activities and submitted them for review to USAID during the second quarter. The sub-activities address two value chains- agriculture and livestock – and a concentrated set of cross cutting business enabling environment (BEE) activities. In addition, the sub-activities are geographically dispersed with livestock in the east in the Burao area, agriculture in the western Borama area, and BEE activities centered in Hargeisa.

The Partnership has also been working with the Department of Energy at the Ministry of Mines, Energy, and Water Resources to develop a regulatory framework for energy, in conjunction with the enactment of the new Energy Law. Based on the progress of this formative work in the energy sector, a more comprehensive sub-activity or additional tasks in the energy sector has been prioritized and approved for implementation by USAID.

INTRODUCTION

Pursuant to the requirements of the Partnership for Economic Growth program, Contract No. AID-EEM-I-00-07-0009/AID-623-TO-11-00001, the DAI Nathan Group (DNG), a joint venture between DAI and Nathan Associates formed in response to the General Business, Trade, and Investment II (GBTI II) IQC, is pleased to submit the second Quarterly Report covering July 1 – September 30, 2011. DAI is the lead joint venture partner for DNG for this contract and has sole implementation responsibility and oversight of the program.

STAFFING & SUPPORT

The Partnership is led by Program Manager, Mr. Suleiman Mohamed. During the second quarter he was supported by the following full time staff and short-term staff consulting support:

Project Staff:

- Communications Specialist - Elaine Eliah, (Ms Eliah resigned from the project late in the quarter)
- Operations Manager - Deqa Ismail
- Private Sector Specialist / Deputy Program Manager - Zaki Raheem
- Senior M&E Officer - Abdikadir S. Hashi

- Grants Officer - Sahra Said Bile
- Senior Business Environment Advisor - Omar Afqarshe
- Accountant - Khadar Abib
- Logistics and Procurement Officer - , Abdilkadir Nur
- Administrative Assistant - Leyla Osman

Short Term Consultants:

- Sam Scheuth, Survey Design Specialist, consultant: July to Aug.12
- Rich Magnani, DAI Agriculture Specialist: DAI July 15 – Aug 4
- Alfred Muthee, CNFA Livestock consultant: July 16 to July_30_
- Marcus Winter, CNFA Livestock consultant: July 16 to July_30_
- Maya Stolz, DAI - HO Finance/Ops support: July 9_ to August_18_
- Nicole Burka DAI Acting Finance & Admin Manager:–August 18 to October 31
- Zan Northrip, DAI Senior BE Environment Advisor: July 19 – Jul 30
- Zaki Raheem, DAI Private Sector Specialist: July to Aug.4

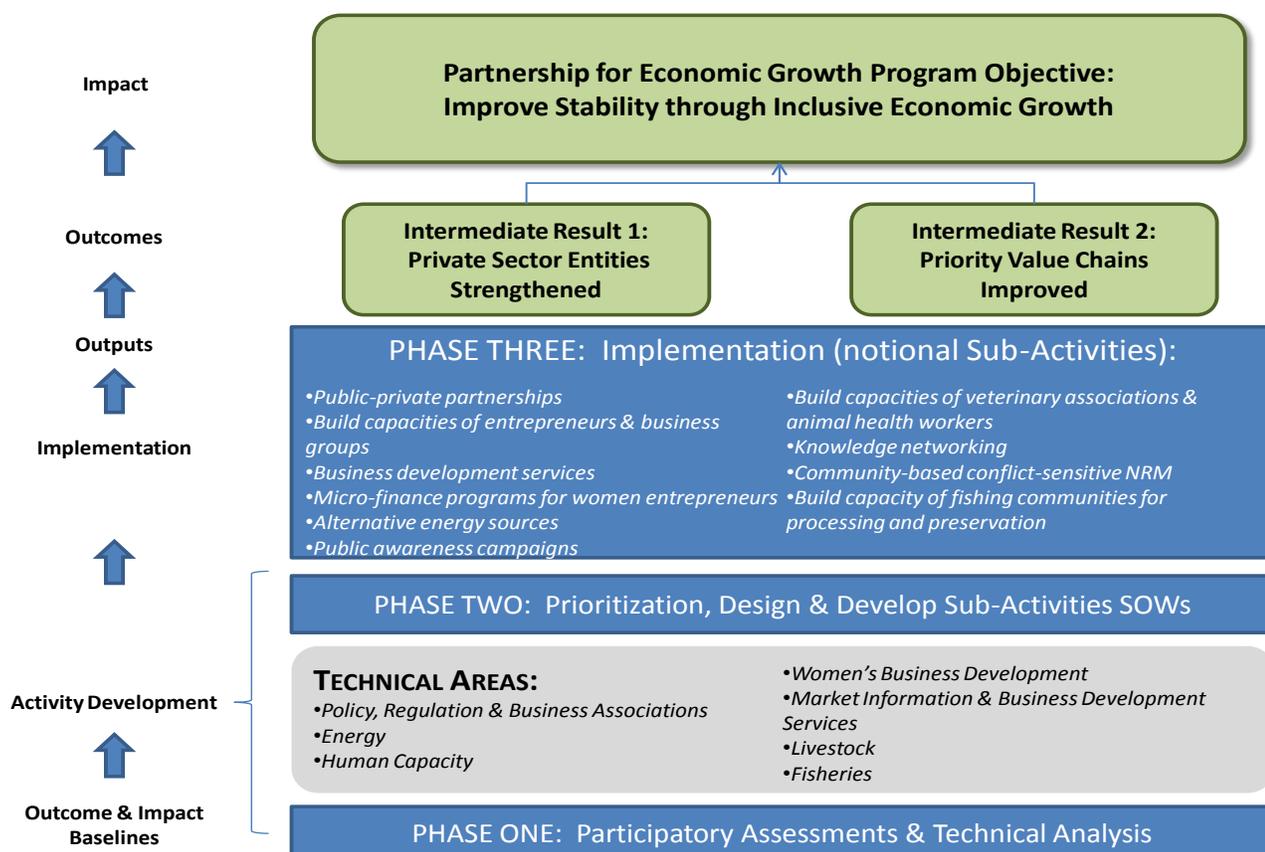
DAI home office support has been provided by:

- Rich Magnani – HO Project Technical Lead (PTL). Mr. Magnani replaced Lief Doerring in late August.
- Scott Toland – Project Business Manager
- Savannah Onwoche – Project Coordinator

RESULT FRAMEWORK

The submission of the Partnership’s M&EP/PMP, which was a contractual deliverable was done on September 30, 2011. The draft results framework (RF) which was another contractually required deliverable was submitted on May 31, 2011 but had not been approved or rejected by USAID. Therefore, this M&EP/PMP has been developed with the assumption that the draft results framework is valid. Any required changes to the Partnership’s results framework may necessitate changes to the program’s M&EP/PMP.

The results framework shown below includes the key phases of the program’s implementation, the two intermediate results, and the program objective. Along the left-hand side of the graphic is a flowchart that shows the progress from assessment to design to implementation to outputs to outcomes and finally to impact, and therefore incorporates the three types of performance indicators that are required to measure the achievement of the Partnership’s results. Refer to the Monitoring and Evaluation section of this report for detailed discussion



SUMMARY OF PROGRAM HIGHLIGHTS THIS QUARTER

1. Mobilized one key personnel – Private Sector Specialist/Deputy Program Manager – by the first week of September, 2011. A temporary Finance and Administration Manager (FAM) was also fielded from the DAI HO, to provide finance, administrative, compliance and related guidance to the Partnership program until a permanent FAM was identified and posted.
2. Completed recruitment process for a Senior M&E Officer, Senior communication and community outreach officer, Grants officer and accountant, with the M&E officer reporting during the quarter.
3. The Partnership moved into its new office at the start of the quarter, established internet connection, and engaged a security firm providing static security services.
4. Completed the second phase of the strategic assessments, i.e. stakeholder consultation and activity prioritization. Building upon the June 2011 Stakeholder Conference in Hargeisa, two more Stakeholder Conferences were held in Borama and Burao in July which each convened a wide array of government, private sector and civil society stakeholders to present key findings of the agriculture and livestock assessments, respectively, and prioritize and plan project sub-activities
5. Written up sub-activity Scopes (SOWs) of Work and submission to USAID, and obtained initial feedback, and re-submitted the revised SOWs. With ongoing feedback and dialogue with USAID, the Partnership submitted scopes of work (SOW) for the project's three sub-activities: Agriculture, Business Environment, and Livestock. This report provides details on the approval status of each Task proposed in the sub-activity SOWs.
6. Submitted technical report on the Somaliland private sector development assessment findings to USAID. The report consisted of five chapters: Business Enabling Environment; Enterprise Development (financial and non-financial services, market information, human capacity, business associations, and women in business); Livestock Value Chain Assessment; Energy Value Chain Assessment; and Other Productive Value Chains (horticulture, honey, gums and resins, dairy, and bottled water). Each chapter consisted of a set of proposed activities, which lay the foundation for the project's Sub-Activities.
7. Received USAID approval for and started work on the formulation of the Somaliland energy regulatory and legal framework. As a result a preliminary draft of the Somaliland Energy, Electricity Regulatory and Legal Framework was drafted by the Partnership's senior energy specialist, Mr. Max Arte. The draft was officially shared by USAID with the Somaliland Ministry of Mining, Energy and Water Resources and has been well received. Next steps will be planned and implemented in the third and fourth quarters of the project in order to finalize the framework and lay the foundations for its implementation.
8. Hired an expat STTA survey design specialist, to design an M&E baseline survey for the program; support with the hiring of a senior M&E Officer, and identify a survey firm.
9. A rigorous selection process for the Baseline Survey was conducted which short-listed eight organizations. The local survey firm Training and Research Group (TRG) was selected based on comparative technical and cost criteria. The Survey Design Specialist and the Senior M&E Officer worked with the TRG team to revise, translate, and field-test the Economic Growth baseline survey. TRG will survey 990 households in rural and urban in all six regions of Somaliland.
10. Obtained USAID approval for the following project documents: :

- a. Communications and Community Outreach Strategy
 - b. Branding and Marking Plan
 - c. Monitoring And Evaluation Plan / Performance Management Plan
 - d. The Partnership Work plan, which was approved with caveats that are being addressed.
Revised work plan will be submitted shortly.
11. Obtained an additional USD 250,000 funding from the Department of State for the implementation of the Partnerships communications strategy and got approval for the budget and action plan for this fund from the DoS.
12. Submitted the first budget realignment request and obtained approval from COTR and CO. The realignment enabled an increase in program activity funding by about USD 500,000.
13. Continued discussions that led towards the firming up of sub-activity tasks with a wide set of potential partners including: Amoud University, Somali Agriculture Technical Group, Abaarso Tech University, Ministry of Commerce, Chamber of Commerce and UNDP.
14. CNFA, the livestock value chain sub-contractor had to replace their lead TCN Livestock Value Chain Specialist, Derek Massey because he got unwell. His replacement was still being sought by CNFA by the end of the quarter. While this report was being written, CNFA submitted documents for Derek's replacement, for approval.

PROGRESS THIS QUARTER

SECOND QUARTER, JULY 1, 2011 – SEPTEMBER 31, 2011

In the section below, we present progress for this quarter, July 1, 2011 through September 30, 2011, against each of the relevant tasks for the quarter. Tasks follow the same organizational format that was used in the first annual work plan. Tasks are broken into six area areas: program mobilization, the four technical phases of the program, and monitoring and evaluation. The four program technical phases are:

- Phase One: Participatory Assessment and Technical Analysis??
- Phase Two: Prioritize, Design, and Develop Sub-Activity SOWs
- Phase Three: Implementation
- Phase Four: Localization

Each program area and technical phase relevant to the second quarter is presented in detail below.

MOBILIZATION

The Partnership team accomplished a majority of mobilization tasks in the first quarter. Mobilization tasks that were not completed in the first quarter are addressed below.

Mob Task 1: Sign and fully execute contract. Completed first quarter

Mob Task 2: Hold Inception Meetings with USAID in Nairobi. Completed first quarter

Mob Task 3: Register with the government of Somaliland. Completed first quarter

Mob Task 4: Establish banking services in Hargeisa, transfer funds. Completed first quarter

Mob Task 5: Establish, secure, and set up office in Hargeisa. The start up team selected an office, completed necessary security and other improvements, and occupied the office on July 9. The team started the quarter working in temporary office space in the Ambassador Hotel complex. A local security firm, Physical Risk Solutions (PRS), provides static guard services for the program office in Hargeisa.

Mob Task 6: Procure IT equipment and vehicles.

Vehicles: The relevant vehicle procurement waiver for two Toyota Landcruiser hardtop was received from USAID during the quarter, and the DAI went ahead to purchase the vehicles from Toyota Gibraltar. Vehicles are expected early in the third quarter.

IT Equipment. Following approval of the IT equipment procurement plan by the Information Resources Management (IRM) department at USAID, the DAI Bethesda IT staff procured computing, networking and communication hardware and software, configured and consolidated the equipment and shipped it to Hargeisa. The equipment could not be delivered in the first quarter as there was a logistical hold-up in Dubai. It arrived during the writing of this report. The staff have in the meantime been using lap tops that were procured at start-up, mobile phones and local internet services to carry out their work.

Mob Task 7: Recruit Somali LTTA staff. During the quarter, recruitment process for most of the local Somalia staff took place. With Ministry of Labor officials observing the interview process as required by

Somaliland law, shortlisted candidates were interviewed to select the best qualified and most appropriate long-term CCN staff. In addition to an Operations Manager and Administrative Assistant that were hired in the first quarter, the program has identified nearly all of the LTTA CCN positions during the quarter, including: Procurement and Logistics Officer, Senior Monitoring and Evaluation Officer, Grants Officer, Senior Communications and Outreach Officer. The recruitment process for other positions directly related to the implementation of the sub-activities were also in progress. These positions are: Senior Business Environment Advisor to be based in Hargeisa, and Agribusiness Advisor to be based in Borama. We also expect our sub-contractor CNFA to field both the CCN Value Chain specialist (to be based in Burao) and Expat/TCN Value Chain specialist in the next quarter.

Mob Task 8: Establish communications and IT capability. Telesom is the local internet provider as well as landlines and mobiles for the project staff. We also acquired Somtel for a trial period of one month. IT equipment procured in the US and dispatched from the Home Office, only reached Hargeisa after the end of the quarter. We expect HO IT support to have the equipment and software set up.

Mob Task 9: Field program manager and other key personnel. Zaki Raheem was approved as the Private Sector Specialist/Deputy Program Manager, on in early September 2011. DAI mobilized Mr. Zaki a week before at DAI's risk due to the urgent need to provide program implementation support to the Program Manager. The expat Communication specialist resigned towards the end of September (28th). Rerecruitment of a CCN replacement Comms and Outreach Officer, Kaltun Hassan was nearly finalized during the quarter. The Livestock Value Chain Specialist proposed by subcontractor CNFA was unavailable due to health issue. CNFA is working on identifying and fielding a replacement.

Mob Task 10: Field assessment team. Completed first quarter

Mob Task 11: Deliver first annual work plan. Following approval of many elements of the three sub-activities in early October, USAID requested that the approved first year workplan be revised to reflect the approved sub-activities. The revision is underway.

Mob Task 12: Deliver strategic communications and community outreach plan. The Partnership's communications and community outreach strategy was submitted for approval on Day 30 of the program. However USAID had a number of comments, which were finally addressed. The document was approved during the second quarter.

On September 20, the Partnership program was awarded a \$250,000 grant from Department of State to support Partnership Communication and Outreach activities. This funding will support activities, events and products discussed in the Communication/Outreach Strategy that reinforce program activities and goals. It will also underline the US Government Dual Track Strategy through carefully targeted activities and messages that funding from the American people is helping the Somali people to improve their economy and stability.

Mob Task 13: Host public Launch Event for the Partnership for Economic Growth. Completed during first quarter

Mob Task 14: Submit draft Grants Management manual for approval. The Grants Management manual for the Partnership was approved on September 2.

PHASE ONE: PARTICIPATORY ASSESSMENT AND TECHNICAL ANALYSIS

All of the Phase 1 tasks were completed during the first quarter.

P1, Task 1: Conduct value chain assessment and mapping for livestock and fisheries

P1, Task 2: Assess potential of other productive value chains.

P1, Task 3: Assess private sector development technical areas.

P1, Task 4: Agree on shortlist of sub-activity possibilities with USAID.

P1, Task 5: Deliver assessment chapter one: business enabling environment.

P1, Task 6: Deliver selected written components for assessment chapter two: enterprise development.

P1, Task 7: Conduct business environment survey.

PHASE TWO: PRIORITIZATION, DESIGN, AND DEVELOPMENT OF SUB-ACTIVITY SOWS

Tasks 1 through 7 were completed during the quarter

P2, Task 1: Engage Chamber of Commerce, Ministry of Commerce and/or other key counterparts.

P2, Task 2: Convene first stakeholder's conference.

P2, Task 3: Deliver any outstanding written components for assessment chapter two.

P2, Task 4: Deliver value chain assessments and maps for livestock, fisheries, and energy.

P2, Task 5: Deliver assessment chapter four, other potential productive value chains.

P2, Task 6: Confirm USAID endorsement of prioritized sub-activities.

P2, Task 7: Develop SOWs and budgets for prioritized sub-activities.

P2, Task 8: Convene second stakeholder's conference. This second round of stakeholder conferences were scheduled for the first quarter but were delayed until late July. The Partnership team, with USAID concurrence, mobilized consultant Rich Magnani on July 14 to prepare for the Borama Agriculture workshop, and CNFA consultants Alfred Muthee and Marcus Winter arrived in early July to prepare for the Burao livestock workshop.

Borama Agriculture Sub-Activity Workshop. The Borama workshop was held on July 26 and attracted about 40 participants that included farmers, input suppliers, green market traders and vendors, project implementers including FAO, German Agro Action, IFAD, and COOPI, two Ministry of Agriculture representatives, representatives of the Somali Agriculture Technology Group (SATG), the Director of

Planning and Statistics from Ministry of Commerce, Amoud University staff and students from Amoud Agriculture and Business Faculties.

In advance of the workshop the team met separately with Amoud University staff, including the University President, the Deans of the Agriculture and Business faculties, and the points of contact for each faculty. The meetings focused on the project objectives and confirmed the University's interest in being a partner in the Borama Agriculture Project. At this stage, the team considered SATG's role to be a service provider to Amoud. Its role as a partner developed after the workshop.

Following presentations by the Partnership team, participants were split into small working groups to respond to questions posed by the team. The group reports to the plenary were as follows:

Topic 1

The proposed Partnership activity involves demonstration plots to test different vegetable varieties, a nursery operated by Amoud University to multiply and sell good quality seeds, the use of wind generated power for 1 demonstration plot, the establishment of a small extension service of Amoud agriculture staff & students, and a small group of business staff & students to provide marketing related extension services to farmers and businesses.

Small group questions:

- *Can these activities be effective in increasing local vegetable production and reducing imports? If not, please explain why?*
- *What other Partnership project activities would you propose to improve local incomes in the agricultural sector?*

Group response. The group was in agreement with the basic elements: the demonstration plots, extension services, and a nursery for seed multiplication and sales at market prices. They expressed some concern about the effectiveness of windmill operated water pumping. Other partnership activities that the group proposed to improve local incomes included:

- Establish an agriculture research center
- Establish soil and pathology laboratories
- Improve feeder roads in production areas
- Establish a training center for farmers for numeracy and literacy skills as well as agriculture training

Topic 2

Several demonstration plots are proposed. The demo plots will be relatively small production areas where a number of different varieties of a particular vegetable are grown to determine which variety performs best. One plot will be on Amoud University Land.

Small group questions:

- *The other demo plots should be located where and who should manage and operate these plots? How many demo plots are needed?*
- *Our green market survey of Borama, Hargeisa, and Burao showed that vegetable imports made up 59% of the volume sold by the surveyed vendors. Potatoes, cabbage, and onions were the largest imports by volume (76%). Should the demo plots focus on these 3 vegetables? If not, which vegetables should be tested?*

Group response. One demo plot should be established in each of three areas- Baki, Ruki, and Halimale. (Baki was the site for demo plots run by FAO and COPI in Phase 1 of the Dur Dur Watershed Program that ended in September 2010. The second phase has been funded but the FAO has not identified sites nor activities to be implemented.)

Demo plot crops should include (in declining importance) potato, cabbage, onion, garlic, sweet and hot pepper, carrot, lettuce. Questions were expressed about the growth potential for potatoes based on area soils and climate. Some remarks from the plenary supported potato production and some disagreed. This requires additional study before including potato in one or more demo plot.

Topic 3

Amoud agriculture staff and students will provide different types of extension services to area farmers and other businesses in the agriculture sector. The agricultural extension agents will participate in the farmer days held at the demo plots and will visit farmers during the growing season.

Small group questions:

- *What are the agricultural extension services most needed by farmers (seed selection, fertilization, pest control, etc)?*
- *How often during the growing season should extension staff visit farmers?*

Group response. Agriculture extension services needed include:

- Seed selection
- Proper planting methods
- Fertilizer application rates
- Intercropping and crop rotation to improve soil fertility and reduce plant disease carryover
- Water harvesting technology
- Soil testing (requires a laboratory)
- Bookkeeping to correctly capture costs and revenues

Extension agents should be available for four field days to be held at land preparation and planting, germination, flowering, and harvest. Some in the plenary session requested twice monthly extension visits to farmers (in addition to the demo days). The majority of the plenary disagreed responding that 4 times per season was adequate for demo field days and for extension visits to other farmers that do not participate in the field days.

Topic 4

Amoud business staff and students will provide different types of extension and business related services to area farmers, traders, vendors, and others (such as marketing, negotiating with traders, record keeping, access to new markets, costs & returns of processing, crop diversification, cooperative marketing, etc.)?

Small group questions:

- *What types of business related services are needed by farmers?*
- *What types of business related services are needed by traders?*
- *What types of business related services are needed by vendors?*

Group response. The group highlighted an agreed upon interest to promote numeracy and basic financial literacy skills as part of the business students' extension work, complemented with possible trainings in record keeping, marketing, and basic cost accounting. In addition, workshop participants agreed that economics students at the Faculty of Business could play a crucial role in supporting much-needed regional agriculture-related market research to support the project, such as demand studies of the demonstration plot crops and opportunities to access new markets including possible cross-border Djibouti consumers.

Topic 5

The project will arrange meetings to bring traders, vendors, and farmers together to discuss market opportunities for new varieties, premium pricing of the highest quality products, and other market related issues.

Small group questions:

- *How can premium pricing for new varieties and varieties of improved quality be successfully introduced? What would need to change to make this happen?*
- *How can the project play a role in facilitating or increasing sales?*

Group response. A realistic market perspective was essential for this question which addressed premium price potential for high quality produce. Unfortunately it was lacking due to the absence of invited green market traders and vendors. The group noted the importance of advertising to promote high quality products, and the need for the demo plots and extension agents to help farmers achieve high quality products.

As a result of the Borama agriculture sub-activity workshop and subsequent discussions with partners the team developed MOUs and sub-activity SOW.

Burao livestock Sub-Activity Workshop. A regional workshop was held in Burao on July 28 that briefly presented the findings of the Livestock Value Chain assessment, outlined preliminary assistance ideas derived from the assessment and follow-on interviews, and obtained feedback and some priority rankings from the group of invited stakeholders on possible task areas. A total of 25 individuals attended the Workshop including 4 women and a local Deputy Governor, plus individuals from the private sector, the government, two universities and two NGOs.

As part of the Workshop, attendees were divided into five groups focused on possible task areas (Improved Milk Marketing, Livestock Fattening/Finishing, Animal Health Products and Services Delivery, Other Livestock Products, and Support to Farmer/Pastoralist Associations). Allocating 100 theoretical dollars as a proxy and easily understandable way to determine relative priorities, the workshop participants were first asked to rank individual possible livestock sub-activity tasks using five broad criteria: 1) The task can improve the economy of Somaliland; 2) The task can create additional employment; 3) The task can generate additional income; 4) The task is sustainable in the long term; and 5) Impact can be had in two years.

A summary of the workshops for each group is shown below:

GROUP 1: IMPROVED MILK MARKETING

<u>Possible Activities</u>	<u>Dollar Allocation</u>	<u>Explain Why</u>
Support of fodder nurseries/distribution		
Organizing milk producers as an association		
Supply of clean bottles/aluminum cans		
Training pastoralists on hygienic milk production		
Organising farmers to deliver to a central location with cooling facilities		
Building a central cooling facility		
Building a milk shed in the market		
Other milk activities (?)		
TOTAL	\$100	

GROUP 2: LIVESTOCK FATTENING/FINISHING

<u>Possible Activities</u>	<u>Dollar Allocation</u>	<u>Explain Why</u>
Support Promote nurseries and fodder growing		
Support trade association to buy animals and fatten them in the farm to resell		
Support a feedlot system that can buy from smallholders, fatten, certify and export/resell		
Other fattening/finishing activities (?)		
TOTAL	\$100	

GROUP 3: ANIMAL HEALTH SERVICES DELIVERY

<u>Possible Activities</u>	<u>Dollar Allocation</u>	<u>Explain Why</u>
Technical training of suppliers of veterinary drugs (Pharmacists and Community CAHWs)		
Business management training for veterinary drug pharmacies and shops		
Strengthening regulatory mechanism by MOL in importation and distribution of drugs		
Support testing and certifying capabilities		
Other health services activities (?)		
TOTAL	\$100	

GROUP 4: OTHER LIVESTOCK PRODUCTS

<u>Possible Activities</u>	<u>Dollar Allocation</u>	<u>Explain Why</u>
Financing of individual entrepreneurs in hides/skins processing and export		
Promote hides/skins assemblers to form associations to do primary processing		
Financing slaughterhouses to utilize slaughterhouse wastes for biogas/electricity production		
Support hygienic meat transport sector (stainless steel boxes, refrigerated trucks)		
Suggestions for other livestock activities?		
TOTAL	\$100	

GROUP 5: SUPPORT TO FARMER/PASTORALIST ASSOCIATIONS

<u>Possible Activities</u>	<u>Dollar Allocation</u>	<u>Explain why?</u>
Technical trainings and seminars		
Support for improved business management skills		
Expand membership and operational capacity		
Support rangeland management and control through associations		
Support formation of district pastoralist associations		
Suggestions for other livestock association related activities?		
TOTAL	\$100	

The groups were also asked to provide a brief rationale for their rankings. A second ranking exercise was comparing the five problem or opportunity tasks against one another to provide a prioritization of the five group topics – Improved Milk Marketing, Livestock Fattening/Finishing, etc.

As can be seen below, it was Workshop participant judgment that animal health and livestock fattening/finishing were the top priorities followed by milk marketing.

Overall Ranking of Possible Activities	Group 1	Group 2	Group 3	Group 4	Group 5	Total
Animal Health Services Delivery	\$30	\$40	\$35	\$40	\$20	= \$165
Livestock Fattening/Finishing	\$40	\$35	\$20	\$25	\$30	= \$150
Milk Marketing	\$10	\$5	\$30	\$13	\$20	= \$78
Other Livestock Sub-activities	\$10	\$5	\$10	\$17	\$15	= \$57
Support to Farmer/Pastoralist Associations	\$10	\$15	\$5	\$5	\$15	= \$50

Along with the findings of the livestock value chain study, the feedback from the day-long Burao workshop from the diverse group of stakeholders lay the framework for the Livestock sub-activity SOW.

P2, Task 9: Develop sub-activity SOWs/action plans into MOU and/or GDA agreements with partners.

Agriculture Sub-Activity - Whereas potential partners have been identified for many of the agriculture, livestock and business environment/investment promotion sub-activities, the Partnership has not yet signed any MOUs or GDA agreements with them. Examples of such partnerships include: Amoud University and the Somali Agriculture Technical Group (SATG), in the case of the agriculture sub-activity. A private firm/professional organization known as Agrofafa was initially considered for partnership but USAID questioned their relevance as a partner, the Partnership team amended the SOW to include only Amoud and SATG as partners, with Agrofafa serving as a provider of products and services. An Agriculture sub-activity SOW was later developed, which included the roles of each of the partners.

A firm action plan and the signing of the agreements with the partners and MOUs will be completed after approval of the SOW and at start of implementation.

Business Enabling Environment/Investment Promotion Sub-Activity - Building upon key findings and recommendations of the Business Enabling Environment, Enterprise Development and Energy Value Chain chapters of the Somaliland Private Sector Assessment, a Business Environment sub-activity SOW was developed in August and submitted to USAID for review in September. The SOW included six proposed tasks:

- Task 1: Development of a Ministry of Commerce Investment Climate Unit - Chamber of Commerce Somaliland Business Confidence Index Surveys;
- Task 2: A Business Speaker Series with Abaarso Tech University;
- Task 3: Regulatory development and implementation with complementary Public-Private Dialogue (PPD) and outreach, initially working on the development and implementation of an energy regulatory framework with the Ministry of Ministry of Mining, Energy and Water Resources and proposed support for strengthening the Veterinary regulatory framework with the Ministry of Livestock;
- Task 4: Investment promotion support that jointly support the ICU and the Chamber of Commerce with a variety of needed technical assistance and capacity building;
- Task 5: The development of a locally managed accounting / finance certification training and examination program, such as ACCA (Association of Chartered Certified Accountants);
- Task 6: An apprenticeship program designed to place business school graduates in local Somaliland businesses and provide stipends and other support for an initial base period of 4-6 months.

Livestock sub-activity – Following the assessments, a Livestock Value Chain technical report was produced in July, followed by a livestock value chain SOW, all led by CNFA. The SOW identified activities which were prioritized in the Burao workshop (above) including: Animal health/veterinary support, livestock fattening and health certification farm; livestock product production support, and support to women livestock markets association. Potential partners were also identified but no action plan nor MOU were developed as this would be finalized after SOW approval. Initial USAID review and feedback was used to further refine the sub-activity components.

P2, Task 10: Compile all chapters and deliver final private sector development assessment report.

Completed first quarter

PHASE THREE: IMPLEMENTATION

Phases One and Two included the participatory assessment, selection, and design of the three sub-activities which culminated in three SOWs submitted for review to USAID during the second quarter. USAID completed its review of the three sub-activity SOWs after the end of the second quarter, and approved all of the Borama area agriculture sub-activity, and approved the BEE sub-activity with some clarifications/reviews recommended. USAID only partially approved the livestock sub-activity components.

Phase three (P3) implementation will include the following major tasks:

P3, Task 1: Launch selected sub-activities. Project launches for the three sub-activities will take place after sub-contracting with partners is finalized. See Task 2 below. The launch for the Partnership Fund grants program is expected in Quarter 3.

P3, Task 2: Implement selected sub-activities. The first implementation efforts occurred following the end of the second quarter. The Partnership has arranged to invite the HO Project Technical Lead, Rich Magnani, who also led the agriculture sub-activity work, to come back to Hargeisa to support implementation work. Also a number of other HO support, including the contracts administrator will also be called in to facilitate the making of agreements, training support and other implementation work. Implementation will proceed when the subcontracts are approved by USAID.

While awaiting final approval of the proposed Business Environment sub-activity tasks, the Partnership had already received support to begin collaborating with the Ministry of Mining, Energy and Water Resources on the development of a draft energy regulatory framework. In addition, ongoing discussions with Abaarso Tech University staff confirmed their continued interest in a partnership and plans were underway to organize two Business Speakers Series seminars in 2011 – with suggested topics focusing on the telecom sector and the energy sector.

USAID provided feedback on the draft SOWs in mid-September, including detailed questions for CNFA on the rationale for several of the proposed tasks in the livestock sub-activity. These questions helped guide CNFA to revise and concretize their final SOW.

P3, Task 3: Solicit and review relevant grant applications. The design of the Partnership grants program (the Partnership Fund) took shape during the second quarter, as a result of feedback from stakeholders at the second round of workshops in Borama and Burao in late July. With late September approval of the grants manual, the team is planning for an advertised launch of the Partnership Fund in the third quarter. Grants will be solicited and reviewed on a competitive basis. All grants will require some level of cost sharing with partners; GDA grants will require a 1 to 1 matching in funds and in-kind contributions that are quantifiable; all other grants will require a 25% cost-share of funds and quantifiable in-kind contributions.

P3, Task 4: Award and manage grants and/or subcontracts (including GDA/PPP financing). Following USAID approval requirements and thresholds, grants and subcontracts will be awarded to local partners to implement key activities in each of the selected sub-activities. However, this has not yet happened during the quarter, as approvals for most of the components of the SOWs was received towards the end of the second quarter. Such awards are expected to start occurring from early in the third Quarter.

P3, Task 5: Assess feasibility of expanding program to Puntland and/or other regions of Somalia. As guided by USAID/ Somalia program the feasibility of expanding the Partnership for Economic Growth program to Puntland and/or other regions of Somalia will be assessed on a quarterly basis. The COTR has already provided an indication that activities in Puntland should be planned from Year Two of the program, but that assessment for possible expansion should continue to happen. The first window to assess possible expansion of the Partnership for Economic Growth program will occur in month 8 of the first year. As part of this feasibility study it is expected that the Partnership will invite a small group of Puntland stakeholders (mainly government ministries) will be invited to Djibouti during a planned

workshop for the Transition Initiative for Stabilization (TIS) workshop, and the Partnership's managers will join them for a discussion there. The Partnership program has set aside some funds

PHASE FOUR: LOCALIZATION

To be sustainable, the economic outcomes that the Partnership for Economic Growth seeks to catalyze must be woven into, reinforce, and fortify the fragile fabric of business and governance in Somaliland and other regions in the future. This will require an iterative strategy for building capacity and expanding local ownership among partners and stakeholders. As part of Phase Four—which will closely overlap and be fully integrated with Phase Three—DAI will carefully plan and sequence localization that supports program objectives as part of an explicit exit strategy. As an outgrowth of our participatory assessment and design approach, we will develop the exit strategy in coordination with the communications and community outreach planning in Phase One, as well as the development of sub-activity SOWs in Phase Two.

Phase Four (P4) will include the following major tasks in year one:

P4, Task 1: Integrate localization strategy into communication and community outreach plan. The localization strategy was integrated into the final version of the Strategic Communications and Community Outreach Plan which was approved by USAID in September.

P4, Task 2: Design explicit localization into selected sub-activities. Each sub-activity SOW addresses the increasingly important role of local partner ownership of the activities as the Partnership program winds down and ends. The need to promote sustainable activities is factored into the approach used by the Partnership on each of the sub-activities.

P4, Task 3: Transition two expatriate key personnel positions on long-term staff to local professionals. Expatriate Communications Specialist, Elaine Eliah, completed her assignment with the Partnership and the team is recruiting a CCN to fill her position. Zaki Raheem, the expat Private Sector Development Specialist who is also the Deputy Program Manager, joined the team in September. Owing to the importance of this position it has been agreed with the COTR and included in the budget realignment that Zaki's position be budgeted to remain expat position preferably to the end of the program. If the Partnership program is expected to be extended beyond September 2013, the team will recruit and train a local replacement toward the end of Mr. Raheem's assignment.

MONITORING AND EVALUATION

Monitoring and evaluation (M&E) of the Partnership for Economic Growth program included the following major tasks during the second program quarter, July 1 – September 30, 2011:

M&E, Task 1: Establish working relationship with USAID’s third party M&E partner, IBTCI. A few meetings have been held with representatives of IBTCI and some work is being done to harmonize reporting systems with them. Discussions/information exchange have also been held regarding a baseline survey being conducted by IBTCI and by the Partnership program in order to harmonize questionnaires. IBTCI has not yet provided guidance on what the requirements are that will be needed from the Partnership program regarding the third party monitoring. The Partnership however continues to strengthen its M&E work and will be ready to feed into the third party monitor’s work as it is rolled out.

M&E, Task 2: Conduct baseline survey through locally competed subcontract. Training and Research Group (TRG) began implementation of the baseline survey on September 25, 2011. The first activities milestone was met on October 13. Accomplishments included completion and translation of the questionnaire, field test interviewer briefings, completion of the field test, recruitment and training of ten interviewers, two data monitors and two supervisors, selection of sampling points, development of field work plan, and the training of surveyors.

M&E, Task 3: Set specific baselines and targets for the selected sub-activities. Baselines and targets will be established following the results of the baseline survey. The survey is expected to be completed by **mid-December 2011.**

M&E, Task 4: Develop and submit monitoring and evaluation plan, including targets and indicators. Heather McHugh, DAI M&E Specialist completed the Monitoring and Evaluation Plan/Performance Management Plan (M&EP/PMP) which was submitted to USAID for review on September 30, 2011. The Partnership’s M&EP/PMP proposed performance indicators total 21, and include:

- 2 Foreign Assistance Framework indicators (from those listed in the Partnership contract), and 2 additional indicators that are linked to the Foreign Assistance Framework
- 2 indicators at the Program Objective level, collected from a survey instrument
- 4 intermediate result indicators
- 15 “common” indicators (includes both output and outcome indicators, as well as the 4 Foreign Assistance Framework indicators)

As this Quarterly report was being prepared (on October 19) Suleiman Mohamed, Partnership Project Manager, and Rich Magnani, PTL, discussed the M&EP/PMP submission with USAID/Nairobi USAID indicated that the review had not been completed and that it was likely that additional indicators would be requested.

M&E, Task 5: Submit quarterly reports, including quarterly accruals. The Partnership second quarterly (this report) will be submitted on October 31, 2011. It will be submitted electronically and with two hard copies to USAID, and will also be distributed to relevant Somali government officials and key counterparts, once approved for distribution.

M&E, Task 6: Submit quarterly expenditures accruals report. The quarterly expenditure accruals report for the second program quarter was submitted at the end of the Quarter. Total reported expenditures up to this quarter is USD 1,338,776

FORTHCOMING QUARTER

THIRD PROGRAM QUARTER, OCTOBER 1 – DECEMBER 31, 2011

MOBILIZATION

The final mobilization tasks will be completed early in the third quarter.

Mob Task 7: Recruit Somali LTTA staff. All Somali LTTA staff recruitment was largely completed by Quarter 2, with some of the staff reporting to work at the start of Quarter 3 (see staffing sub-section at the start of this document). It is only the position of two project drivers and CNFA's Value Chain staff that are expected to be recruited in Quarter 3.

Mob Task 8: Establish communications and IT capability. The DAI home office IT staff consultants will visit Hargeisa on in late November 2011, to set up the office networking capacity, create the Partnership TAMIS system which will be critical for reporting, monitoring, and evaluation, and establish linkages to the Borama and Burao field sites.

PHASE ONE: PARTICIPATORY ASSESSMENT AND TECHNICAL ANALYSIS

All Phase one tasks were completed in the second quarter.

PHASE TWO: PRIORITIZATION, DESIGN, AND DEVELOPMENT OF SUB-ACTIVITY SOWS

Phase two tasks that will be addresses during the third quarter:

P2, Task 7: Develop SOWs and budgets for prioritized sub-activities. In early October, USAID approved the Borama agriculture SOW, and portions of the livestock and BEE SOWs, for which budgets were completed. During the third quarter the Partnership team will reevaluate the components of the livestock and BEE SOWs that were not approved to determine if revised approaches to these components are warranted. If so the SOWs and budgets will be revised to reflect the changes.

P2, Task 9: Develop sub-activity SOWs/action plans into MOU and/or GDA agreements with partners.

Actions plans for the agriculture sub-activity will be developed in early in the third quarter with Amoud and SATG. These plans and the budgets developed for the SOWs will be the basis for proceeding with the two subcontracts.

Action plans for the approved business environment sub-activity tasks will also be developed early in the third quarter; and preparations for launching the energy regulatory awareness campaign, public-private dialogues and legal review are underway.

The Livestock sub-activity SOW is being reviewed. Two components, improved camel dairy production, and support to Togdheer Women's Livestock Traders Association have been approved. New components that have been proposed by USAID include Fodder production, support to Community Animal Health Workers (CAHWs) and support to camel husbandry. Initial assessment of these new components have been conducted by the Program Manager, Suleiman Mohamed, but final review and inclusion into the sub-activity SOW is awaiting deployment by CNFA of LTTA/STTA staff early in the third quarter.

Any GDA agreements will be part of the Partnership Fund grant program. The Partnership fund announcement is being prepared during the writing of this Quarterly Report and will be done in the third Quarter. The Partnership program is currently working on all grant preparation, announcement/RFPs, and evaluation (including selection of evaluation panel) and other due diligence actions to ensure that funds are properly used and do not fall into the wrong hands and do not cause harm.

PHASE THREE: IMPLEMENTATION

P3, Task 1: Launch selected sub-activities. The Partnership team will plan official launch events shortly after completing sub-contracts with our activity partners.

P3, Task 2: Implement selected sub-activities. As discussed above implementation of the three sub-activities will begin with the signed sub-contracts.

P3, Task 3: Solicit and review relevant grant applications. As discussed above, the Partnership Fund has been established. The Partnership team will establish a grants application review committee and plans to announce the request for applications (RFAs) in November.

P3, Task 4: Award and manage grants and/or subcontracts (including GDA/PPP financing). Following USAID approval requirements and thresholds, and after completing internal due diligence reviews of all grants and GDA applications, Partnership Fund grants and GDAs will be awarded to local partners.

PHASE FOUR: LOCALIZATION

P4, Task 2: Design explicit localization into selected sub-activities.

MONITORING AND EVALUATION

M&E, Task 2: Conduct baseline survey through locally competed subcontract. TRG started field survey work with its team of 10 interviewers in the third quarter/Oct.17. The survey is expected to be completed by mid-December 2011.

M&E, Task 3: Set specific baselines and targets for the selected sub-activities. Heather McHugh, DAI's M&E specialist, will visit the Partnership in November after the findings and conclusions of the baseline survey are completed. Ms. McHugh will then work with the team to develop a realistic series of targets based on the baselines and the set of Partnership activities.

M&E, Task 4: Develop and submit monitoring and evaluation plan, including targets and indicators. The M&EP/PMP was submitted to USAID at end of the second quarter. Ms McHugh will revise the plan following USAID's review.

M&E, Task 5: Submit quarterly reports, including quarterly accruals. Quarterly progress reports (March, June, September, and December), to coincide with the USAID reporting cycle, will be submitted within 30 days after the end of each calendar quarter. They will be submitted electronically and with two hard copies to USAID. They will also be distributed to relevant Somali government officials and key counterparts.

M&E, Task 6: Submit quarterly expenditures accruals report. A quarterly expenditure accruals report was submitted electronically 15 days prior to the end of each calendar quarter. It reported actual expenditures for the first month of each quarter, along with projected expenditure accruals for the second and third month of the quarter. The quarterly financial report – showing actual invoiced expenditures for July – September, 2011, is on the following page.