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PARTNERSHIP FOR ECONOMIC GROWTH

FINAL REPORT



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PARTNERSHIP FOR ECONOMIC GROWTH

FINAL REPORT

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ACRONYMS

ABIC	Agribusiness Incubation Center
BOCAT	Business Organizational Capacity Assessment
BoQ	bill of quantity
CAHW	community-based animal health worker
CLA	Collaborating, Learning, Adapting
COP	Chief of Party
DAI	DAI Global, LLC
DfID	UK Department for International Development
DG	Director General
EG	economic growth
ESRES	DFID Energy Security and Resource Efficiency in Somaliland
GAP	Good Agricultural Practices
FAO	Food and Agriculture Organization
HACCP	Hazard Analysis & Critical Control Points
IDIQ	indefinite delivery, indefinite quantity contract .
IFC	International Finance Corporation
IP	implementing partner
IPP	independent power provider
KIMS	Kaah Islamic Microfinance Services
ME&L	monitoring, evaluation, and learning
PEA	political economy analysis
PEG	USAID/Somalia Partnership for Economic Growth program
PIMS	DFID Promoting Inclusive Markets in Somalia programme
PPD	public-private dialogue
PPP	public-private partnership
RFP	request for proposal
SAGA	Somali Agriculture Girls Association



SATG	Somali Agricultural and Technical Group
SDF	Somaliland Development Fund
SEED	Sustainable Employment and Economic Development Programme for Somalia
SME	small and medium-sized enterprise
SSF	DFID Somalia Stability Fund
SSG	USAID Strengthening Somali Governance activity
SPS	sanitary and phytosanitary standards
SPSS	USAID Somalia Program Support Services
TAMIS	Technical and Administrative Management Information System
TIS	Somalia Transition Initiatives for Stabilization
TIS+	Somalia Transition Initiatives for Stabilization Plus
UNDP	United National Development Programme
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

PROGRAM OVERVIEW

The Partnership for Economic Growth (PEG) program is USAID's first economic growth activity in Somalia in more than 20 years. The flagship program's objective was to pilot inclusive economic growth activities as a driver of stability to determine their effectiveness and viability. PEG began in Somaliland in April 2011, extended to Puntland in January 2012 and to South-Central Somalia in September 2013, and closed in January 2016, after a three-month no-cost extension. The program supported USAID's economic growth strategy by investing in the Somali people to benefit the local economy and strengthen the most promising value chains: livestock, agriculture, and energy. PEG worked with local authorities and private sector groups to improve the enabling environment for investment and generate more productive employment.

By working with small and medium-sized enterprises (SMEs), producer organizations, women's groups, trade and business associations, community-based organizations, and government counterparts, PEG supported activities to improve the investment climate across Somalia—creating jobs and introducing new and better products to the local market. PEG also worked with all levels of government across Somalia to support the development of policies and regulatory frameworks that create an enabling environment for business growth.

KEY ACTIVITIES – PHASE I (APRIL 2011–AUGUST 2013)

Somaliland

- *Agriculture*: Partnered with Amoud University and the Somali Agriculture Technical Group to develop an agriculture extension service and demo plots to improve the horticulture production of local farmers.
- *Livestock*: Supported the Somaliland Ministry of Livestock to strengthen community-based animal health worker (CAHW) services and improve quality veterinary drug supply. This was accomplished through a standardized CAHW curriculum and refresher training sessions, veterinary pharmacy-CAWH linkages, and fodder seed demo plots for agro-pastoralists.
- *Energy*: Supported the Ministry of Energy's public-private dialogue process to develop Somaliland's first Electrical Energy Act, and launched a series of renewable energy training sessions and investment workshops.
- *Business Environment*: Supported the Somaliland Ministry of Trade and Investment (www.SomalilandInvest.net) and the **Puntland** Chamber of Commerce to develop investment guides and investment web platforms.
- *Partnership Fund*: Launched a business plan competition to co-invest with local enterprises in the agriculture, livestock, fisheries, salt, and financial sectors, with awards ranging from \$30,000 to \$150,000.

KEY ACTIVITIES – PHASE II (SEPTEMBER 2013–AUGUST 2015)

Somaliland

- *Agriculture*: Developed a seedling sales center at Amoud University, and expanded extension services in the Awdal Region.
- *Livestock*: Launched a National Veterinary Drug Awareness Campaign using TV, radio, leaflets, websites, billboards, local theater productions, and support from trained CAHWs and veterinary pharmacies; in **Puntland** as well.
- *Partnership Fund*: Launched a second round business plan competition to co-invest with enterprises (\$30,000 to \$150,000 matching grants) in the agriculture, agro-processing, livestock, fisheries, and gums and resins sectors, ensuring that grants were supported with the necessary technical and business capacity to generate sustainable employment.
- *Energy*: Launched a pilot wind farm at the Egal International Airport in Hargeisa as a public-private partnership to showcase the potential of renewable energy for prospective investors.

South-Central Somalia

- *Agriculture*: Trained farmers, dairy producers, and local agribusinesses in crop production, storage and hygiene, and quality control. Three demonstration farms were established so that farmers could test local seed varieties of maize and vegetables and learn better farming techniques.
- *Livestock*: Engaged in improved fodder seed testing with lead farmers, and supported milk producers, traders, and processors with training and business matching grants.

RESULTS AND IMPACT

Over the life of the project (inclusive of both Phase I and Phase II), PEG:

- Contributed to the creation of nearly 2,500 new or better jobs (40 percent of which were held by women).
- Co-invested in innovative agriculture technologies with the private sector through the region's first SME business plan competition, investing \$2 million to co-fund 25 ventures while leveraging nearly \$3 million from the local private sector to support local employment generation and economic development.
- Trained nearly 7,500 farmers in agricultural sector productivity training throughout Somalia, with an estimated 82 percent adopting improved technologies and practices through a cascading lead and contract farmer demo plot training model. For top-performing varieties, participating farmers saw yield increases of 200–300 percent. In South-Central Somalia, it is estimated that each contract farmer trained seven neighboring farmers. As a result, a recent third-party evaluation estimates that PEG reached 21,000 additional farmers.
- Worked through privatized veterinary health clinics and para-vets to provide easier access to improved animal healthcare to more than 40,000 pastoralists and agro-pastoralists.
- Leveraged more than \$12 million in local, diaspora, and foreign investor capital—including the development of the region's first 100 kilowatt (kw) wind energy public-private partnership, which spurred investment by the private sector of an additional 2 megawatts in the wind sector.

- Developed the first Somaliland and Puntland Investment Guides and web investment platforms targeting diaspora investors.
- Managed a series of public-private dialogues leading to draft legislation that addresses major regulatory constraints in key economic sectors.
- Co-invested in Somaliland’s and South-Central Somalia’s first agriculture extension service since the civil war, which resulted in a significant increase in yields by participating farmers.
- South-Central Somalia agricultural activities resulted in participating lead and contact farmers nearly doubling yields and now providing a greater variety of produce for the local market, while enhancing food security and drought resilience.

Partnership Fund Round 1

- Of the 10 still in operation, eight grantees (62 percent)—businesses and private sector development organizations—capitalized on the PEG grant and are prospering, measured through 128 new full-time jobs, 20 new seasonal jobs, three new customer contracts, and a large number reinvesting into their businesses from revenues earned—two purchased additional livestock, two purchased additional equipment, one expanded its facility, one has expansion plans, and another leveraged additional loan fund capital for 886 new farmers. In addition, 310 youth benefited from internships or new jobs and on-the-job training. Increased sales, access to new markets, increased technology transfer, and expanded customer base improve the opportunities for continued success.

Partnership Fund Round 2

- The 11 businesses in the recent second round have demonstrated gains, with the creation of 59 new jobs; three businesses reinvested their earnings and one is preparing expansion plans.

Farmer Attitudes

- Based on perceptions assessed as part of PEG’s end-line survey conducted in August 2015, more than 75 percent of farmers—in the two major areas where PEG’s agriculture activity was most successful—believed that they had better opportunities to make a good income than in the previous year, and more than 90 percent of them were optimistic that their economic situation would improve in the coming year. In particular, these were the growing areas of Afgoi and Bal’ad that were not interrupted by any major insecurity issues.

SUCCESS STORIES

Annex 4 includes success stories that were prepared over the life of the project. These and other project successes include:

Support to the Somalia Agribusiness Incubation Center (ABIC). In three growing seasons, the ABIC supported by PEG in Afgoi, South-Central Somalia, directly trained more than 3,000 farmers, more than 80 percent of whom adopted improved farming practices. It is estimated that the ABIC reached an additional 21,000 farmers indirectly.

Establishment of Somaliland’s first wind farm. PEG helped install a five-turbine 100 kw pilot wind farm to provide power to the Hargeisa airport as a proof of concept for potential wind farm investors. The estimated \$400,000 investment into the pilot wind farm spurred investment by the private sector of 2 megawatts (2,000 kw) into the wind sector—a leverage of 20 times the initial investment.

Support to Somaliland's emerging poultry sector. PEG helped Ubale Poultry Farm to procure 6,000 chicks and build a new solar-powered warehouse/housing unit for the chickens. The initiative is on track to create 35 new professional and semi-skilled jobs, and it has increased local production of eggs by an estimated 400 percent.

Support to Somaliland's camel dairy sector. PEG assisted the Horumar Camel Dairy Farm in Burao City to grow from supplying 20–30 liters of fresh milk per day with revenues averaging US\$175 per week to producing nearly 450 liters per day with revenues exceeding \$2,500 per week—a nearly 15-fold increase.

LESSONS LEARNED AND RECOMENDATIONS

Somalia is a challenging work environment. PEG gained significant experience in effectively operating in the frequently changing Somalia environment that future USAID economic growth (EG) activities can learn from. Below is a summary of key lessons learned and recommendations:

Lesson Learned: There is ample evidence that many local recruits and firms embellish and/or forge credentials when applying for development jobs in Somalia. There is also a culture of employers not publicly sharing their real challenges with former employees.

Recommendations

- Use both formal and informal avenues to engage in due diligence.
- Be prepared in advance to respond to accusations of clan favoritism for any hire.
- Ensure that organized documentation of the transparent hiring, as well as disciplinary actions, is in place.
- Triangulate local reference checks.

Lesson Learned: Some of PEG's local capacity development achievements occurred by tendering locally key pieces of research and implementation and then partnering the local subcontractor with international technical experts. If local expertise can be found in Somalia, donor projects should be able to reduce their dependence on staff from Kenya or elsewhere. Additionally, communities often believe that the procurement and grant processes by donors and nongovernmental organizations (NGOs) are not transparent.

Recommendations

- Seek Somali subcontractors.
- Use local subcontracting to build local capacity.
- Support the local economy through local purchases.
- Be overly transparent.
- Hold bidders' conferences for large procurements and grant solicitations.
- Conduct site visits prior to awarding grants.
- Carefully consider the pros and cons of incorporating key ministries.
- Advertise widely and make sure messages reach the rural areas.

- Translate everything into Somali and have it reviewed by top translators who understand the nuances of business/economics/finance speak.

Lesson Learned: Kenya has begun to shut down Somali money transfer companies (*hawalas*) based in Nairobi, making it more difficult for development organizations to transfer funds from their Nairobi offices to Somalia.

Recommendations

- Ensure that future EG projects have a fully functioning finance office based in Somalia.
- Because Somalia, particularly South-Central Somalia, is a cash-based society, establish rigorous systems to deal with potential theft and abuse.
- Appropriately prepare for continued restrictions on money transfer companies such as Dahabshiil that are preventing transfer of cash into Somalia.

Lesson Learned: Security, corruption, and the possibility of exacerbating conflict are arguably the three most pressing practical challenges in this working environment.

Recommendations

- Mitigate security risks by building trust with Somali community, government, and business leaders.
- Coordinate closely with all USAID/Somalia implementing partner operations teams to refine future activity management, procurement, human resources, and financial management systems to mitigate corruption risk.
- Ensure that the Do No Harm principles are incorporated into day-to-day implementation.

Lesson Learned: Because all donors, NGOs, and United Nations agencies that fund Somalia activities have offices in Nairobi, much of the planning and decision making takes place there, which made it difficult for the project to communicate and plan with other donors. Additionally, there is often very limited institutional knowledge within ministries of past, existing, or planned support by donors for various training or policy development activities; this has sometimes led to multiple implementing partners making plans to support the same ministry for the same activity.

Recommendations

- Ensure participation by Somalia-based project leadership in Nairobi-based decision making.
- Ensure strong donor coordination between Somalia and Nairobi, and within Somalia.

Lesson Learned: Somali farmers are risk-averse and skeptical about trying new practices. Although farmers may observe higher net returns from improved practices and seeds, they are reluctant to adopt the improvements unless they can readily demonstrate the results on their own farms. One positive outcome of the demo plots was that some lead farmers developed plots on their own farms to showcase improved yields from new practices and varieties to neighbors, even though they had not been given direct support to do so. Crop performance on farms owned by absentee farm owners and operated by hired labor was generally lower than owner-operated farms. Agriculture activities did best when influential stakeholders were involved and/or strategic partnerships were formed.

Recommendations

- Invest in demonstrations and hands-on learning.

- Ensure flexible implementation.
- Support unanticipated benefits.
- Engage influential stakeholders in the area to ensure buy-in and ownership from the start.
- Ensure that farmer/owners participate and are present at demo sites.
- Encourage higher levels of women’s participation through strategic local partnerships.

Lesson Learned: Across the livestock sector, health sector capacity is very low. Local partners such as the Veterinary Board have limited technical and financial resources. Training for ministry staff is often theoretical—and, thus, less useful—due to limited funds and other constraints. Additionally, private sector involvement in animal healthcare is highly fragmented and constrained by importation of poor-quality drugs, lack of capital and financing, and the unplanned and ad hoc supply of free drugs from humanitarian development partners.

Recommendations

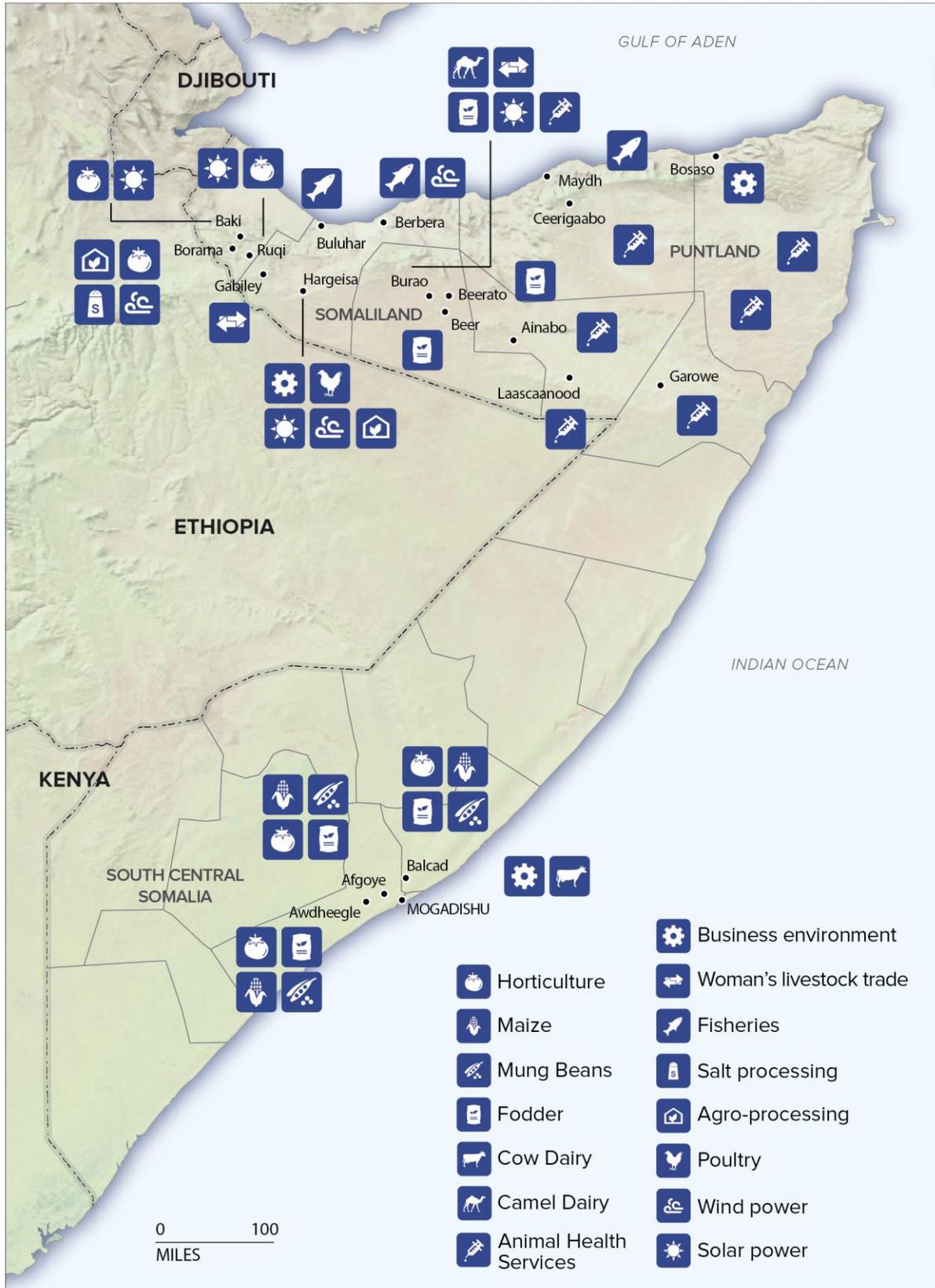
- Use a heavier touch—greater hands-on technical assistance and direct transactional support—where government and/or private sector capacity is weak.
- Incorporate Collaborating, Learning, and Adapting (CLA) approaches when working to build the capacity of local institutions.
- Work with the private sector to ensure more sustainability.
- When the relationship with a partner is difficult, get creative.
- Encourage cross-sectoral activities.
- Use on-the-job training that can lead to tangible results and more active ministry staff engagement.

Lesson Learned: Renewable energy is still very new to Somalia and, while the return on investment is extremely quick because of the high energy costs, the value proposition for new consumers must still be guided by an understanding of their cash flows, their aversion to change, and their capacity to understand/maintain new technologies. Some of the spoilers that have tried to delay or stop the policy development process may be stakeholders that have not seen the value proposition of more regulation and must therefore be more educated and convinced by sector specialists and peers.

Recommendations

- Invest in sustained and frequent public-private dialogues to ensure that energy policy development has wide stakeholder buy-in.
- Ensure appropriate sensitization of new solar and wind technologies to communities.

MAP OF PEG ACTIVITIES



PROGRAM OVERVIEW AND ACCOMPLISHMENTS

PROGRAM OVERVIEW

The USAID Partnership for Economic Growth (PEG) was designed to help local Somali authorities and private sector groups improve the enabling environment for investment and generate more productive employment. It was the first development initiative targeting economic growth for the USAID/East Africa/ Limited Presence Countries Somalia program. Thus, the project served as a pilot for USAID to test the feasibility of development programming, identify best practices, and share lessons learned to inform the direction, breadth, and depth of future USAID economic development investments in Somalia.

PEG focused on two areas: private sector development, with a concerted effort on women’s business development, and strengthening of specific productive value chains. PEG was a four-and-a-half-year activity divided into two phases: Phase I, which focused on Somaliland and Puntland, was implemented from April 2011 to August 2013; and Phase II, which was implemented from September 2013 to January 2016. Phase II built on the learning and experience from Phase I and expanded activities to South-Central Somalia—Mogadishu and Lower and Middle Shabelle.

PEG used a participatory process to *assess, prioritize, design, and implement* its activities.

In 2011, at the beginning of the project, the PEG team conducted a comprehensive Somaliland Private Sector Assessment that analyzed the business enabling environment; financial and non-financial services; women in business; and the livestock, fisheries, energy, horticulture, honey, gums and resins, and dairy value chains.

In 2013, the PEG team conducted an Economic Growth Assessment of South-Central Somalia, which included rapid value chain assessments of the following sectors: agriculture (sesame, maize, banana, lemon, vegetable, fisheries, cowpea, mung bean, and sorghum) and livestock (live animal, meat, camel dairy, cow dairy, forage and fodder, poultry, hides and skins, and livestock support services). Unsurprisingly, it was found that major challenges exist for economic growth potential to be realized in the agriculture and livestock sectors, including poor infrastructure, lack of institutional and human capacity, and lack of an enabling environment. In addition, there is a severe shortage of agriculture and livestock inputs, limited markets for cereal production and technical support services, and a near absence of value-added products (agro-processing). Finally, high labor costs and labor shortages are affecting productivity and competitiveness of many productive sectors. The labor shortage is in part a result of mass migration of the agro-pastoralist communities to internally displaced people camps in major cities such as Mogadishu.

These assessments were followed by stakeholder validation workshops to support the prioritization of key areas for intervention. Absent a strong government framework and working within fragile and post-conflict environments—especially in South-Central Somalia, PEG needed to ensure that it was not inadvertently exacerbating tensions by being seen as exclusionary, accessible only to certain clan members, men with power, or business and government elite. Efforts to ensure transparent, broad participation ensured that a wide range of Somali private and public sector stakeholders—business

associations and farming cooperatives; nascent local, regional, and national administrations; local and diaspora investors; men, women, and youth—had input into and owned the PEG program strategy.

Prior to PEG, most donor and nongovernmental organization (NGO) activity in the Somali regions had focused on humanitarian aid since the fall of the Somali State in 1991. As a result, skepticism about the use of donor aid was common among the private sector. PEG established trust through overarching strategic approaches to emphasize local ownership by responding to stakeholder priorities and by using a light project touch in maximizing intervention impacts. Guiding principles of local ownership have included “work through, don’t do” to avoid institutionalizing the project, using cost- and risk-sharing to ensure private sector contribution and buy-in, and implementing through partners such as lead firms, the technical units of livestock at agriculture ministries, and faculty at local universities. To the extent possible, a facilitation approach was employed in order to maintain separation between the project and value chain activities and transactions, be an honest and transparent broker, and establish a clear and reasonable exit strategy. An added approach made necessary because of clan-based tensions has been to “Do No Harm” to minimize potential negative project impacts. This required constant assessment of local socio-political dynamics to determine if project decisions and interventions could worsen community tensions.

PEG PHASE I: 2011–2013

Guided by the Private Sector Assessment and regional validation workshops, PEG Phase I consisted of five major activities—three value chain activities: agriculture, livestock, and energy; and two crosscutting private sector development activities: business enabling environment support and the Partnership Fund business matching grants activities.

SOMALILAND AGRICULTURE

Overview

In Somaliland, agriculture is an important economic activity, particularly fruit and vegetable crops that are mostly grown for commercial purposes. Presently large volumes of fruits and vegetables are being imported from Ethiopia and South-Central Somalia. It is estimated that the annual local demand for fruits and vegetables are approximately 100,000 tons, with up to 65 percent being imported at a cost of \$50 to \$75 million in foreign currency. Therefore, improvements in areas such as seed certification, proper nursery establishment, good agriculture practices, extension services, and capacity for sound pest and disease control programs offer major opportunities for increases in yields and incomes for Somaliland farmers and a much improved competitive position for traders and vendors to compete with imports to grow local markets.

Activities

The purpose of the Somaliland Agriculture Activity was to increase vegetable productivity and production volumes to replace imports and increase domestic incomes and employment. During Phase I of PEG, implementation partners included Amoud University in Borama and the Somali Agriculture Technology Group (SATG), with offices in Somalia and Nairobi. The following were the key initial implementation activities:

- PEG worked with KEPHIS (Kenyan Plant Health Inspectorate Services) to conduct soil analysis at all demo plots before training and extension began. Soil information is a key element for natural resources management, and specifically land use planning and future agriculture intervention strategies. Since the collapse of the Somali State, no soil data analysis has been available. The soil analysis revealed that

most of the soils in Amoud, Baki and Ruqi are high in pH and sodium and low in phosphorous and nitrogen. The soil correction measures proposed by the soil lab included manures/compost and Gypsum at the rate of 5000 kg/ha and 500 kg/ha, respectively.

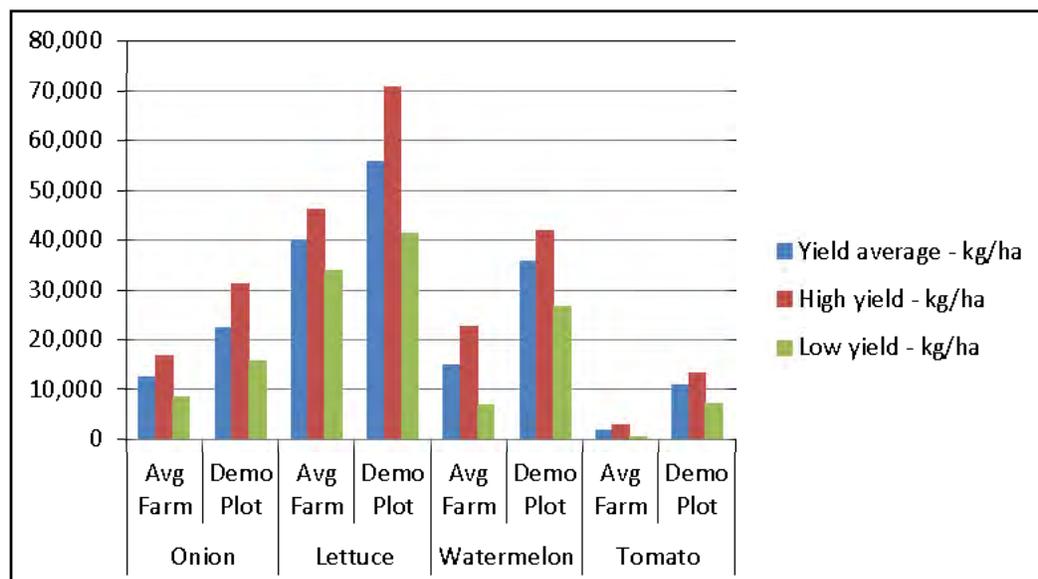
- Establishment of 3 irrigated demonstration plots to test 3-5 varieties of 6 popular vegetable and short season fruit crops—tomato, onion, cabbage, hot pepper, lettuce, and watermelon—while demonstrating best production practices provided by agriculture extension advisors (e.g. nursery development, spacing, intercropping, staking, weeding, crop rotation, fertilizer application, etc.). The demo plots tested varieties during the *Gu* (March – July) and the *Deyr* (October to December) 2012 crop seasons; with the third 2013 *Gu* season was used to establish on-farm pots with lead and contact farmers to adopt the practices taught at the demo plots. One plot each was located in Baki and Ruqi, on land owned by farmers who had been nominated by community stakeholders to be demo sites. The third plot was located on Amoud University land which now houses a small greenhouse and is powered by a windmill to pump water from a dedicated borehole, supported by PEG.
- Establishment of an agriculture extension where staff was trained to provide proper agronomic and other production related advice to farmers. Amoud University agriculture faculty and top graduates were selected for these positions. Agriculture extension staff led 4 demo field days during each crop season (e.g. land preparation, planting, nursery transplanting, weeding, staking, harvesting) in which farmers in the areas surrounding nearby demo plots were invited to observe and discuss relevant crop production topics. A total of eight extension workers, trained on vegetable production practices from Amoud University closely worked with the contact farmers throughout the growing season. Farm visits were conducted routinely to monitor the crop performance. Both English and Somali language extension manuals were developed by the SATG to be used by extension workers, farmers, Ministry staff and university faculty.
- During each harvest season, Amoud hosted the region’s first set of Market Days which linked area horticulture farmers with the green vendors, where feedback from local green market vendors could be documented to gather marketing data to complement productivity and disease data. At Market Days, farmers were able to meet with vendors, often for the first time, to actually understand consumer preferences and establish the necessary critical relationships.
- As part of the business extension component, the least literate and numerate farmers and vendors were provided basic literacy and numeracy training in preparation for the business training which included basic bookkeeping and marketing training. The business training was conducted for area farmers, vendors, and traders from 4 sites (Amoud, Baki, Ruqi, and Borama town). The marketing training highlighted sorting/grading of improved varieties that tie to demo plot harvesting and the consumer preferences shared at Market Days.
- Identification of superior vegetable varieties and good agronomic practices in various vegetable crops such as tomato, onion, watermelon, hot pepper, cabbage and lettuce. In particular, row spacing in tomato and watermelon, and the use of composted manure were the most common practices adopted by the farmers. These practices contributed to increased yields and reduced water use in both crops.
- As a culmination of the pilot activity, a major Agricultural Technology Testing Workshop was held by the Somaliland Ministry of Agriculture to share with stakeholders the outcome of trials conducted in Amoud and learn from other experiences; understand the current and emerging issues of seed variety testing and extension training; identify the key technical, institutional and policy challenges and

opportunities for agricultural R&D in Somaliland; and develop a short list of strategic options that the Ministry of Agriculture can, in collaboration with other development agencies and the commercial sector, facilitate/implement to enhance delivery of agricultural support and applied research services.

Results

- The premise of the activity was that farmers adopt new practices if they observe that the benefits outweigh the costs and believe they can implement and continue the new practices. The 3 demo plots reached over 100 contact farmers during the demo field days (25 to 40 attending each of 4 field days at 3 demo sites) plus 200 to 250 other farmers during the crop season (8 agriculture extension staff reaching 20 to 25 other farmers that did not attend the demo field days). Horticulture farmers experienced yield increases by 40 percent to 500 percent for top performing varieties by lead farmers, while production costs decreased due to improved more efficient practices, making them more cost competitive with imports.
- The Agricultural Technology Testing Workshop culminated with the drafting of the Somaliland National Seed Policy which provides guidance for seed variety testing, seed certification, and seed dissemination (transfer) and commercialization. In addition, through PEG's effort's Amoud University's Faculty of Agriculture has become a recognized seed variety testing and certification center.
- Through support of the Ministry of Agriculture, the PEG agriculture sub-activity has become a model for Somaliland agriculture development programs. Demo plot research results have been widely disseminated to agriculture NGOs and seed suppliers. The Somali-language Horticulture Extension Manuals—the first of its kind since the civil war—were provided to the Ministry of Agriculture (MOA) and other agriculture programs. In particular, the Ministry has mandated that the PEG extension manuals and demo plot model be used as part of the Gabilay-based Local Economic Development programme, (LED) funded-through the ILO Joint Programme on Local Governance (JPLG), for which PEG-trained Amoud staff technical advisors.
- The PEG team used a Collaborating, Learning and Adapting (CLA) approach to ensure important learning from Phase I were adopted into Phase II (discussed in the next section). The highlights of the Phase I yield results and a comparison of the cost of production are presented below.

Phase I Yield Results



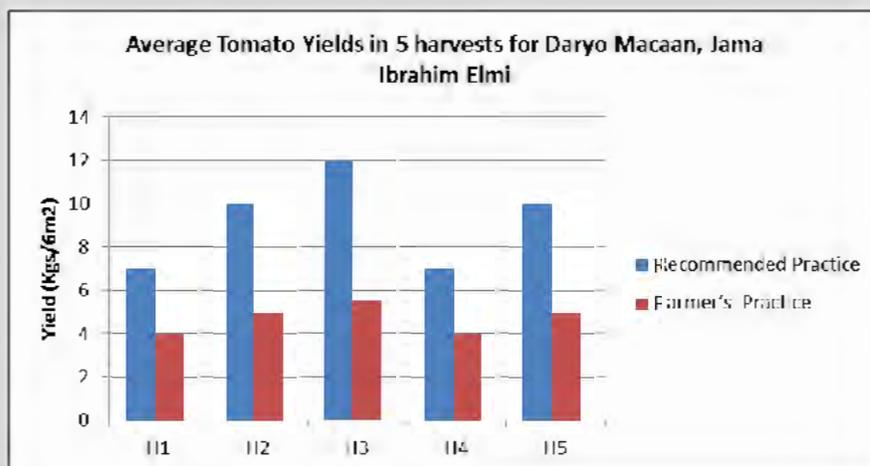
Investing in Lead Farmers: Tomato Case Study of Jama Ibrahim Elmi of Daryo-Macaani, Amoud

Jama is one of the contact farmers in Dayo-Macaan village of Borama district who has been working with the PEG program since 2011. He grew tomatoes, Roma Vf variety, during the Gu growing season (PEG Phase I Season 3) comparing his routine practices alongside PEG's recommended practices. The major difference between the two practices was plant spacing. Based on the trials of the previous 2 seasons in Amoud University, Baki and Ruqi, it was recommended a population of 4 to 5 plants/m². Most of the farmers tend to grow a much larger population that leads to high disease infestation and low yield due to competition of light and nutrients. Jama planted the recommended plant density/spacing alongside his routine practice with a population of 15 and 30 plants respectively in a plot of 3m x 4m. All other practices were the same throughout the growing season between the two plots. Extension workers were fully engaged and worked closely with the farmer in all aspects of crop production.

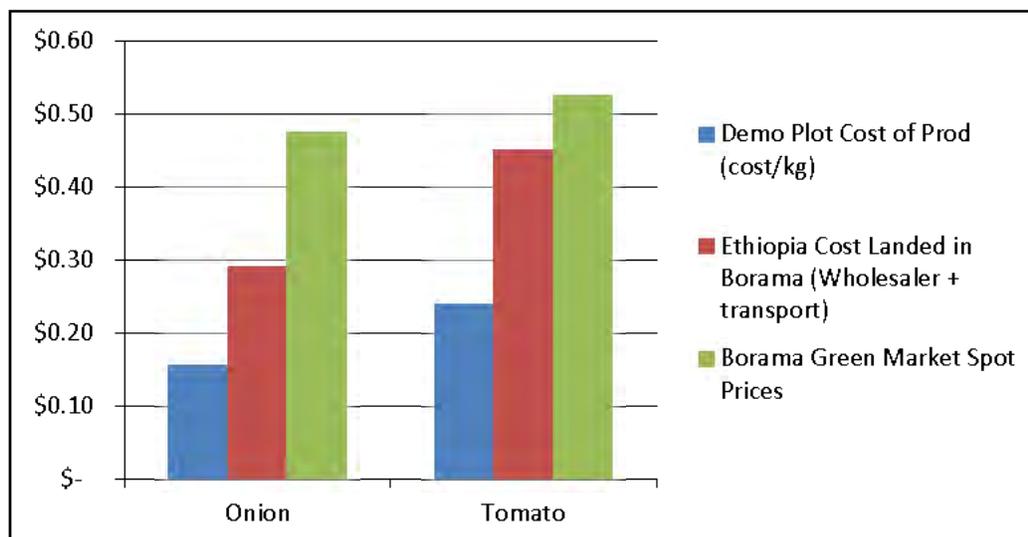
At maturity, 5 harvests were made to the plots with farmers' presence and the results show that in all 5 harvests the fruit weight in the recommended practice was higher than farmers' routine practices. Jama harvested almost double what he generally harvests using his own practice. Jama was a very proud farmer and started working as a volunteer extension worker encouraging the farmers in Daryo Macaan to follow plant spacing recommendation.

While Jama's crop was severely affected by diseases due to high plant density, the plots grown to the recommended agricultural practices were still green and producing fruits. Jama enjoyed a significant economic return. In addition his tomato harvest coincided at a time when there were no tomatoes in the market, thus getting good market price for his products. Jama sold US\$2000 from his demo plot of 400m² at a production cost of US\$200 during the growing season.

Like Jama, most of the farmers who adopted the new recommended practices experienced similar yield increase.



Comparison of Cost of Production



SOMALILAND AND PUNTLAND LIVESTOCK

Overview

Livestock is currently the leading economic sector in all the Somali regions of the Horn of Africa. In Somaliland alone, livestock production accounts for 60-65 percent of the gross domestic product (GDP). The region's major livestock exports are sheep and goats, accounting for 91 percent of all animal exports. In 2010 a total of 2.35 million shoats were exported through the Berbera port (including from Ethiopian sources). Of this total, 1.6 million (69 percent) were exported between September and November for the Hajj festivities. Assuming an average export price of US\$70, the estimated total value would be over US\$160 million. With government taxes at around US\$3.60 per head, this means tax revenue of around US\$8.5 million, or 10 percent of the Somaliland government's total revenue.

Not all livestock meets the minimum standards for export, and rejections by local traders selecting animals for export are estimated to be around 20 percent. Around 3 percent of the animals arriving in the overseas market in Saudi Arabia are rejected by the Saudi authority on arrival, mainly due to poor body condition and suspected diseases. With a 25 percent mortality rate on return, this means a loss of \$700,000, not calculating the costs for unnecessary transport, costs incurred during quarantine, and other inputs.

The price differences demonstrate the economic potential for interventions related to upgrading the body condition of animals destined for the export market. As a result, major constraints in relation to the small ruminant livestock productions system in Somaliland and Puntland are related to animal health and animal feed, along with marketing information systems targeted for the export sector.

With the coordination of the Somaliland Ministry of Livestock and Veterinary Board and the Puntland Ministry of Livestock and Animal Husbandry, PEG's Livestock Sub-Activity conducted a variety of animal health, animal feed and animal marketing support activities including:

- A community-based animal health worker (CAHW) training program.
- CAHWs and local pharmacies were supplied with certified livestock drug kits.

- A minimum standards curriculum for CAHWs was developed.
- Fodder demo plots tested local and regional varieties and shared best practices with area fodder farms.
- A livestock drug awareness campaign was launched with the Ministries and local media outlets.
- The Somali region's first comprehensive livestock end market study was conducted.

Activities

The purpose of PEG's livestock intervention was to support animal health service delivery, improve availability of quality animal feed, and enhance livestock export market information in order to strengthen the enabling environment for investment, transfer knowledge to agro-pastoralists and para-vets, and generate sustainable employment and income in the sector. PEG's implementation strategy in the eastern region of Somaliland and central region of Puntland was to spread project activities geographically, and to increase the presence of key Ministry staff, local NGOs and universities as strong and committed partners in these regions. Because livestock is the region's most important economic sector, other development actors were working in this sector and enabling PEG to strategically partner and complement other development activities to maximize impacts. The objectives by activity included:

Animal Health Activity:

- Support to the Somaliland Veterinary Board to develop a harmonized CAHW training program with minimum standards curriculum.
- Through the local NGO VetAid in Somaliland and the local NGO KAALO in Puntland, PEG supported CAHWs with refresher trainings and provided start-up veterinary kits; improved the training of rural privatized vet pharmacies on issues related to veterinary drug quality and management, business and marketing development, and communications; and established stronger linkages between CAHWs, local veterinarians, local veterinary drug outlets, certified drug importers / suppliers, and the Ministry to develop a more efficient livestock drug supply chain.
- Through the local NGO KISIMA in Puntland, strengthened the veterinary vaccines supply chain and the institutional capacity of the Puntland Ministry of Livestock, by equipping the veterinary laboratory in Garowe with necessary equipment and supplies to carry out basic diagnosis of animal diseases and establishing an Essential Drugs List (EDL) and Standard Treatment Guidelines (STGs).
- Through the local media outlet AWKE Media Production Company, PEG developed a livestock drug awareness campaign with both Ministries of Livestock for eastern Somaliland and Puntland to provided drug information related to the quality, use (e.g. proper administration of antibiotics) and disposal of used and expired veterinary drugs to primary stakeholders, namely livestock producers, drug importers and drug outlets, veterinarians and CAHWs.

Animal Feed Activity:

- Through the local NGO Candlelight for Health, Education & Environment (CLHE) in Somaliland, PEG conducted a baseline survey on fodder production systems; established farm-based fodder and forage demonstration sites (with the introduction of high nutrient grass and drought-tolerant species) on lead farm plots and the University of Burao; and organized soil and water conservation activities in target communities intended to slow down water runoff, improve moisture retention, and enable higher yield of biomass production per hectare.

- Through the local NGO KAALO in Puntland, PEG supported improved harnessing of run-off rainwater as part of a rangeland management activity of targeted communities by strengthening community-based grazing management structures and laying down contour stones and earth bands to improve grassland floodplains.

Livestock End Market Analysis Activity:

- Through a local Somali research firm, AIMS Consulting, PEG conducted the first Somali Livestock End Market Study since the 1980s (before the collapse of the Somali State). The study provided strategies and recommendations for the Somali livestock export industry on how to improve competitiveness in key end markets. The study focused on consumer purchasing criteria, distribution channels, price segments, and buyer requirements, using a field team to conduct primary field research on market trends in Saudi Arabia, UAE, Qatar, Oman, Kuwait, Yemen, Egypt and other potential markets.

Results

- Through the Ministry of Livestock’s Veterinary Board, PEG developed Somaliland’s first harmonized Community Animal Health Worker training curriculum and CAHW minimum standards to be used by all livestock health implementing partners going forward. A forum known as *Monthly Consultative Meetings* was established by the Minister to convene key livestock stakeholders and ensure proper dissemination and coordination. As part of PEG’s sustainability strategy for this activity, the team worked with the Minister to ensure the Standardized CAHW curriculum was used by all Ministry staff, INGOs, donors and local NGOs going forward. Most recently, the CAHW curriculum was used in Odweine and Sahil regions through a GIZ-funded activity, and by World Vision and World Concern livestock projects.
- 40 villages benefitted from CAHW trainings. With estimated 150-200 homes per village, this represents an estimated 1,000 people per village or a total of at least 40,000 Somalis. These beneficiaries now have easier access to be better-trained CAHWs to support the health and livelihood of their primary household assets.
- The institutional capacity of the Ministry of Livestock and Animal Husbandry (MoLAH) was strengthened in Puntland. A newly built veterinary laboratory with trained public staff able to engage in animal disease diagnoses was established and provided with equipment and supplies, working in close cooperation with the Ministry. In addition, PEG facilitated connections between local vet pharmacies and wholesalers with assistance of the MoLAH. The pharmacies and CAHWs have access to the MoLAH’s veterinary officers and Puntland veterinary board to certify the quality of the drugs and the distributing stores. A recent third-party evaluation found that these value chain linkages have continued beyond the life of the project. Local entrepreneurs have invested in certified livestock drug retail outlets with the technical support of trained Ministry staff. In particular, trained CAHWs have invested in new pharmacies in Bayra village, Mudug Region after acquiring licenses from the MoLAH to expand their business; while another investor has established a wholesale operation in Galkayo to become both wholesaler and retailer in the region. The PEG-supported Ministry’s vet lab can now support these pharmacies with ensuring certified vet drugs are entering the country and being sold through proper market channels.
- The Livestock End Market Study laid the foundation for the Livestock Investment section of the Investment Guide and Investment Portal (<http://somalilandinvest.net/sectors/livestock-sector>). Also,

more than 70 participants representing livestock exporters, traders, transporters, shipping agencies, fodder producers, pastoralists, drug importers, and public institutions attended the End Market Study launch in 2013. An important outcome of the workshop was a declaration by major traders that they would form Somaliland's first livestock export trade association, as a way to become more organized in order to compete in global markets. The Association drafted an organizational governance structure and constitution, and by the time PEG was closing, was submitting their application for registration with various institutions including the Ministry of Trade and Investment, Ministry of National Planning, Attorney General, and the Chamber of Commerce.

ENERGY

Overview

- Somaliland power producers have tended to use imported expensive diesel fuel as the source of energy to generate electricity. Electricity tariff rates in Somaliland are considered the highest in Africa—and possibly the world—at approximately \$1.00-1.40 /kWh (over ten times the price of the United States). As global consumption, fuel costs and unstable imported fuel supply problems continue to rise, electricity costs will also rise. This level of cost is already restricting business development in Somaliland, and as it increases, at a certain point it will be too expensive for the majority of business and ordinary consumers in Somaliland. For power producers, it is becoming difficult to stay profitable and be sustainable.
- The cost of energy consistently ranks as one of the largest constraints to economic growth and competitiveness throughout all the Somali regions. While some NGOs had piloted stand-alone community-based activities, such as distribution of solar cookers, no donor or development partner had supported the Somali energy sector in a multi-faceted or private-sector-led way since the civil war.
- On the basis of the extensive field assessments and discussions with the energy stakeholders in Somaliland as well as the government authorities in Somaliland, a number of challenges and constraints in the energy value chain were identified. These include:
 - The lack of an energy legal and regulatory framework which results in major hindrances to promote investment in the sector and increase the energy sector's efficiency, as well as support basic standards and safety.
 - The difficult challenge of dependence on imported fuel for power generation and the consequence of high electricity costs in Somaliland.
 - The lack of the necessary skills and technical resources to utilize alternative energy sources for power production.

Activities

Considering these major constraints, the PEG's Phase I Energy activity included:

- Support to the Somaliland Ministry of Energy to draft Somaliland's first Electrical Energy Act and regulations through a year-long public-private dialogue (PPD) process;
- An Energy awareness campaign, using radio and TV messaging to have a nationwide dialogue about energy costs and the future of energy investment for economic growth—including widely publicized discussions with the Minister of Energy and leading IPPs on Somaliland national TV which was also uploaded on major diaspora websites with nearly 750,000 viewings.

- Building the basic capacity for the Ministry of Energy’s Electricity / Energy Inspectorate Unit;
- Launching a wind energy investment workshop to gauge interest by investors of wind power;
- Design of renewable energy resource materials and training program for managing directors and engineers of local independent power providers (IPPs);
- Installation of a medium-scale 5-turbine 100kW wind farm at the Egal International Airport in Hargeisa to be managed as a public private partnership (PPP) with the Ministry of Aviation, Ministry of Energy and local IPPs.
- Installation of four wind data monitoring stations to track wind speed and temperature at 25m and 36m heights, in real time, as a tool to develop Somaliland’s first wind map and generate data to support investment decisions by potential wind-energy investors

Results

- The major result of the PEG Energy sub-activity was the demonstration effect to crowd in the private sector. Somaliland’s many small independent power providers had never invested in wind technology before, and the demo wind farms provided tangible evidence that the technology could be effective to drastically reduce operational costs borne by expensive diesel generators—and eventually be a catalyst to lower energy prices. By the time PEG closed, there were seven new wind farms being planned for in 2016, with major orders from Somaliland’s largest businesses continuing to increase. For example, PEG’s local renewable energy contractor Golis Energy received an order in 2015 to install 5kw wind turbines at all 413 cell towers for Telesom, the region’s largest telecommunications company. In addition, at least three cities in Somaliland (Berbera, Ainabo, and Las Anod) have begun installing wind/solar-diesel hybrids to their city grids to expand renewable energy access to businesses and households. As of October 2015, the Somaliland Ministry of Trade and Investment estimates that over \$12 million of local and diaspora investment has been injected into the renewable energy sector. The managing directors of these IPPs—all of whom were active participants in PEG’s energy policy activity and renewable energy investment conferences—credit PEG for being the first donor-funded activity to pilot this technology and provide the platform for their investors to invest in the technology as well.
- With an estimated 3.5 million people living in Somaliland, a medium term projection of lower electricity costs to 10 percent of the population, would positively impact 350,000 people or 60,000 households, many of whom are using costly diesel power for both household and business/livelihoods purposes (irrigation, small business development, small scale processing, etc.). The estimated \$400,000 project investment into a small 5-turbine 100 kilowatt pilot wind farm spurred investment by the private sector of 2 megawatts (2000 kilowatts) into the wind sector—a leverage of 20 times the initial investment. PEG received a letter from the Chairman of the Somaliland Wind and Solar Power Producers Association stating that: “Before USAID introduced wind power in Somaliland, no power providers used wind to produce electricity. Within only 2 years, our association has collectively ordered and paid for wind turbines of more than 2.0MW, amounting to more than 10 percent of the total power production in Somaliland today.”

PARTNERSHIP FUND, ROUND 1

Overview

Prior to the fall of the Siad Barre’s regime in Somalia, all banks were state owned. Therefore, when Somaliland declared independence from Somalia in 1991, the government did not prioritize the establishment of the commercial banking sector or the required regulatory environment to develop financial services. At this time, Somaliland still remains one of the few places in the world with no established commercial banking sector, and access to capital continues to be a major constraint to private sector development. The few large businesses generally have access to formal or informal foreign investor shareholder agreements—mostly from large Middle Eastern investors—while informal micro-enterprises often rely on savings groups and small-scale buyer-supplier credit models. By contrast, small and medium enterprises (SMEs) face limited options to acquire larger amounts of capital (e.g. \$10,000 - \$200,000) they need to expand local industries, purchase machinery and generate employment.

To address this need, during Phase I of the program, PEG launched Somaliland’s first ever SME business plan competition, the Partnership Fund. Launched in January 2012, Round 1 of the Fund aimed to generate more productive employment in Somaliland. The Fund was an innovative business matching grants program that co-funded Somali businesses to forge partnerships and share risk in new private sector ventures.

Activities

BOCAT Tool and Business Capacity Training. The PEG team saw that most business grants finalists had requested capital equipment in their business proposals, such as ice-making machines, sewing machines, construction of quarantine facilities, wind turbines, and salt processing equipment. With such limited access to commercial loans to purchase machinery in the Somali regions, it is not surprising that few private sector applicants requested technical assistance to support their business operations. To ensure that PEG’s co-investments could be properly managed, the team designed and administered a pilot activity, *the Business Organizational Capacity Assessment Tool (BOCAT)*. The BOCAT tool modifies the OCAT (which is used to assess the capacity of local organizations). The tool is a self-assessment by the businesses themselves, to evaluate their own strengths and weaknesses in the areas of governance, staffing, financial management, and business operations. The BOCAT highlighted numerous business challenges amongst many Somali private sector stakeholders, such as:

Criteria for Evaluating Partnership Fund Proposal

Economic growth and development impact: What are the expected impacts on:

- Local employment and opportunities to improve employee skills;
- Income, wealth creation and increased local production
- Impact on women in business and youth employment
- Increased markets access for local suppliers and increased local consumption

Technical experience and technical feasibility: Does the applicant demonstrate an understanding of the subsector and/or proposed venture (including required capital and equipment, industry best practices, innovativeness, etc.)?

Financial viability and cost effectiveness: Does the applicant have a realistic business plan and clearly demonstrate that the funds requested cannot be obtained from other sources?

Analysis of market supply and demand: Does the applicant demonstrate an understanding of the demand (customers, prices, etc.); supply (accessing local and imported materials, etc.); and competition in the market?

Business management experience: Does the applicant(s) demonstrate strong experience as a business manager investing in Somaliland?

Amount of cost-share contribution: For the Small Grants, the cost-share minimum expected of the grantee is 50 percent of the Partnership program’s contribution. For the Large Grants, grantees are expected to contribute an amount equal to the contribution of the Partnership program (i.e. a 1:1 cost share). However, a higher cost share will give the grantee an added advantage.

- Basic organizational bookkeeping and financial management
- Internal financial controls and cash management policies
- Strong workplans based on best practice project management principles
- Hiring process, writing job descriptions, employee contracts delineating staff roles and responsibilities
- Inventory management, supplier/procurement procedures and warehouse management
- Marketing, pricing, advertising, and entering new markets

To complement the grants activity, PEG designed a business capacity training program to help improve these shortcomings. A local professional consultancy firm was engaged to design a demand-driven training based on the findings of the BOCAT. Week-long group trainings were held in Hargeisa and Burao—which were central to all grantees. In addition, group training was followed by onsite one-on-one consulting with the PEG’s weakest grantees to strengthen key aspects of their business operations. These one-on-one consultations included customer service training for the Partnership Fund’s tailoring and energy grantees; board structure and human resource systems development for livestock grantees; cost accounting and inventory/warehouse management training for fisheries grantees. The activity created tangible, practical deliverables such as HR and finance manuals, and installation of improved accounting practices designed to strengthen a business grantee's capacity to expand, hire more staff and enter new markets.

The full BOCAT can be found in Appendix II.

Partnership Fund, Round 1 Summary

- 292 Partnership Fund Concept Notes were submitted
- 36 were short-listed and requested to submit full proposals
- 13 finalists were awarded in Round 1. A summary of the sector, region and cost-shared investment for each finalist is summarized below:

Sector	Region	Main Support Aspects
Energy	Maroodijeex	~ support for purchase of propane cooking stoves and tanks
Livestock	Togdheer	~ livestock purchases ~ upgrade farm holding areas and fodder facilities
Clothing	Maroodijeex	~ sewing machines & materials ~TA from Ethiopian expert
Fisheries	Sahil	~ ice maker; cold storage ~ support for additional boat and nets
Dairy	Togdheer	~support to purchase of femal camels, milk analyzer, and solar-powered fridges
Livestock	Togdheer	~ drip irrigation ~new fodder seed varieties
Finance	Multiple regions	~ support to reestablished Gabiley office; w/ loan funds
Salt	Awdal	~salt processing equipment
Fisheries	Maroodijeex	~walk-in freezer, cold storage equipment, boat and nets
Job info search	Maroodijeex	~expansion of youth work readiness training ~Launch of first major Business Fair
Energy	Sahil	~ 3 20kw wind turbines ~technical assistance for installation, training, and capacity building

Livestock	Togdheer	~ support to expand livestock purchases ~financial and organizational capacity building
Finance	Multiple regions	~support for diaspora investor outreach activities ~support for initial organization operations for year 1 ~marketing and other support to diaspora in Kenya, Gulf, UK and US

Key highlights from Somaliland’s first business plan competition include:

- 77 percent (10 out of 13) of grantees are still in existing two years after PEG support ended. Note: the Global Accelerator Network (<http://gan.co/>) estimates that globally, an estimated 50 percent of their business investments fail; 30 percent have a low ROI; 10 percent have a 3x ROI on average; and only 10 percent go to scale.
- Of the 10 business still in operation, 8 grantees (62 percent) have thriving businesses and private sector development organizations which have capitalized on the PEG grant, measured through increased job creation, sales, access of new markets, increased technology transfer, and expanded customer base; while 2 of these grantees (15 percent) have faced some business, market, managerial and/or technical challenges in the past two years which is limiting their full operations at this time.
- Significantly, 15 percent (2 out of 13) of grantees have gone successfully to scale. The commercial fodder farm is now one of the largest such farms in the regions, providing grazing grounds and baled hay to local producers, transporters, and the major Berbera quarantine facility. It is showcasing the investment opportunities possible along the Togdheer River that are also professionalizing this export sector. The camel dairy milk grantee is part of growing number of emerging dairy farms that have been established in peri-urban areas outside of the main milk markets. Unlike traditional pastoralist and agro-pastoralist producers who may not sell milk as their primary livelihood activity, these establishments are registered enterprises with clear commercial motives, and provide evidence of a gradually professionalizing sector, as well. The PEG grantee was one of the first such dairy farms, and is now one of the largest in the whole region and is playing a lead firm / early adopter role within this growing domestic value chain.
- Finally, 23 percent (3 out of 13) of grantees have closed / stopped their business activity in the 2 years since PEG support ended due to a variety of business, market, managerial and/or technical challenges.

It is important to note that all three of the grantees that have closed were Start-Ups; and the two existing grantees presently having challenges are also Start-Ups. As a result, based on PEG’s CLA approach, Start-Ups were not eligible to apply for the Partnership Fund Round 2—which is also guidance that DAI provided to the other major business grants activities that followed PEG (e.g. World Bank’s Somaliland Business Fund and DfID’s Somaliland Development Fund). Even so, 2 out of 5 of the Start-Ups (40 percent of the Start-Ups given grants) are still in operation, which is well beyond the global average for Start-Ups supported by donor-funded business matching grants programs and incubator/accelerator programs.

Partnership Fund grants to private sector development-focused NGOs yielded significant results as well. In fact, both of the PEG-supported NGOs were able to build upon the PEG grant and have received further external funding (including from a US-based impact investment fund) that has allowed them to scale up. While the CLA process determined that NGOs were not eligible for the Partnership Fund Round 2, the Round 1 successes include:

- Expansion of one of Somaliland’s first microfinance institutions to new regions, through technical support and loan capital; which has used an Islamic Banking revolving fund model that has already increased lending to women micro-entrepreneurs by nearly 10 fold in the past two years,
- Investment in Somaliland’s first youth employment training center and online/SMS job matching program, which launched the first ever Job Fair where 310 youth received jobs and, internships with 41 local businesses and 18 organizations.
- Eight grantees, businesses and private sector development organizations, capitalized on the PEG grant and are prospering, measured through 67 new full-time jobs, 20 new seasonal jobs, 3 new customer contracts, and a large number reinvesting back into their business from revenues earned-2 purchased additional livestock, 2 purchased additional equipment, one expanded their facility, one with expansion plans and another leveraged additional loan fund capital for 886 new farmers.
- Based on the BOCAT results, the cumulative improvement in the 10 business grantees’ capacity (as measured in terms of Governance, Human Resource, Financial and Operational Capacity) over the life of PEG Phase 1 was 13.3 percent—moving from baseline of 15.8 out of 100 to 29.2 out of 100. Detailed results are presented in the table below, and the full BOCAT can be found in Appendix II.

PEG Partnership Fund Round 1 BOCAT SCORES

		Business Grantee 1		Business Grantee 2		Business Grantee 3		Business Grantee 4		Business Grantee 5		Business Grantee 6		Business Grantee 7		Business Grantee 8		Business Grantee 9		Business grantee 10		Business grantee 11	
		Baseline	After grant	Baseline	After grant	Baseline	After grant																
A	GOVERNANCE																						
	Use of Resources	10	22	18	8	1	7	0	7	8	23	20	25	9	11	0	16	11	22	6	9	1	14
	Institutional Stability (Performance over Time)	22	35	33	21	6	11	7	16	7	20	9	28	12	20	6	27	10	26	8	22	6	17
	Adaptability (Future Needs)	3	8	3	3	0	5	3	5	1	5	4	15	2	7	1	13	2	13	5	7	1	3
	<u>Governance – TOTAL</u>	35	65	54	32	7	23	10	28	16	48	33	68	23	38	7	56	23	61	19	38	8	34
	<u>Governance – AVERAGE</u>	1.5	2.8	2.3	1.4	0.3	1.0	0.4	1.2	0.7	2.1	1.4	3.0	1.0	1.7	0.3	2.4	1.0	2.7	0.8	1.7	0.3	1.5
B	HUMAN CAPACITY																						
	Use of Resources	15	15	23	21	1	13	15	20	9	23	10	12	9	20	10	22	14	32	9	19	0	13
	Institutional Stability	7	11	8	4	0	2	7	8	5	5	5	34	4	4	6	4	6	4	4	5	0	2
	Adaptability (Future Needs)	6	10	2	0	0	2	2	6	1	5	0	12	9	6	0	4	2	4	1	4	0	1
	<u>Human Capacity – TOTAL</u>	28	36	33	25	1	17	24	34	15	33	15	58	22	30	16	30	22	40	14	28	0	16
	<u>Human Capacity – AVERAGE</u>	1.2	1.6	1.4	1.1	0.0	0.7	1.0	1.5	0.7	1.4	0.7	2.5	1.0	1.3	0.7	1.3	1.0	1.7	0.6	1.2	0.0	0.7
C	FINANCIAL CAPACITY																						
	<u>Financial Capacity – TOTAL</u>	15	25	29	33	5	14	27	32	24	30	26	45	29	35	7	27	20	22	18	35	6	13
	<u>Financial Capacity – AVERAGE</u>	1.2	1.9	2.2	2.5	0.4	1.1	2.1	2.5	1.8	2.3	2.0	3.5	2.2	2.7	0.5	2.1	1.5	1.7	1.4	2.7	0.5	1.0

	Business Grantee 1		Business Grantee 2		Business Grantee 3		Business Grantee 4		Business Grantee 5		Business Grantee 6		Business Grantee 7		Business Grantee 8		Business Grantee 9		Business grantee 10		Business grantee 11	
	Baseline	After grant	Baseline	After grant	Baseline	After grant																
D OPERATIONS																						
Operations – TOTAL	15	16	9	9	6	10	2	11	10	10	8	39	10	17	3	17	4	18	5	16	2	4
Operations – AVERAGE	1.5	1.6	0.9	0.9	0.6	1	0.2	1.1	1	1	0.8	3.9	1	1.7	0.3	1.7	0.4	1.8	0.5	1.6	0.2	0.4
ROUND 1: TOTAL AVERAGE SCORE	5.4		6.9		13		3.8		4.2		4.9		5.2		1.8		3.9		3.3		1.0	
ROUND 2: TOTAL AVERAGE SCORE		7.9		5.9		3.8		6.3		6.8		12.8		7.3		7.5		7.9		7.2		3.6
Analysis of BOCAT Data	Score (out of 24)				Score (out of 100)				% Change													
Baseline	3.8				15.8				N/A													
After Grant	7.0				29.2				13.3% Increase													

BUSINESS ENVIRONMENT AND INVESTMENT PROMOTION

Overview

Over the past decade, investment into the Somaliland economy—particularly by the global Somali Diaspora community—had been steadily growing as peace and stability have improved and the central government is slowly strengthening its institutions and governance. There is also nascent interest expressed by other investors from the EU, Middle East and Asia. However, when PEG began there was neither a centralized information clearinghouse, nor a web-based platform for investment opportunities and lacked a central place (one-stop shop) for potential investors to be walked step by step through the processes of investing and establishing a business in Somaliland. The Somaliland National Industry Association reported that 39 of the 54 small and medium industries registered with them had closed as of 2010. Many of these were Diaspora investments that did not have basic market information or strong support when investing in a new industry. However, with an estimated \$1 billion of remittances flowing to Somaliland each year, major opportunities exist to ensure the remittance flow and nascent foreign investor interests are translated into sound investment deals, protected by supported business enabling environment framework.

Activities

With the stated program objective to help local authorities and private sector groups improve the enabling environment for investment, the PEG Phase I Business Environment (BE) Sub-Activity engaged in a variety of policy development, investment promotion, business research and capacity building efforts with the Somaliland Ministry of Commerce (now called the Ministry of Trade and Investment) and Chamber of Commerce. BE Activities included:

- PEG provided capacity building support for the Investment Department staff of the Ministry of Trade and Investment on survey training / data cleaning to conduct the Business Surveys. The follow-up activities included working with the Ministry and Chamber of Commerce to conduct a series of Business Confidence Surveys to lay the foundation for the business and investor perceptions sections of the investment guide.
- To strengthen the operational functionality of the Ministry's nascent Investment Department, PEG supported the Ministry with two refurbished office rooms and a business license registration software package to streamline domestic, diaspora and foreign investment processes.
- A key aspect of PEG's BE activities included support to the Ministry of Trade and Investment in publically reviewing draft amendments to the 2008 Somaliland Foreign Investment Law. Domestic and foreign investors alike have complained about challenges such as unclear trade rules, time-consuming decision making processes by government institutions involved with regulating investment deals, and unattractive tax schemes. The validation workshops set out to gain wide stakeholder perspectives of how the investment and commercial laws could be improved. Participants reviewed key chapters of the draft laws such as the structure of the Foreign Investment Board, procedures for approving investment deals, tax exemptions, integration of these laws with the existing Somaliland Insurance Law and the Company Law, protection of domestic infant industries, and arbitration processes.
- PEG provided technical support to the Ministry of Commerce in preparation for the second round of bilateral trade negotiations with the Government of Ethiopia, by fielding a local and international trade expert to review relevant documents on trade negotiations develop a *Somaliland-Ethiopia Trade Negotiation Briefing Booklet*.

- The major culminating project from these activities was the development of Somaliland’s first Investment Guide. The Guide outlines the process of investing in Somaliland and reviews business failures and successes in order to address perceived threats (e.g. security, underdeveloped regulatory framework); and highlight hidden opportunities (ease of starting business, opportunities for growth, etc.). The Investment Guide provides an important clearinghouse of economic, legal, regulatory and investment profiling information for local/Diaspora/foreign investors. PEG worked directly with the Ministry of Commerce, and eight other key institutions (Ministries of Fisheries, Agriculture, Livestock, Planning, Foreign Affairs and Energy; along with the Diaspora Agency and the Chamber of Commerce) to develop both an English and Somali hard-copy and web-based investment guide, which can be found online at www.SomalilandInvest.net.

Building upon the experience of developing the Somaliland Investment Guide, PEG also worked with the Puntland Chamber of Commerce to develop Puntland’s first Investment Guide.

Results

- 1,000 copies each of the English and Somali versions of the Somaliland Investment Guide distributed by the Ministry of Trade and Investment at a variety of Somali investment conferences in Somaliland, Nairobi and Dubai.
- Increased business confidence demonstrated by Somaliland’s local/Diaspora/foreign investors, as measured by improvement in the Somaliland Business Confidence Surveys. According to these PEG-supported surveys, jointly undertaken by the Ministry of Commerce and the Chamber of Commerce, challenges faced by enterprises that resulted in large number of failures among small industries include: high energy costs; shortage of locally available skilled labor; labor costs and inadequate wages; erratic and unreliable supply of raw materials and industrial inputs; tax burdens; lack of credit and business financing; competition from cheap imports; challenges with property rights and security of land tenure; limited assurances of contractual enforcement; poor infrastructure, particularly main roads and feeder roads resulting high transport costs. The findings of the business confidence surveys were included in the Somaliland Investment Guide to provide Diaspora and local investors better information on the investment climate, including information on the challenges above (cited as reasons for business failure) and how to make more informed business decisions that lead to more successful investments.
- Strengthened Ministry of Commerce Investment Department staff to better enable them to work with sector specialists to compile and draft investment profiles of economic sectors, and disseminate market information to potential investors.
- A variety of investment deals initiated or completed, driven in part by the research, information dissemination, investment training and networking process of developing the Investment Guide with the Ministry of Commerce (e.g. the \$12 million of new investment into the renewable energy sector has been attributed to the demo wind farm + wind data monitoring stations + renewable energy investment information compiled and widely disseminated in the investment guide).

PEG PHASE II: 2013–2015

Guided by the South-Central Somalia Economic Growth Assessment and validation workshops, PEG Phase II consisted of four major activities—including three value chain activities: Somaliland Agriculture, South-Central Somalia Agriculture, and South-Central Somalia Livestock; one cross-cutting private sector development activity; and Round II of the Partnership Fund business matching grants activity.

SOMALILAND AGRICULTURE

Overview

During the third growing season of Phase I, Amoud began piloting a new practice of seed cleaning, packaging and marketing after receiving training from PEG’s agricultural specialists. Soon after the training of Amoud’s staff on the new cleaning practice was completed, testing began to see the new cleaning techniques’ effect on the yield potential and susceptibility to disease of these seed varieties. The initial results were promising. However, as late-stage trials began it soon became apparent that while the new cleaning practices were effective, and the seed varieties were high-yielding, these varieties were not producing enough seeds to be profitably packaged and sold to consumers, which led to the development of Phase II of the Somaliland agriculture activity..

Working alongside Amoud throughout this piloting process, DAI realized that this problem meant Amoud’s goal of marketing and packaging seeds—as part of the activity’s sustainable and cost recovery strategy with local farmers—would not be possible by project end. While disappointing, this setback did identify, however, the important and previously unknown need for a formalized system of accessing advanced breeding technologies for developing and producing seeds, seedlings, and planting materials.

In response, the PEG team collaborated with Amoud to help them learn and adapt to this reality, grounded in yield data, testing from field days, and consumer preference research from harvest market days. Coordination and dialogue with Amoud and local counterparts showed DAI that Somalis were not using best practices for seedling development and that little was being done to prevent harmful water-logging during heavy rains.

To address these problems, PEG supported Amoud during Phase II to work with extension agents to develop a commercial nursery at Amoud’s Faculty of Agriculture designed to sell the tested vegetable varieties to local farmers. Over the past three seasons of Phase II, Amoud has incorporated seedling tray technology into its operations, and now serves as a seedling sales center for the region. The modified activity is helping Amoud cover the costs of its widely popular agriculture extension services—and essentially showcasing one of western Somaliland’s first functioning agricultural embedded extension services.

Activities

- *Pilot seedling production at three plots at Amoud, Baki and Ruqi using germination trays.* To avoid water logging and improve the generally poor quality of seedlings produced by local farmers, a seedling demonstration activity was established at the Amoud, Baki and Ruqi demonstration plots. Extension agents demonstrated and trained the farmers on improved methods of seedling production. PEG supported the development of a seedling production center at Amoud University. The objectives of the Center were to create a source of high quality seedlings for farmers and to charge reasonable fees that will enable the Center to continue functioning into the future.
- Using the farmer field school approach, extension workers continued to provide guidance and advisory services to farmers, encouraging them to adapt new farming technologies and incorporate good agricultural practices such as appropriate seedling transplanting techniques, staking, spacing, crop rotation, and compost applications for soil fertility improvements.
- PEG supported an exchange visit and study tour for Amoud extension workers, professors and lead farmers to travel to Shabelle to be exposed to SATG’s demo farms and meet South-Central Somalia

farmer. The study tour allowed farmers and extension workers to share experiences and learn from each other.

Results

- In the upcoming growing seasons, Amoud University plans to use the funds collected from seedling sales to farmers from the previous season to continue seedling development on the demo plots and invest in extension service support. It is unclear at this time whether the Department of Agriculture will be able to fully sustain this activity without any external funds, but there appears to be encouraging evidence that the cost recovery mechanism developed under PEG will allow the program to continue and grow. The table below demonstrates that Amoud will cover the costs of the seedling development and extension activity if a minimum of 70 farmers buy seedlings at each demo plot. During season 2, Amoud recovered sales from 70 percent of farmers, in the form of \$5 of in-kind vegetables per each tray that the farmer purchased. However during season 3 the rains were delayed and many crops were destroyed, resulting in a low harvest and limited ability for Amoud to recover their costs. This was the first donor-funded Somali agriculture activity that established a cost-recovery mechanism where farmers saw the value proposition of buying improved seedlings and receiving extension advice to increase yields.
- Amoud University will continue to use the demo plots—especially the 1 ha research plot on campus—as a hands-on learning center for agriculture students. This is the first horticulture demo plot established at a university in the Somali regions since the civil war, and is allowing students to gain more practical training. Considering that 60 percent of Amoud’s agriculture students are from South-Central Somalia (e.g. Shabelle).
- 1000 seedling trays (average 30 trays / farmer, of 66 – 160 seedlings / tray) were distributed for free during Season 1 of Phase II to lead and contact farmers; and 2500 seedling trays (average 30 trays / farmer) were sold during seasons 2 and 3 at \$5 (~10kg) per tray. Each farmer purchased an estimated 20 trays = 200kg/farmer = \$100.

	COSTS		REVENUE	
Cost of 1 demo site / season				
Tomato seeds(\$ 25/tin)- 1 tin for 1000 trays (est. 66 plants / tray)	\$25			
Onion seeds(\$ 25/tin)- 1 tin for 1000 trays (160 plants / tray)	\$25			
Hand tools(water can, sprayer, shovels and hoe and wheelbarrow)- lump sum	\$100			
2 loads of Manure, DAP and Vapco more pesticides /site lump sum	\$100			
fuel cost(60 liters)/site * \$1 - (for shallow well irrigation to pump generator - note generator owned by farmer)	\$60			
Cost of seedling trays - \$2* 1000	\$2,000			
Total cost of inputs		\$2,310		
Labor costs				
Demo plot attendant-\$150/month (1.5 months to produce seedlings)	\$225			
Labor cost(14 persons * \$7/day) - (filling trays + mixing soil manure; planting, weeding)	\$98			
Extension workers (2 / demo plot) (Nursery dev through transplanting: \$20/day x 12 days/month x 1.5 months - April-mid May) (Extension services: transferring technologies through field days, advising farmers, group trainings - 2.5 months, mid-May-July)	\$1,920			
Supervisor (supports 2 demo plots) - (\$30/day x 4 days/month/demo plot x 4 months)	\$480			

	COSTS		REVENUE	
Transport for extension worker (and supervisors) (1 car x 6 days/demo plot x 80/day x 4 months)	\$1,920			
Total cost of labor		\$4,643		
<u>Cost share by farmer:</u>				
Land for demo plot	\$0			
Water for irrigation	\$0			
Water pump and pipes	\$0			
Total Cost Of Lead Farmer Contribution (for Amoud)		\$0		
TOTAL COST OF ONE DEMO PLOT		<u>\$6,953</u>		
Sale price of 1 tray of seedlings to farmers			\$5	
Average number of tray purchased by lead and contact farmers			\$20	
Number of farmer / demo plot needed to break even			70	
TOTAL REVENUE collected / demo plot (if a minimum of 70 farmers participate)				\$7,000
TOTAL REVENUE collected / demo plot (if a minimum of 100 farmers participate)				<u>\$10,000</u>

SOMALILAND PARTNERSHIP FUND ROUND II

Overview

For the second phase of the PEG program, a second round of the Partnership Fund was implemented. The overall activity objective remained the same as Round 1: *To co-invest in Somali businesses through a grant mechanism to support innovative approaches to strengthen the Somali private sector and generate employment, while ensuring shared risk by encouraging a cost-share with award recipients.* The major differences between Round 1 and Round 2 were that:

- The Fund was only open to private businesses (e.g. companies, joint ventures and partnerships, sole proprietorships, etc.) and commercially-oriented cooperatives and associations in productive sectors (e.g. agriculture cooperatives, fishing associations, etc.). Local NGOs were not allowed to apply in Round 2.
- Round 2 also mandated that applicants were to have been engaged in business activities from productive sectors of the economy only (e.g. activities that strengthen value chains, such as crop agriculture and agro-processing, livestock, dairy, poultry, energy, fisheries, gums and resins, beekeeping). Therefore, service and retail sectors such as support to hotels, gas stations, electronics stores, and restaurants were not be considered.
- The cost-share structure also changed for small grants. Applicants requesting grants between \$30,000 and \$50,000 needed to show a minimum of a 50 percent cost-share, compared to the 25 percent cost-share for small grants under Round 1.
- The maximum requests for large grants increased from \$100,000 to \$250,000.

Activities

The Partnership Fund Round 2 followed a similar process as Round 1, with regional information sessions, widely advertised Annual Program Statement (APS), a Review Committee short-listed concept notes, a short-listed bidder's conferences, field visits and due diligence review of finalists, and award.

In addition, building upon the BOCAT and Business Capacity Training experience of Round 1, a modified and tailored activity was developed which provided more one-on-one advisory support to grantees to support them with the business growth plans and in-kind grants management of new equipment.

Partnership Fund, Round 2 Summary

- 762 Partnership Fund Concept Notes were submitted (more than double than Round 1)
- 38 were short-listed and requested to submit full proposals
- 12 finalists were awarded in Round 2. A summary of the sector, region and cost-shared investment for each finalist is summarized below:

Sector	Region	Main Support Aspects
Sale/lease of solar products to rural communities	Maroodijeex	<ul style="list-style-type: none"> • Cooling Fridge and Freezers • Inverter, Battery Solar block, • Lithium Light kit (67 units)
Expansion of dairy farm	Maroodijeex	<ul style="list-style-type: none"> • Camels • Solar Refrigerators • Milk Equipment/Cans • Hot Water Sterilizers
Expansion of women's livestock trading operation	Awdal	<ul style="list-style-type: none"> • Sheep and goats
Processing of various seeds for cooking oil production	Maroodijeex	<ul style="list-style-type: none"> • 8 ton Cooking refinery plant with 4 ton milling, component inclusive of installation & training
Expansion of export operations of frankincense and myrrh	Maroodijeex	<ul style="list-style-type: none"> • Hammer Mill and Generator • Vibrating screen and Fixtures & fittings for warehouse
Establishment of grain processing operation	Awdal	<ul style="list-style-type: none"> • Milling Plant: Sorghum, Maize & wheat
Extension of Ubale Poultry and Bee Farm	Maroodijeex	<ul style="list-style-type: none"> • Battery cage system • Poultry chicks & veterinary drugs and poultry feeds
Expansion and enhancement of fishing operation	Sanaag	<ul style="list-style-type: none"> • Fishing Boats • Fishing nets
Establishment of Renewable Energy Service Center	Maroodijeex	<ul style="list-style-type: none"> • Lathe machine and 10 ton truck-mounted crane 10 ton • Hydraulic Press 10 ton • Sheet metal rolling machine
Sesame seeds processing for cooking oil production	Togdheer	<ul style="list-style-type: none"> • Sesame hydraulic oil pressing machine • BQG oiling machine • Bottle capping machine and semi-automatic bottling machine
Expansion of irrigated horticulture farm	Sahil	<ul style="list-style-type: none"> • Solar-powered pumps • Digging of shallow wells

Unlike the two year review of Round 1 grantees in the earlier section, it is not yet possible to provide a full assessment of the results of the Partnership Fund Round 2, due to the recent award allocation. Grants in Round 2 only included in-kind grant disbursements focused on capital equipment, and many pieces of machinery with installation training arrived in the last few months before PEG was closed. General findings for Round 2 include:

- All three food processing grantees offer major opportunities to become lead firms in their sectors. The PEG-supported Somaliland Investment Guide, developed in Phase 1, highlighted the region's heavy reliance on food imports, particularly basic staple diet foods, and the limited private sector investment focused on value addition. PEG's grants include some of the largest investments in the agro-processing

industry for Somaliland including first-of-its-kind: commercial scale ground nut milling and cooking oil processing, a grain processing mill (for wheat, maize and sorghum), and sesame processing (with commercial-scale hydraulic press).

- Two of the grantees have already begun to see their investments exponentially increase their sales capacity, with clear indications that they will be able to rapidly scale up in the coming year. In particular, the poultry grantee is already selling fresh eggs through retailers in all neighborhoods of Hargeisa, and has plans to begin selling to other major Somaliland cities after further investment in transport. In addition, PEG saw the successes of the Burao-based camel dairy grantee from Round 1, and invested in one of the emerging dairy farms serving the growing Hargeisa market. Dairy production at a commercial scale in Somaliland is virtually non-existent, with powdered milk being one of the most imported products. While it is one of the most popular drinks in the country, the logistics and storage challenges that the rural population faces in bringing the product to market results in low and seasonal supply. PEG’s investment in innovative solar-powered cold storage and sterilizing equipment are extending the shelf-life and the mobility to reach more rural producers—which is creating a market at more commercialized collection centers and expanding employment opportunities for the company’s women salesforce.
- The renewable energy grantee has already seen its contracts with private and public partners grow significantly since it was awarded the Partnership Fund Round 2 grant. Some of the grantee’s contracts are discussed in the Energy Sector section above. For example, the PEG-funded truck-mounted crane is one of the first such cranes in Somaliland that will be able to support larger wind turbine installations. The grant to this leading enterprise offers investors, power companies, government institutions, and development agencies (including contracts with other USAID/Somalia projects) a local high capacity partner to greatly expand renewable energy installations in the coming years.
- Based on the BOCAT results, the cumulative improvement in the 11 business grantees’ capacity (as measured in terms of Governance, Human Resource, Financial and Operational Capacity) over the life of PEG Phase 2 was 29 percent—moving from baseline of 15 out of 100 to 44 out of 100. Detailed results are presented in the table below, and the full BOCAT can be found in Appendix II.

PEG Partnership Fund Round 2 BOCAT SCORES

		Business Grantee 1		Business Grantee 2		Business Grantee 3		Business Grantee 4		Business Grantee 5		Business Grantee 6		Business Grantee 7		Business Grantee 8		Business Grantee 9		Business Grantee 10		Business Grantee 11	
		Baseline	After grant	Baseline	After grant	Baseline	After grant																
A	GOVERNANCE																						
	Governance - TOTAL	15	25	5	13	13	26	9	8	6	10	2	5	10	18	10	18	6	7	7	13	11	17
	Governance - AVERAGE	2.1	3.6	0.7	2.0	1.8	3.7	1.5	1.1	1.0	1.4	0.3	0.7	1.6	2.5	1.6	2.5	1.0	1.0	1.1	1.8	1.8	2.4
B	HUMAN CAPACITY																						
	Human Capacity - TOTAL	10	16	4	5	8	18	4	2	8	8	2	0	8	6	9	5	3	0	3	7	2	6
	Human Capacity - AVERAGE	2.0	3.2	0.8	1.0	1.6	3.6	0.8	0.4	1.6	1.6	0.4	0.0	1.6	1.2	1.8	1.0	0.6	0.0	0.6	1.4	0.4	1.2
C	FINANCIAL CAPACITY																						
	Financial Capacity - TOTAL	22	37	20	16	21	39	18	16	17	20	2	2	20	20	22	20	15	2	7	15	11	15
	Financial Capacity - AVERAGE	2.2	3.7	2.0	1.6	2.1	3.9	1.8	1.6	1.7	2.0	0.2	0.2	2.0	2.0	2.2	2.0	1.5	0.2	0.7	1.5	1.1	1.5
D	OPERATIONS																						
	Operations - TOTAL	20	34	11	22	17	41	7	2	9	13	5	0	16	15	15	16	10	5	7	12	10	8
	Operations - AVERAGE	1.8	3.1	1	2	1.5	3.7	0.6	0.2	0.8	1.2	0.5	0	1.5	1.4	1.4	1.5	0.9	0.5	0.6	1.1	0.9	0.7
E	Marketing and Sales																						
	Marketing & Sales - TOTAL	19	23	14	14	20	26	8	6	7	14	7	4	13	21	23	14	10	0	10	13	7	7
	Operations - AVERAGE	2.7	3.3	2	2	2.9	3.7	1.1	0.8	1	2	1	0.5	1.8	3	3.3	2	1.4	0	1.4	1.9	1	1

	Business Grantee 1		Business Grantee 2		Business Grantee 3		Business Grantee 4		Business Grantee 5		Business Grantee 6		Business Grantee 7		Business Grantee 8		Business Grantee 9		Business Grantee 10		Business Grantee 11	
	Baseline	After grant	Baseline	After grant	Baseline	After grant																
ROUND 1: TOTAL AVERAGE SCORE (A + B + C + D + E avg) - out of 20	10.8		6.5		10.0		5.8		6.1		2.3		8.4		10.2		5.4		4.4		5.2	
ROUND 2: TOTAL AVERAGE SCORE (A + B + C + D + E avg) - out of 20		17.0		8.6		19.0		4.1		8.2		1.4		10.1		9.0		1.7		7.6		6.8

Analysis of BOCAT Data	Score (out of 20)	Score (out of 100)	% Change
Baseline	6.8	15.0	N/A
After Grant	8.5	42.5	27.5% Increase

SOUTH-CENTRAL SOMALIA LIVESTOCK

Overview

Livestock is the largest economic sector in Somalia, accounting for over 40 percent of the GDP. Within that sector, the raw milk trade that was well established several decades ago has eroded and is currently facing severe disruptions due to insecurity, roadblocks, spoilage and poor handling/hygiene. The dairy sector offers major opportunities for new and better employment (increased income) especially for women working along the value chain. The South-Central Somalia Livestock sub activity worked with and supported the cow and camel milk value chains in the Shabelle region and in Mogadishu. The activity worked with all four of the major players in the dairy value chain, including: milk producers/sellers, milk collectors/traders, dairy farms and milk processors, and dairy input suppliers.

Activities

PEG worked with private and public sector stakeholders to address key constraints faced by the primary actors in the milk value chains through the following activities:

- *Improving livestock/dairy production by increasing feed and fodder availability by introducing and demonstrating improved fodder production technologies.* The project supported improved fodder production technology in the three primary project demonstration plots that were established in association with the South-Central Agriculture sub-activity. The project worked with fodder producers, feed processors and livestock producers to demonstrate fodder seed testing and disseminate best husbandry practices.
- *Providing technical and in-kind support to farmers to improve animal health by addressing endemic endo- and ecto-parasites.* Both technical and in-kind support was provided to contract livestock farmers to address the problems of ecto and endo parasites which account for a nearly 50 percent reduction in milk yields. In-kind micro-grants were provided and the project additionally engaged agro-vet businesses to ensure private-sector led viability of the activities.
- *Improving milk handling, hygiene, marketing (and processing as appropriate), through a variety of measures targeted at producers, collectors, processors and distributors.* In order to increase the amount of milk that is marketed by milk producers and that eventually reaches the market, the program provided technical advice, in-kind micro-grants and matching grants to improve milk handling and hygiene and to support milky cold chain systems. The grants were used for cold chain technology such as hygienic and suitable milk containers, milk testing equipment, and solar powered milk cooling systems. No charcoal cooling systems were used or supported. In support of the micro grants and matching grants to milk producers and sellers, milk collectors/traders, milk traders/distributors and agro-dealers, the project provided technical advice and training through the provision of dairy extension services.
- *Improving the legal and regulatory environment and support to organizational/institutional capacity of the government and private sector.* Support and policy development assistance was provided to the Somalia Ministry of Livestock for regulatory, policy and institutional capacity building. Local consultants were engaged to work with the Ministry and other stakeholders to draft or improve the legal and regulatory frameworks. Additionally capacity strengthening training and skills transfers was conducted for dairy value chain actors.

Results

- Established production of fodder and propagation of seeds and planting material, combined with training and backstopping fodder growers. Two hundred thirty four milk producers, 60 small-scale farmers, nine commercial fodder producers, two Ministry of Agriculture staff, and five staff of Benadir University were trained on fodder production and hay-making. Manuals on both subjects were developed. Seeds of fodder grasses and cuttings of Napier grass were given to 200 lead farmers and 20 commercial farmers, respectively. Technology spill over was realized in other regions like Lower Shebelle Hiran, Bay and Gedo. Recently a pack consisting of 500 Napier grass cuttings were sold to SomRep, a coalition of 7 international NGO's based in Dolow. Farmers in the Lower Shebelle are buying cuttings of Napier grass from the ABIC center, Afgoi. The price is set at 0.25 US per cutting (about 30 cm). The link to the spill over technology article can viewed at the following Link: <http://satg.org/technology-spill-over-impacting-beyond-direct-target-population/>. In addition the planning materials, SATG is providing technical support services to the farmers interesting in fodder crops.
- Extended the fodder technology to the broader PEG project. Beneficiaries included the Somali Umbrella for Livestock Development, 11 subsistence milk producers, and the Somali Agriculture Girls Association (SAGA).
- Introduced feed supplements (Vitablock®) to milk producers. In-kind micro-grants in the form of seeds/cuttings, fertilizer, and tractor hours were given to small-scale and commercial fodder producers. Also included in the scheme were members of the Umbrella for Livestock Development.
- Engaged milk producers and traders in successive training on the best hygiene practices and introducing quality milk containers and cold boxes. Two Hundred and five hundred food-grade milk cans were procured from Kenya and India, respectively and distributed as in-kind micro-grants to 200 milk producers and 25 milk traders. Ongoing feedback from PEG participants confirms that the women milk traders have great interest in the Indian milk cans. A trader from Balad has been linked to the Indian company and there is ample opportunity for a follow-on USAID activity.
- Supported private animal health service providers in gaining access to quality veterinary drugs. In addition, the benefits of animal health measures on milk yield were demonstrated to milk producers.
- One of the beneficiaries was the Livestock and Agro Drug Cooperative (LADCO), which is connected to a reliable drug supplier in Kenya. Increased sales of quality veterinary drugs by LADCO were recorded. LADCO has opened four more veterinary drug stores in Baidoa, Belet-Weyn, Buulaburte, and Kismayo.
- Conducted train-the-trainer (TOT) workshops on safe use, handling, storage, and disposal of drugs, as well as the observance of the drug withdrawal period in food and, especially, milk producing livestock was conducted.
- Formulated and submitted a draft Dairy Industry Bill and a Code of Milk Hygiene document to the Ministry of Livestock, Forestry and Range. The ministry made a commitment to support and present the drafts to Parliament. Contacts were established through the USAID-funded Strengthening Somali Governance Activity (SSG) that supports parliaments on developing policies and regulations. Despite that the regulations had passed by the parliamentary committee by the time PEG closed, SATG continues to pursue the production of certified seed. SATG is in communication with the Ministry of Agriculture discussing ways to jointly inspect seed crops currently grown at ABIC and contracted seed

growers following the recommendations set out in the policy documents. This is to stimulate the thinking of the Ministry that there is a need for a certified seed. See the link below an article on seed certification: <http://satg.org/why-use-certified-seed/>.

- Established a working relationship with the veterinary faculties of Benadir and Horseed Universities, and vet students/graduates from the two institutions are to be integrated into SATG livestock training.

SOUTH-CENTRAL SOMALIA AGRICULTURE

Overview

In South-Central Somalia, crop farming is an important economic activity providing employment and a food source to millions of people, particularly in the Shabelle and Juba Valleys as well as the inter-riverine regions of Bay and Bakool. Historically, food production and processing, especially around the Shabelle Valley and Banadir Region, have been important industries. Major products include bananas, sugar, tomato, and rice production and processing. Maize is the main crop in the Shabelle Valley, while sorghum is a major crop in the inter-riverine agro-pastoral areas of Bay and Bakool. Twenty-three years of civil unrest has led to the destruction of agriculture infrastructure, markets, agriculture institutions, and human capacity. Working to improve crop production was an important initial undertaking for a USAID flagship economic growth activity in South-Central Somalia, because of the potential impact on incomes for crop value chain actors, while creating jobs and providing greater access to food.

The objective of the PEG Phase II South-Central Somalia Agriculture Sub-Activity was to increase stability through inclusive economic growth. Through targeted grants and technical assistance, the project would achieve this by increasing food availability and farmer incomes and creating employment in the agriculture value chains through increased crop productivity.

Activities

PEG's pilot Agriculture Sub-Activity in South-Central Somalia built upon the model and lessons learned from the activity with Amoud University in Somaliland under PEG Phase I. Using a classic “show and tell” model, activities consisted of technology testing, demonstration and transfer for cereals, vegetables, oil crops and fodder crops in parts of the Middle and Lower Shabelle Regions of Somalia. This was achieved by setting up two tiers of demonstration plots—three dedicated testing and training sites plus each lead farmer establishing demonstration plots on their respective farms. The activity provided technical assistance and risk capital support to farmers and other stakeholders as well as support to develop relevant legal and regulatory frameworks.

The learning from the pilot Somaliland activity helped to inform the design of the pilot project in South-Central Somalia, which consisted of:

- The development of three demonstration sites in Lower and Middle Shabelle, including one central site for which SATG has turned into an Agribusiness Incubation Center (ABIC). This Center has been engaged in testing and demonstrating of improved crop production practices of selected cereals, legumes, vegetables, oil and fodder crops. In the first season three Demo Fields were established, one each in Afgoi (the ABIC), Bal'ad and Aw-dhegle.
- Extension workers trained to support each support lead and contact farmers.
- The targeted distribution of risk capital to lead and contact farmers (sequenced over three growing seasons) to ensure a rapid uptake of improved seed varieties, and new agronomic practices.

- The buy-in and support from input suppliers / agro-dealers and seed suppliers/growers to ensure crucial value chain linkages were built with contact farmers by project end.
- Engagement of traders and vendors to establish and build market linkages.

Results

- The application of the SATG technical package resulted in a significant yield increase in all the field trials and in demonstration plots, both at the ABICs and farmers' fields. For maize producers in Somalia, the yield was increased over 55 percent when the following recommendations were practiced: a) use of good quality seed, preferably certified disease-free; b) proper seedbed preparation; c) DAP application prior to planting; d) urea application after planting; e) proper weeding and irrigation; and f) proper stem borer control.
- Maize fertilizer trials revealed that the optimum rates for DAP and urea are 200 and 160 kg/ha, respectively. This amounts to 12.5 kg of DAP and 10 kg of urea/Jibaal. This information is very crucial for maize growers, and is being used in the seed production plots for the contract farmers. These optimum rates are being recommended to other institutions in Somalia supporting farmers with DAP and urea.
- CIMMYT maize hybrids yielded 54 percent more than locally grown varieties. Mean dry grain yield of the top three hybrids was 7,111 compared with the 4,623 kg/ha produced by local varieties. Improved 'Filsan' mungbean and 'Ken Kunde' cowpea matured at least ten days earlier and yielded more than locally grown varieties. Optimal spacing for these two legume species is 0.25 x 0.50m and 0.30 x 0.75m, respectively. Introduced forage grasses (Alfalfa, Dolichos, Napier grass, Rhodes grass and Sudan grass) were found suitable for fodder production. They attracted a lot of interest among both small-scale and commercial farmers. These grasses were multiplied and seed material was given to farmers. In total, the activity trained 3,010 Lead and contact farmers in agricultural sector productivity training; with an estimated 82 percent adopting improved technologies and practices through a cascading farmer demo plot training model. For top performing varieties, participating farmers saw yield increases of 200-300 percent. Each contact farmer trained an estimated seven neighboring farmers, and recent third-party evaluation estimate therefore that PEG reached 21,000 additional farmers.
- Farmers were trained in GAP, fodder production, hay making and hay conservation. A total of 1,510 farmers participated. The gender ratio (proportion of male to female) was 65/39. In addition, 28 extension workers were trained on irrigation water management and malaria reduction techniques, soil and water conservation, and safe use and handling of pesticides. Training materials on the themes were developed. Farmers were also provided with micro-grants in the form of seed, fertilizers, pesticides and tractor hours for proper land preparation.
- Draft phytosanitary regulations were crafted in close collaboration with the Ministry of Agriculture. PEG successfully moved the policies through Stage 1 and 2 of the policy reform process—namely, analysis and review of existing policy and proposal of new policy (stage 1) and public debate and/or consultation with stakeholders (stage 2). Beginning in May 2015, PEG transitioned the work to the USAID Strengthening Somali Governance (SSG) project, being implemented by Chemonics, to continue moving the relevant policies through the formal legislative reform process. The seven agricultural policies that PEG worked on were:
 - Seeds and Plant Varieties Bill



- Somali Seed and Plant Varieties National Performance Trials Regulations
- Somalia Seed and Plant Varieties (Seed) Regulation
- Somalia Plant Protection Bill
- Somali Manual for Phytosanitary Inspection Procedures Somali Dairy Act
- Somali Code of Milk Hygiene Practices

For each policy, existing regulations in Somalia were reviewed, along with current regulations in Kenya, from which a new policy bill was developed. Over the course of 2014, consultative meetings were held with stakeholders, including agro-dealers, farmers, NGOs, academia, Chamber of Commerce, and the Ministries of Agriculture and Trade. In October 2014, draft policies were presented to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders. From May-July 2015, the SSG project reviewed the draft policies, provided comments, and assumed the programmatic lead on the legislative policy reform process, with SATG continuing in a technical advisory role.

For further details on the progress of each draft policy, see Appendix III: Peg Policy Indicator – Progress Against Stages.

LESSONS LEARNED AND RECOMMENDATIONS

The following section provides a set of operational and technical recommendations for future USAID economic growth programming in Somalia. Under each sub-section below, some of PEG’s key lessons learned provide the rationale for each recommendation.

MANAGEMENT, COORDINATION, AND LEARNING

OPERATIONS

Human Resources Management and Local Subcontracting

Hiring the right local staff and local subcontractors are key to successful implementation on any USAID economic growth project; and this is especially true with the complex and unique challenges of operating in Somalia. Below are some of PEG’s recommendations for future USAID economic growth implementing partners (IPs) when dealing with HR and local subcontracting issues:

Local hiring:

- *Use both formal and informal avenues to engage in due diligence.* There is ample evidence that many local recruits embellish CVs and forge diplomas when applying for development jobs in Somalia. There is also a culture of former employers not publically sharing their real challenges with former employees. As a result, local hiring is very complicated and sensitive. References cited will often praise a candidate; however, this praise may not unveil past work incidents or reprimands. While formal background checks are necessary and appropriate, using informal referral methods—through contacts, colleagues, past workmates, and other affiliated stakeholders—will provide a more representative view of candidates. Especially in the conflict-sensitive South and Central regions, with its limited government capacity and oversight, local hiring must be done thoroughly and by staff who have the networks to get proper information on candidates.
- *Be prepared in advance to respond to accusations of clan favoritism for any hire.* While support for informal background checks by local trusted staff is crucial, these processes should be complemented with clear and transparent scoring procedures for hiring; and announcements for selected candidates should be made public whenever possible by non-Somali staff on the project, so that no local staff can be accused of favoritism. Public accusations of clan bias by the media, government or target communities can discredit a project very quickly. A Minister was quoted as saying that “*PEG sometimes takes a long time with its hiring decisions, but the process is transparent, so therefore we know it is fair.*” Projects must allocate the appropriate time needed to thoroughly review and screen applicants—including full time local hires, consultants, subcontractors, and grantees.
- *Organized documentation of the transparent hiring, as well as disciplinary actions, must be in place.* While there are only limited functioning court systems, there are often attempts by disgruntled local staff that have been reprimanded or fired to sue an NGO or development partner. While these grievances may have credibility that must be appropriately addressed, they can sometimes also be the

result of a tight-knit network of close contacts with key Ministries. Therefore, having strong documentation and HR procedures that are understood by all and appropriately followed will avoid unneeded bad press, long delays with Ministry proceedings, or legal action.

Local subcontracting:

- *Seek Somali subcontractors.* Many Nairobi-based Somalia projects do not tender locally (in Somalia) based on the assumptions that the requisite skills are not available. With the dynamic private sector and new types of funding mechanisms being initiated, new opportunities are constantly growing for donor projects hiring locally to build local capacity. For example, the establishment of the Somaliland Development Fund has encouraged many new local consulting firms to be formed in the past few years, especially by returning diaspora. If local expertise can be found in Somalia, donor projects should be able to reduce their dependence on staff from Kenya or elsewhere.
- *Use local subcontracting to build local capacity.* Some of PEG's local capacity development achievements occurred by tendering locally key pieces of research and implementation and then partnering with the local subcontractor with international technical expertise. For example, for the highly visible and strategic Livestock End Market Study, PEG did advertise in Nairobi and the US to gather a wide selection of bids, but it also purposefully advertised in Hargeisa as well and received a number of technically strong bids (which were often much more cost effective). Selecting the local consulting firm AIMS to conduct the multi-country study meant that as the Ministry of Livestock and newly development Livestock Exporters Association wanted to gain further understanding of the changing Middle East livestock consumer preferences, they have been able to call upon the study's researchers who live in Hargeisa for advisory support.
- *Triangulate local reference checks.* Poor performance by local subcontractors can damage the project's reputation. IPs should check references from multiple sources for all vendors to ensure that they have performed consistently well in the past and have a good reputation. There have been accusations of some local bidders exaggerating or forging their past performance which should be cross-checked, not only with the references given by the bidder but also with other local partners.

Finance

PEG was the first major donor-funded Somalia activity that was fully operational in Somalia, without any support or head office in Nairobi. This structure had its challenges and opportunities—especially for the operations and finance team. The lessons learned from PEG's finance team provide some recommendations for future programming.

- *Ensure future EG projects have a fully functioning finance office based in Somalia.* PEG's fully functioning finance office in Hargeisa has demonstrated to other donors and development partners that such an operational structure is possible. PEG was able to write checks to vendors immediately by having technical and management teams based in the same office as the finance team in order to go through the payment approval process in a timely manner. Most development partners and NGOs in Somalia need approval to purchase all items (even for small petty cash needs) through finance approval processes at their Nairobi head offices, resulting in frequent delays and strained relationships with local contractors and suppliers. In addition, Kenya has begun to shut down Somali money transfer companies (hawalas) based in Nairobi, making it more difficult for development organizations to transfer funds from their Nairobi offices to Somalia. PEG has been able to continue most of its operations because of having a functioning finance office in-country.

- *Support the local economy through local purchases.* Many NGOs and UN agencies working in Somalia do not purchase the majority of their supplies locally. With their finance teams in Nairobi, it becomes easier to purchase in Kenya and ship office equipment to Somalia. However, most office equipment is available, especially in Hargeisa, and PEG’s finance team was able to engage in appropriate market research and vendor selection to build strong relationships with local suppliers which is another way that any donor project, especially an economic growth project, uses its resources to support the local economy.

Grants and Procurement

Grants and procurement are challenging in a country like Somalia for a lot of operational, financial, legal, and logistical reasons. Some lessons learned and recommendations from PEG for managing grants and procurements include the following:

- *Be overly transparent.* Communities often believe that the procurement and grant processes by donors and NGOs are not transparent. IPs should employ full and open competition to the greatest extent possible for all grants and procurements, especially in Somaliland and Puntland, by placing advertisements in local newspapers announcing RFPs, RFAs, and APS. PEG also had success using Telesom SMS to announce the Partnership Fund grants process, reaching an estimated 1 million Somalis. In South-Central Somalia, IPs should not engage in wide public tendering due to security and perceived security issues with being affiliated with international donors.
- *Hold bidder’s conferences for large procurements and grant solicitations.* For larger procurements and grants, IPs should consider holding bidders/grantees conferences to ensure that all parties are aware of the process.
- *Conduct site visits prior to awarding grants.* Land ownership and titling in Somalia are not always clear. As part of the PEG Partnership Fund due diligence process, field visits were conducted to ensure any projects to be constructed on a grantee’s land did belong to them. Often a field visit with a grantee was followed up visiting neighboring farms, neighboring businesses and local municipalities to ensure grantee’s land was verified. Field visits complemented other background documentation such as licenses and registration (however the administrative and regulatory framework for business registration is new and still being modernized). With various and often overlapping forms of judicial systems existing (traditional, sharia, and statutory), governed by different community leaders (clan and sub-clan elders, Imams, and judges/courts tied to nascent Ministerial and Parliamentary legal frameworks, respectively) partnering with businesses and farming associations will inevitably face land ownership issues. This is particularly true in South-Central Somalia with various waves of internally displaced people movement and returnee displacement over the past 20 years. PEG strongly encourages future EG IPs to conduct initial political economy analyses to look at any land titling and ownership issues that may affect project activities; and ensure frequent follow up as activities begin, always making sure to cross-reference information and triangulate facts on the ground. Where issues do exist, IPs must have a flexible approach to work through local power structures—which may not always be the local or central government—to try and reach a solution that all key partners agree to.
- *Ensure that future EG projects do not become an institutionalized actor in local value chains, but do provide appropriate support to develop the private sector’s capacity to deal with international suppliers, while minimizing possible fraud.* While PEG tried to maintain a ‘work through, not do’ approach for many of its activities, this became a challenge under the Partnership Fund grants program. Most grantees requested capital equipment and machinery to grow their businesses. While PEG wanted

to empower these businesses during the grants process, most had major capacity constraints in terms of drafting technical procurement specifications, tendering internationally, negotiating with suppliers, and dealing with logistics and customs. PEG took a hands-on approach to work closely with the grantee. PEG hired sector-specific technical experts to support with the drafting of technical specifications for equipment tenders and PEG led the procurement process. This placed PEG in the value chain since PEG staff were possibly developing stronger relationships with international suppliers than the grantee themselves.

On the other hand, another donor-funded matching grants program took a hands-off approach or reimbursable grants method by not being engaged in any of the procurement process, and paying for its share of new equipment upon arrival. While this approach ensured that the project was not part of the value chain it faced a number of challenges. To begin with, there was more opportunity for fraud, since those reviewing grantee invoices were not involved with the actual procurement and so would have difficulty verifying sale prices and the credibility of suppliers. Such an approach also did not necessarily encourage an open tendering process. And finally, this hands-off approach may also have contributed to some grantees not being able to receive any funds because they did not have the capacity to develop the appropriate technical specifications or manage an international procurement.

The PEG team proposes a hybrid of these two grants and procurement approaches. Grantees should always be the face of a procurement process, in order to build relationships with suppliers who may be needed after project end for maintenance and spare parts. However, appropriate needs assessments by an IP can help determine the level of technical and procurement management support that a grantee might need. Specifically during the contracting process, e.g. negotiations, payment terms, etc., the IP should remain closely involved to ensure what is being procured fully meets stated requirements and is fit for purpose so that inexperienced grantees make more informed business decisions.

- *Explore options to modify the Geographic Code for USAID Somalia projects.* Most international vendors perceive Somalia as a completely lawless country, and this was reflected during the contracting process with many vendors insisting on large advance payments rather than performance based milestones e.g. delivery, installation, training, etc. These apprehensions by suppliers resulted in lengthy negotiations and unnecessary delays in getting purchase orders. Furthermore, USAID procurement rules made it particularly difficult to solicit international proposals due to PEG's assigned geographic code of 937 which limited the number of countries from which goods could be procured. A major market for the East African region is the United Arab Emirates, which is now the largest business transit hub between Asia and Africa. Being able to directly procure equipment from that region would significantly reduce procurement cycles.
- *Carefully consider the pros and cons of inviting key Ministries to be part of the process.* The Partnership released an APS before the Ministry of Commerce was fully informed of the entire Partnership Fund timeline / process. Some businesses reached out to the Ministry of Commerce to learn more about the Partnership Fund, the Ministry was apparently caught off guard by these requests. Moving forward, future implementing partners (IPs) have to be sensitive to include the Ministry in the process. For the first round of grants under the Partnership Fund, there was one representative from the Ministry of Commerce, one from Ministry of National Planning, and one from Chamber of Commerce on the Evaluation Committee. Having these three institutions represented helped build more credibility to the thoroughness and transparency of the process. Also, including four PEG staff on the committee (total 7) ensured that government had appropriate representation but not undue decision power.

However, the IP should insist that the ministries send representatives of merit that can actively contribute to the process.

- *Advertise widely and make sure messages reach the rural areas.* A call for concept papers for the Partnership Fund was advertised through Jamhuuriya and Haatuf Newspapers, Somalilandpress.com and Somalilandtimes.com websites and Isha Somaliland Magazine. The fund was also advertised to an estimated one million subscribers through an SMS message to all Telesom subscribers in Somaliland.
- *Translate everything into Somali and have it reviewed by top translators who understand the nuances of business / economics / finance speak.* Many people reading the PEG's English APS believed that the Partnership Fund was a loan program and that they had to pay back. Also, consider allowing applicants to decide for themselves if they would prefer to apply in Somali or English.

If USAID considers a business matching grants activity in South-Central Somalia:

- *Do not advertise openly.* The PEG team recommends that full and open publically advertised business plan competitions should not be implemented in South-Central Somalia due to security and other related issues at this time.
- *Design targeted grant solicitations.* Future EG programs can develop strategic relationships with lead firms in South-Central Somalia (e.g. organized farmer associations, exporters) to understand their capacities and vision to grow the sector. A select group of firms could be requested to submit proposals that take a private-sector led approach to address key constraints in a targeted value chain (e.g. expanding an outgrower scheme with embedded extension services to smallholders with cost-shared demo plots by an exporter or input supplier). Such an activity could possibly include an in-kind grants component to procure machinery but it would be explicitly tied to addressing constraints within the value chain that would have larger spillover and knock-on effects to crowd in more of the private sector.

PRACTICAL OPERATING ENVIRONMENT FOR FUTURE USAID EG ACTIVITIES IN SOMALIA

Somalia is a challenging work environment. Security, corruption, and the possibility of exacerbating conflict are arguably the three most pressing practical challenges in this working environment. PEG gained significant experience in effectively operating in the frequently changing Somalia environment that future USAID EG activities can learn from:

- *Future USAID EG activities must mitigate security risks by building trust with Somali community, government and business leaders.* Staff should bring conflicting parties together around common connectors such as addressing tangible economic growth constraints (e.g. market infrastructure, agricultural production skills, access to finance, etc.). When farmer associations, for example, see USAID projects as their own, they will vouch for and go to extra lengths to ensure the security of IP staff. PEG demonstrated this trust-building process as part of its low profile security strategy, especially in extremely conflict-sensitive areas. For example, PEG's local South-Central Somalia agriculture partner, SATG, did not brand its field activities with USAID logos, especially in conflict prone areas that had shifting control between the central government and Al Shabab.

An IP should have a frequently updated risk assessment and project security plan that all staff are trained on. Also, any projects with expat staff based in Mogadishu should consider hiring a full-time

Security Manager to implement the security plan and monitor the dynamic security situation. There are a growing number of registered security firms based in Mogadishu that could be options as well.

- *All USAID IP Somalia operations teams must coordinate closely to refine future activity management, procurement, human resources, and financial management systems to mitigate corruption risk.* Corruption continues to plague Somali politics, and the private sector, security sector, and international actors often contribute to the problem. Under future EG programs, the IP should instill a strong Ethics and Compliance Training to emphasize the importance of Code of Conduct and Ethics Compliance with all staff, vendors, and partners, especially in regards to sensitive topics such as potential bid-rigging, collusion, unverifiable tender documents, conflicts of interest and *perceived* conflicts of interest. As PEG was closing down, a PEG-partner Ministry Director General stated that “the PEG office had the staff Ethics and Compliance Training certificates hanging on the wall as soon as you walk in, which provided a clear signal to partners that this was a ‘corruption-free’ zone.”
- *EG IPs should ensure that the Do No Harm principles are incorporated into day to day implementation.* From initial engagement with key value chain actors, any future USAID EG IP must carefully analyze conflict dynamics to ensure that the introduction and use of resources in target communities will not exacerbate existing conflict. Frequent localized political economy analyses (PEA) should be conducted to map out different power dynamics that could be drivers of conflict, recognizing that some groups may benefit more than others in certain EG interventions. IPs that are new to Somalia must understand that the region, community, site selection, economic sector, type of employee hired, and profile of a training participant all may have conflict dimensions. In addition, other donor projects are also conducting PEAs and conflict assessments in economic sectors that future USAID EG activities may operate in (e.g. the DFID/PIMS Programme), and EG-focused IPs should coordinate their learning regarding conflict-sensitive planning.

Other practical operating environment risks that future EG IPs should consider include:

- *As a cash-based society, particularly South-Central Somalia, rigorous systems must be in place to deal with potential theft and abuse.* IPs should have updated Somalia-specific Field Operations Manuals that have stringent financial management practices that reduce the risk of cash being mishandled. To the greatest extent possible, IPs should make payments via electronic payments/transfers including mobile money payments—widespread in Somalia. Although it is impossible to entirely limit cash payments, IPs should strictly monitor the use of cash payments, including placing strict limits on the amount to be kept in petty cash and what the petty cash can be used for.
- *Appropriately prepare for continued restrictions on money transfer companies such as Dahabshiil that are preventing transfer of cash into Somalia.* As soon as the Kenyan government instilled this rule, PEG began a relationship with La Banque pour le Commerce et l’Industrie – Mer Rouge in Djibouti, which can transfer funds to its Somalia branch. IPs should explore a variety of options and be aware of increasingly tighter money transfer regulations.
- *Expect some target communities and/or local authorities to resist economic growth projects* (e.g. competitiveness, M4P, and value chain approaches), which move away from direct service delivery and hand-outs to address the market systems within which producers operate. All new IPs working in Somalia for the first time must be cognizant that Somalia has been dominated by humanitarian aid interventions for 20 years that often addressed immediate environmental and conflict-related emergencies, and often have not worked with the private sector. New IPs should explore facilitation

approaches to identify lead firms/farmers as early adopters of new technologies to accessing new markets and leverage them as entry points to discuss possible activities during community mobilization.

- *Develop innovative approaches to address some of the legal and/or cultural barriers that may initially prevent women's economic participation in program activities.* Many cultural barriers exist to more fully engage women in development programs. PEG has strived to include female candidates in its recruitment pool; partner with women's NGOs when possible (e.g. WAANO and SAGA); invite women's groups to public-private dialogues (e.g. NAGAAD); challenged patriarchal stereotypes and slowly breakdown some cultural barriers (e.g. hiring top Amoud female graduates to be extension workers). However, many challenges still remain. PEG prides itself on having reached nearly 40 percent female participation in agriculture trainings and adoption of new technologies, but more can and should be done in all future projects to actively engage women entrepreneurs, women farmers and female students.

Coordinating with Other Donors and Development Partners Focusing on Economic Growth

Since PEG began, a number of other donors and implementing partners have begun economic growth initiatives. Any future USAID-funded EG program should look to build synergies with these ongoing and upcoming activities. Some of the challenges that PEG faced in trying to coordinate with other donors included:

- *Ensure participation by Somalia-based project leadership in Nairobi-based decision making.* PEG was praised as the first and only major donor-funded Somalia activity with no presence in Nairobi. All implementation staff were on the ground in Somalia, which helped to build credibility with local partners and ensure timely decision making. However, because all donors, NGOs and UN agencies that fund Somalia activities have offices in Nairobi, much of the planning and decision making takes place there. While PEG had strong and frequent communication with USAID based in Nairobi, it was a major challenge to have such communication and planning with other donors. Other donor's implementing partners and UN agencies based in Somalia would sometimes try to coordinate or even collaborate with PEG, but because the decision making was done in Nairobi this often led to delays and limited clear lines of communication. Future EG projects should support efforts by donors to ensure more on-the-ground donor coordination with staff and managers that are based in Somalia. Also, if future USAID EG IPs have no Nairobi offices, there should also be concerted efforts to ensure COPs and component leads regularly attend planning sessions in Nairobi.
- *Ensure strong donor coordination between Somalia and Nairobi, and also within Somalia.* Possibly due to the Somali-Nairobi bifurcation of project staffing and decision-making by other donors, PEG's efforts to build capacity of government institutions sometimes were delayed because of challenges with donor and IP coordination. Many Ministries have very low capacity and high turnover. There is often very limited institutional knowledge within a Ministry of past, existing or planned support by donors for various training or policy development activities. As a result, this has sometimes led to multiple implementing partner making plans to support the same Ministry for the same activity. Future EG efforts that have Ministerial capacity development and policy development activities planned must ensure strong coordination in the field and in Nairobi.
- *Engage with Key Ministries on a frequent and ongoing basis.* To ensure good working relationships with all regional governments, it is essential to provide updated information about project activities and engage Ministry staff when possible. For example, the PEG Grants Manager sent Partnership Fund

updates to key Ministries so that they were aware of the process. In addition, the Ministry of Agriculture staff were embedded within the demo plot extension worker trainings.

Below is a table highlighting several of the ongoing initiatives that can serve as platforms and points of leverage for future USAID Somalia EG activities:

Donor/Project	Future USAID Economic Growth Activity Linkages
USAID	
TIS	<ul style="list-style-type: none"> Map potential horticulture, fisheries, and non-pastoral livestock priority areas on TIS's previous community engagement strategies as part of a geographic overlay for Inclusive Competitiveness Events. Incorporate TIS's proven community contracting for small-scale infrastructure activities.
TIS+	<ul style="list-style-type: none"> Closely coordinate TIS+ Bridging Plan (Objective 2) activities with USAID EG interventions.
SSG	<ul style="list-style-type: none"> Build upon initial PEG-SSG collaboration on SPS policies. Engage future USAID EG private sector partners in appropriate public-private dialogues to ensure that all business enabling environment policy support is grounded in the needs of the private sector. Explore joint public-private dialogue validation workshop support for USAID EG business enabling environment policy activities.
SYLI	<ul style="list-style-type: none"> Coordinate future USAID EG potential youth business/financial literacy activities with SYLI's youth mentorship and leadership communication activities.
DFID	
PIMS	<ul style="list-style-type: none"> Ensure that findings from the PEA and gender and market assessments are shared. Learn from the facilitation approaches to address market failures. Complement future USAID EG infrastructure development with PIMS cash-for-work activities.
Energy Security and Resource Efficiency in Somaliland	<ul style="list-style-type: none"> If the project pilots wind/wind-diesel hybrid demos in agriculture or fisheries locations, consider collaborating on training and initial site visit activities for key partners. Ensure close coordination and sharing of lessons learned during future USAID EG renewable energy activities
Multi-Donor Projects and Funds	
Somalia Stability Fund (SSF) (DFID)	<ul style="list-style-type: none"> Learn from SSF's convening and advertising approach to targeting legitimate SMEs in South-Central Somalia. Explore co-investments of SSF's initial private sector window grantees to go to scale on early successes. Closely collaborate with and learn from SSF's technical and vocational training (TVET) construction and support activities.
SOMPREP-III (World Bank)	<ul style="list-style-type: none"> Build upon PEG-World Bank information sharing during Somaliland Business Fund programming. Ensure that any similar upcoming business matching grants activities under the World Bank and future USAID EG are not advertised at the same time. Share grantee awardee lists to ensure limited duplication or double-counting of cost-share. Agree upon, at the donor level, cost-share requirements targeting similar SMEs and sectors to ensure clear communication with the Somali private sector about who can be expected to submit multiple applications to both funds.
Special Task Force on Remittances (STFR), (World Bank, International Monetary Fund, International Finance Corporation)	<ul style="list-style-type: none"> Under TO3, ensure close coordination on financial sector policy development, whereby key FGS/STFR anti-money laundering policy development and SWIFT Code licensing can support proposed future USAID EG policy development such as a leasing law and regulations
Somaliland Development Fund (SDF)	<ul style="list-style-type: none"> Learn from SDF's approach to public-private partnerships (PPPs) (e.g., civil works on Dilla Road). Engage SDF's policy team (e.g., land policy) during future USAID EG implementation to ensure shared learning.

Donor/Project	Future USAID Economic Growth Activity Linkages
	<ul style="list-style-type: none"> • Coordinate any potential future USAID EG fisheries activities in Somaliland with SDF's planned fishers program with Berbera Marine College and coastal fisher associations.

RECOMMENDATIONS BY TECHNICAL AREA

RECOMMENDATIONS FOR IMPLEMENTING FUTURE AGRICULTURE ACTIVITIES

- *Invest in demonstrations and hands-on learning.* Somali farmers are risk averse and skeptical about trying new practices. Crises driven by conflict, economic collapse, and drought have increased their aversion to risk. Activities directed at changing traditional farming practices in Somalia have to be done gradually. Though farmers may observe higher net returns from improved practices and seeds, they are reluctant to adopt the improvements unless they can readily demonstrate the results on their own farms.
- *Support flexible implementation.* PEG chose to change technical assistance for the 3rd planting season. Instead of a 3rd round of demo plot testing, micro-grants were provided to encourage trial and adoption on individual farms. PEG was confident about making the adjustment based on the trust among participating farmers that had been built through the project during the first 2 seasons. Any follow-on agriculture project needs to be given some level of flexibility to ensure strong collaboration, learning, and adaptation for each growing season.
- *Support unanticipated benefits.* Some program benefits were unforeseen. One positive outcome of the demo plots was that some lead farmers developed plots on their own farms to showcase improved yields from new practices and varieties to neighbors even though they had not been given direct support to do so. This triggered a multiplier effect, reaching an estimated 21,000 additional farmers, according to a recent third party evaluation of PEG. In another case, in response to Amoud University's inability to establish revenues from commercial seed sales, Amoud University adopted a suggestion by SATG to instead grow and sell seedlings (from seeds) for direct transplanting by farmers. This offered revenue opportunity for Amoud University because farmers in the area generally had limited success in growing seedlings from seeds in their own small on-farm nurseries. Cost recovery mechanisms should be explored in South-Central Somalia as well.
- *Engage prominent stakeholders to ensure buy-in.* The commitment by Amoud University to the horticulture intervention was anchored by the University President who was a prominent supporter. This commitment also provided an exit strategy for PEG by which Amoud University could sustain all or parts of the horticulture intervention. In South-Central Somalia, PEG's support from the Minister of Agriculture and the Presidents of leading universities with agriculture departments (e.g. University of Benadir, Plasma University), ensured wide stakeholder buy-in, while supporting the next generation of agriculturalists with hands-on experience.
- *Ensure farmer/owners participate and are present at demo sites.* Crop performance on farms owned by absentee farm owners and operated by hired labor was generally lower than owner operated farms. Extension staff observed a lack of responsibility by hired labor. Future programs should ensure farmer owners participate in demo site trainings.
- *Encourage higher women's participation through strategic local partnerships.* SATG partnered with two local organizations. The Women in Action Against Malnutrition (WAANO) played a co-facilitator

role by encouraging women lead and contact farmers to join; and the Somalia Agriculture Girls Association (SAGA) helped to boost female agriculture student participation at the ABIC.

RECOMMENDATIONS FOR IMPLEMENTING FUTURE LIVESTOCK ACTIVITIES

- *Use a heavier touch where capacity is weak.* The Veterinary Board has an explicit mandate to regulate veterinary drug quality assurance, safeguard veterinary practitioners, and oversee the CAHW system in Somaliland. However, the Board had very limited technical and financial resources. The leading technical specialists were often consultants who had a variety of other consulting assignments, resulting in some delays in deliverables. Also, government posts are very low paid and NGOs have often had a history of paying government workers on projects that were directly related to their scopes of work. PEG did not engage in such practices, and hence there were challenges with per diem policies and related management of budgeted funds that resulted in the PEG team needing to play a more direct, hands-on, implementer-type role, even though the activity was initially designed to have the Vet Board fully lead the process.
- *Incorporate Collaborating, Learning, and Adapting (CLA) approaches when working to build the capacity of local institutions.* CLA is considered a “living strategy” that provides guidance and reference points not only for implementation but also for learning and course correction as needed, and can also be used to support local capacity development. PEG found that CLA principles provided useful guidance during the CAHW curriculum development process. The Vet Board used a highly inclusive and participatory process to invite a broad array of stakeholders involved with community animal health systems in Somaliland to participate.
- *Work with private sector to ensure more sustainability.* Private sector involvement in animal health care is highly fragmented and constrained by importation of poor quality drugs, lack of capital and financing and the unplanned and ad hoc supply of free drugs from humanitarian development partners. In addition, while livestock health NGOs have engaged in activities such as large-scale community-based vaccination campaigns over the years, the private sector has often been left out of such development and humanitarian activities in Somaliland. The VetAid activity was grounded in value chain principles that brought together CAHWs with private pharmacies and drug importers to build stronger linkages of often disparate and uncoordinated stakeholders. Also, business skills were instilled in CAHWs to transform their view of their skill-set and livelihood activity into that of a micro-enterprise offering vital services for poor risk-averse consumers with limited resources to invest in much-needed animal health services.
- *When the relationship with a partner is difficult, get creative.* The most significant partner that the Partnership worked with in Puntland was the Ministry of Livestock. During the implementation, the Partnership experienced recurring difficulties with them. The Ministry had strong diverging opinions about USAID’s per diem policies and the sole source justifications which encourage open tenders for all contracts. This led to serious challenges about the process of implementation, timelines, roles of each partner, M&E process, and deliverable approval and payment processes. One work-around solution was to develop a tri-partite Letter of Association between DAI, the Ministry and each of the implementing partners to assign roles and responsibilities and to permit the Ministry’s technical staff to be part of PEG’s M&E team to ensure oversight of all activities.
- *Encourage cross-sectoral activities.* A PEG sub-activity in energy contributed to the success of the veterinary program. The Energy Sub-Activity piloted a number of solar and wind technologies with key local private and public partners to demonstrate the major cost-savings and improved reliability in

a region dependent on expensive and unreliable diesel generation. To ensure reliable power to the newly constructed vet lab, PEG modified the Kisima agreement to support the procurement and installation of solar panels and training in their operation for local electricians, who will be able to support the Ministry to ensure more reliable cold chain equipment and management of drug supplies and testing equipment.

- *Use on-the-job training that can lead to tangible results and more active Ministry staff engagement.* While many trainings are conducted by NGOs in Somalia to build the capacity of Ministry staff, often the trainings are theoretical due to limited funds and other constraints. The Kisima activity saw a great deal of success because a lab was built for the Ministry and properly equipped before technical training for lab personnel began. This allowed trainers to complement important animal disease theory with hands-on demonstrations of how to use lab equipment. Also, the physical refurbishment and stocking of a Ministry unit garnered support from the community because there was tangible evidence of donor funds being allocated to support development efforts. Since a complementary USAID/Somalia goal in its stabilization strategy is to build more confidence in public institutions, activities such as this one have important impacts on people's perceptions of ministries' capacity to support them.

RECOMMENDATIONS FOR IMPLEMENTING FUTURE BUSINESS ENABLING ENVIRONMENT ACTIVITIES

Supporting policy efforts that complement value chain activities can ensure more sustained and scalable impact for any economic growth activity. PEG has worked on a number of policy, legal and regulatory initiatives in both South-Central Somalia and Somaliland tied directly or indirectly to the project's other training, investment promotion, research, and enterprise development efforts. Below are a number of lessons learned and recommendations for future USAID EG projects implementing business enabling environment activities:

- *Engage with nascent Somali-led donor coordination working groups.* After the World Bank's inaugural release of Doing Business Hargeisa in 2012, the IFC and the World Bank have been jointly working with the Somaliland Ministry of Trade and Investment to develop a number of public-private dialogue working groups. In the past six months, four Multi-ministerial working groups have been established: Starting A Business Working Group; Trading Across Borders Working Group; Getting Electricity Working Group; and Paying Taxes Working Group have been established. In the coming year, there are plans to establish other working groups also based on the *Doing Business* methodology including Dealing with Construction Permits Working Group; Protecting Investors Working Group and Enforcing Contracts Working Groups. If these working groups are given support and gain credibility to be a strong coordinating body, then future EG activities could more easily be coordinated through them. At this time, the PEG team is not aware of such plans for Puntland or Mogadishu, so other efforts to ensure strong coordination should be planned for.
- *Ensure good collaboration between different USAID projects.* Business reform efforts such as amendments to the Foreign Investment Act, Meat Inspection and Control Act, Electrical Energy Act, Seed Policy, SPS Standards, and new banking legislation that could support the growth of GEEL sectors are not passed/enforced by Parliament in either Mogadishu or Hargeisa yet. Future EG IPs should monitor the enabling environment situation and work with the USAID Strengthening Somali Governance activity (SSG), partner ministries, and other development programs to advocate for enactment and enforcement. PEG found the SATG-SSG collaboration in Mogadishu extremely cooperative and collaborative as SATG was able to bring technical experts to draft the policies, and

SSG's governance specialists are now supporting key sub-committees in Parliament to review and validate the draft policies and move them through the legislative process.

RECOMMENDATIONS FOR IMPLEMENTING FUTURE RENEWABLE ENERGY ACTIVITIES

At the time of PEG's project end, the Electrical Energy Act had not been passed; however USAID can still attribute PEG's energy and investment promotion activities for some of the major crowding in of private sector investment into the renewable energy sector. The comprehensive market systems development approach of the PEG energy activity meant addressing a variety of constraints along the value chain, with proper buy-in and proper sequencing. Future activities in complex sectors such as the energy sector must have the resources, staffing, planning, and flexibility to take a multi-pronged approach. Recommendations for future energy activities include the following.

- *Invest in sustained and frequent PPDs to ensure energy policy development has wide stakeholder buy-in.* While PEG hosted two energy PPDs to draft the Electrical Energy Act, there was no Getting Electricity Working Group at the time (since this group was only formed in June 2015), and therefore no existing PPD structures to host ongoing PPDs. Feedback from both private and public stakeholders engaged in the Electrical Energy Act development has shown that many stakeholders wanted more PPDs. Some of the spoilers that have tried to delay or stop the policy development process may be stakeholders that have not seen the value proposition of more regulation, and must therefore be more educated and convinced by sector specialists and peers.
- *Ensure appropriate sensitization of new solar and wind technologies to communities.* Renewable energy is still very new to Somalia, and while the return on investment is extremely quick because of the high energy costs, the value proposition for new consumers must still be guided by an understand of their cash flow, their risk aversion to change, and their capacity to understand/maintain new technologies. Supporting services, therefore, such as technicians and spare parts dealers, must be supported as well for the sector to grown and continue to be private-sector led.

ANNEX I: END OF PROJECT M&E DATA BY PMP INDICATOR

Indicator	Baseline Year	Value	FY2015: Target	Actual Results				Achievement
				Q1	Q2	Q3	Q4	Total
PO 1 - A: Percent of respondents who state that economic conditions have improved. - Somaliland	FY 2012	59%	66%	N/A	N/A	N/A	54.1%	54.1%
PO 2 - A: Percent of respondents who state that security has improved. – Somaliland	FY 2012	82%	89%	N/A	N/A	N/A	78.6%	78.6%
PO 1 - B: Percent of respondents who state that economic conditions have improved. - SC	FY 2014	5%	11%	N/A	N/A	N/A	45.9%	45.9%
PO 2 - B: Percent of respondents who state that security has improved. – SC	FY 2014	15%	21%	N/A	N/A	N/A	34.9%	34.9%
1.1: Average percent change in score on key areas of organization capacity amongst USG direct and indirect local implementing partners.	FY 2014	15/100	25%	N/A	N/A	N/A	27.5%	29.3%
1.2: Number of days of technical assistance trade and investment environment provided to counterpart or stakeholder.	FY 2011	0	550	276	0	426	0	1,892
2.1: Percent change in volume/yield of agricultural products/commodities supported through PEG activities (kg)	FY 2011	0	100%	0	0	0	0	109%
2.2: Number Farmers and others who have applied new technologies or Management practices as a result of USG assistance.	FY 2011	0	1260 (F=189)	456 (206F) (301Y)	580 147F 282Y	595 229F Y:350	824 384F 551 Y	2626
3.1. Number of individuals who have received USG supported short-term agricultural sector productivity or food security training.	FY 2011	0	5,000 (F=500)	410 (71F) (175Y)	2074 598F 747Y	3,433 1,493 F 1,782 Y	1551 527 F 652 Y	9808
3.2. Number of persons receiving new or better employment (including better self-employment) as a result of participation in USG-funded projects	FY 2011	0	1300 (F= 195)	16(1F)	4M 0F 3Y	1,062 358F 704M	1292 728M 564 F	2,438
3.3. Number of food security private enterprises, producers organizations, water users associations, women's groups, trade and business associations, and community-based organizations (CBOs) receiving USG.	FY 2011	0	10	9	2	9	0	22

Indicator	Baseline Year	Value	FY2015: Target	Actual Results				Achievement
				Q1	Q2	Q3	Q4	Total
3.4. Number of technologies or management practices in one of the phases of development	FY 2011	0	19	10	4	7	11	61
3.5. Number of investment deals initiated or completed by project end, through the contribution of USG assistance.	FY 2011	0	2	0	3	0	0	4
3.6. Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment).	FY 2014	0	15%	31.5% 278/ 882	28.02% 745/ 2,658	38% 2155/ 5600	41% 1475/ 3667	35.91%
3.7. Number of policy reforms/regulations/administrative procedures drafted and presented for public /stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance (FAF 4.4.1-33)	FY 2011	0	2 (Indicator Dropped)	0	0	0	0	0
3.8. Number of Policies, Regulations, and Administrative Procedures in development, passed, or being implemented as a result of USG assistance (FAF.5.1-24)	2014	0	7	7	0	0	0	7

APPENDIX II: BUSINESS ORGANIZATIONAL CAPACITY ASSESSMENT TOOL (BOCAT)

CONTACT INFORMATION / COVER PAGE	
Project Name:	
Company or Business Name:	Company or Business Representative (<i>e.g. MD, owner etc</i>)
Address 1:	Name:
Address 2:	Title/Position:
	Phone:
	Email:

PEG STAFF REVIEWER NAME:		TITLE:		DATE:	
PEG STAFF REVIEWER SIGNATURE:					
INTERVIEWEE NAME:		TITLE:		DATE:	
INTERVIEWEE SIGNATURE:					
Name of PEG M&E Reviewer:					
Signature of PEG M&E Reviewer:				DATE:	
Town / City:	Technical Representative (Indicate if same as above)				
	Name:				
	Title/Position:				
	Phone: Email:				

TOPIC A: GOVERNANCE			SCORES				
			✓ N/A	1 = minimal / clear need for increased capacity	2 = basic level of capacity in place	3 = moderate level of capacity in place	4 = high level of capacity in place
Management Structure							
1	Oversight	Board of Directors exists and is actively engaged in the business					
2	Leadership	Firm has organizational structure with clearly defined roles and responsibilities, including reporting lines					
3	Leadership	Decision making regularly follows organizational structure and is transparent					
4	Business Process	Written procedures exist for work units based on best practices (operations, finance, procurement, sales, marketing, etc.)					
5	Continuous Improvement	Performance of firm is reviewed at least annually					
Please Answer the following (3) Questions 'Yes' or 'No'			N/A	NO (1)		YES (4)	
6	Institutionalization	Written mission/vision statement exists					
7	Institutionalization	Firm legally registered or licensed to operate in Somaliland					
Total Score for Sub-Characteristic =							

TOPIC B: HUMAN CAPACITY			SCORES				
			✓ N/A	1 = minimal / clear need for increased capacity	2 = basic level of capacity in place	3 = moderate level of capacity in place	4 = high level of capacity in place
Use of Resources							
8	Business Process	Staff receive quality training/briefings related to roles and responsibilities					
9	Business Process	Key HR processes exist, are documented and are followed (for hiring, promotion, code of conduct, disciplinary action & termination)					
10	Efficiency	Salaries and promotion scales are based on standardized system rooted in merit					
11	Learning environment	Staff are encouraged to provide feedback and ideas to management.					
Institutional Stability (Performance over Time)							
12	Institutionalization	Staff retention rates are high (4 = 90 - 100% in last two years 3 = 75 - 90% ; 2 = 50 - 75%; 1 = 0 - less than 50% ; N/A = firm has existed less than 6 months)					
Total Score for Sub-Characteristic =							

TOPIC C: FINANCIAL CAPACITY			SCORES				
			✓ N/A	1 = minimal / clear need for increased capacity	2 = basic level of capacity in place	3 = moderate level of capacity in place	4 = high level of capacity in place
Use of Resources							
13	Policy	Financial procedures are in place and implemented (e.g. documentation for payment approvals, receipts, etc.)					
14	Policy	Audit completed once a year					
15	System	Accounting systems exist (4 = international or local customized accounting software updated and used regularly; 3 = Excel or other database software is used; 2 = paper based system used; 1 = no accounting records are kept)					
16	System	Payments are regularly made within 30 days of vendor invoices (= 4); within 60 days (= 3); not regularly but eventually (= 2); payments made in cash at time of need (= 1)					
17	Internal Controls	There is adequate separation of duties in the finance department (4 = Responsibilities are split between at least two different people and checks and balances are in place, 1 = A different person does all duties each month)					
18	System	Transactions are entered into the accounting system same day. (4 = entered same day usually; 3 = entered same day sometimes; 2 = entered same day rarely; 1 = entered same day never)					
19	Budget Management	Firm budget exists and is maintained in a pipeline that is updated monthly					
20	Financial Analysis and Budget	Firm decisions and strategies are based in part on financial analysis and budget availability					
Please Answer the following (2) Questions 'Yes' or 'No'			N/A	NO (1)		YES (4)	
21	Bank Account	Bank account in firm's name exists					
22	Bank Account	Bank signatories are limited to a minimal number of senior management staff					
Total Score for Sub-Characteristic =							

TOPIC D: OPERATIONS			SCORES				
			✓ N/A	1 = minimal / clear need for increased capacity	2 = basic level of capacity in place	3 = moderate level of capacity in place	4 = high level of capacity in place
Production							
23	Procedures	Production procedures established and followed					
24	Supplies	Strong linkages with suppliers and clear understanding of how to access inputs and raw materials (local and/or international) to meet current and future demand					
25	Inventory management	System in place to manage and maintain appropriate levels of stock of all inputs					
26	Finished product management	Systems in place to manage and maintain appropriate inventory of finished product					
27	Quality assurance	Quality control systems developed and implemented on a timely basis					
Use of Resources							
28	Administration	Administrative policies are in place					
29	Record Keeping	Information Management System (filing system) exists and data is controlled adequately					
30	Procurement	Procurement process is in place (e.g. Competitive process in place for purchasing goods/services; Procurement process has separation of duties)					
Please Answer the following (4) Questions 'Yes' or 'No'			N/A	NO (1)	YES (4)		
31	Record Keeping	Filing systems are secure (either or both hard and soft copies are maintained)					
32	Equipment/Inventory	Facilities and equipment management controls in place					
33	Contracts	Contracts/Subks/Purchase Orders are signed prior to working with or for another company					
Total Score for Sub-Characteristic =							

TOPIC E: MARKETING & SALES			SCORES				
			✓ N/A	1 = minimal / clear need for increased capacity	2 = basic level of capacity in place	3 = moderate level of capacity in place	4 = high level of capacity in place
Competitiveness							
34	Product Differentiation	Product and services are competitively differentiated within the market					
35	Pricing	Prices are competitive in market					
36	Demand	Clear understanding of trends within the firm's market segment - changing consumer demands					
37	Business enabling environment	Clear understanding of trends within the firm's market segment - changing regulations within the sector (health, safety, taxation, reporting, etc.)					
38	Supply	Strong linkages with suppliers and clear understanding of how to access inputs and raw materials (local and/or international) to meet current and future demand					
Customers and Distribution							
39	Customer Management	Adequate customer service / customer account management exists					
40	Distribution Channels	Distribution channels make it cost effective to deliver product to market					
	Total Score for Sub-Characteristic =						

SCORING		(Total # Questions - Total N/As = Total Applicable Questions)					
			Total # Questions	Total N/As	Total Applicable Questions <i>(Total Qs - Total N/As)</i>	Raw Score on Total Applicable <i>(From 'Total Score for Sub-Characteristic' cell)</i>	Average Score <i>(Raw Score / Total Applicable Qs)</i>
Topic A	Governance		7				
Topic B	Human Capacity		5				
Topic C	Financial Capacity		10				
Topic D	Operations		11				
Topic E	Marketing & Sales		7				
Total Average Score for All Characteristics Average Score for (A+B+C+D+E) / 5) =							

APPENDIX III – PEG POLICY INDICATOR - PROGRESS AGAINST STAGES

Policy and/or Regulation	Stage					Data Source or Reference
	1	2	3	4	5	
Somali Seed and Plant Varieties Bill	X	X				<p>STAGE 1: Kenya Plant Health Inspectorate Service (The Seeds and Plant Varieties Act (Cap. 326) (www.kephis.org); Department of Plant Protection, Ministry of Agriculture, Federal Republic of Somalia (dep.plantprotection@gmail.com))</p> <p>STAGE 2: Consultation meetings with stakeholders: agro-dealers, farmers, NGOs, academia, Chamber of Commerce, Ministry of Agriculture and Ministry of Trade</p> <p>Presentation to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders on 20th. October 2014</p> <p>Presentation of Draft Bill to SATG on 3rd. November 2014</p>
Somali Seed and Plant Varieties National Performance Trials Regulations	X	X				<p>STAGE 1: Kenya Plant Health Inspectorate Service (The Seeds and Plant Varieties Act (Cap. 326) (Subsidiary Legislation L.N. 25/2009) (www.kephis.org))</p> <p>STAGE 2: Consultation meetings with stakeholders: agro-dealers, farmers, NGOs, academia, Chamber of Commerce, Ministry of Agriculture and Ministry of Trade</p> <p>Presentation to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders on 20th. October 2014</p> <p>Presentation of Draft Bill to SATG on 3rd. November 2014</p>
Somalia Seed and Plant Varieties (Seed) Regulation	X	X				<p>STAGE 1: Department of Plant Protection, Ministry of Agriculture, Federal Republic of Somalia (dep.plantprotection@gmail.com); Kenya Plant Health Inspectorate Service (The Seeds and Plant Varieties Act (Cap. 326) (Subsidiary Legislation L.N. 2S7/91; L.N. 464/91) (www.kephis.org); FAO Draft Guide for National Seed Policy Formulation (CGRFA-14/13/Info.20) 2013 (www.fao.org))</p> <p>STAGE 2: Consultation meetings with stakeholders: agro-dealers, farmers, NGOs, academia, Chamber of Commerce, Ministry of Agriculture and Ministry of Trade</p> <p>Presentation to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders on 20th. October 2014</p> <p>Presentation of Draft Bill to SATG on 3rd. November 2014</p>
Somalia Plant	X	X				<p>STAGE 1: Plant Quarantine Law No. 6 of 2nd. January 1971; Pesticides Law No. 49 of</p>

Policy and/or Regulation	Stage					Data Source or Reference
	1	2	3	4	5	
Protection Bill						<p>13th. July 1971; Department of Plant Protection, Ministry of Agriculture, Federal Republic of Somalia (dep.plantprotection@gmail.com); Plant Protection and Regulatory Services, Puntland Government (2012): Prevention and Control of Pests and Diseases of Plants; Kenya Plant Health Inspectorate Service (The Plant Protection Act (Cap. 324) (www.kephis.org); Somaliland Quality Control Commission: SQCC Agricultural and Veterinary Products Policy (sqcchq@gmail.com/ sqcc_hr@hotmail.com)</p> <p>STAGE 2: Consultation meetings with stakeholders: agro-dealers, farmers, NGOs, academia, Chamber of Commerce, Ministry of Agriculture and Ministry of Trade</p> <p>Presentation to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders on 20th. October 2014</p> <p>Presentation of Draft Bill to SATG on 3rd. November 2014</p>
Somali Manual for Phytosanitary Inspection Procedures	X	X				<p>STAGE 1: FAO (2014). <i>Phytosanitary certificates</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 12, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2012). <i>Glossary of phytosanitary terms</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 5, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Phytosanitary principles for the protection of plants and the application of phytosanitary measures in international trade</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 1, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Framework for pest risk analysis</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 2, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for the export, shipment, import and release of biological control agents and other beneficial organisms</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 3, Secretariat of the International Plant Protection Convention, Rome, pp. 21. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Requirements for the establishment of pest free areas</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 4, Secretariat of the International Plant Protection Convention, Rome, pp. 15. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for International Standards for Phytosanitary Measures</i>, International Standards for Phytosanitary Measures (ISPM), Publication No. 6, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p>

Policy and/or Regulation	Stage					Data Source or Reference
	1	2	3	4	5	
						<p>FAO (2011). <i>Phytosanitary certification system</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 7, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for the notification of non-compliance and emergency action</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 13, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO 2011. <i>Regulation of wood packaging material in international trade</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 15, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for the use of irradiation as a phytosanitary measure</i> International Standards for Phytosanitary Measures (ISPM), Publication No. 18, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for a phytosanitary import regulatory system</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 20, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Guidelines for inspection</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 23, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Methodologies for sampling of consignments</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 31, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Categorization of commodities according to their pest risk</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 32, Secretariat of the international Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Pest free potato (Solanum spp.) micro-propagative material and mini-tubers for international trade</i>. International Standards for Phytosanitary Measures (ISPM), Publication No. 33, Secretariat of the international Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO (2011). <i>Design and operation of post-entry quarantine stations for plants</i>. International Standards for Phytosanitary Measures (ISPM), Publication No.34, Secretariat of the International Plant Protection Convention, Rome. https://www.ippc.int/core-activities/standards/ispm</p> <p>FAO/IPGRI (1988-1998). <i>Technical Guidelines for the safe exchange of germplasm</i>, Rome, FAO/IPGRI.</p>

Policy and/or Regulation	Stage					Data Source or Reference
	1	2	3	4	5	
						FAO (1983). <i>Plant quarantine training guide</i> , Rome, pp. 143. Department of Plant Protection, Ministry of Agriculture, Federal Republic of Somalia (dep.plantprotection@gmail.com) STAGE 2: Consultation meetings with stakeholders: agro-dealers, farmers, NGOs, academia, Chamber of Commerce, Ministry of Agriculture and Ministry of Trade Presentation to the Technical and Advisory Committee of the Ministry of Agriculture and other stakeholders on 20th. October 2014 Presentation of Draft Bill to SATG on 3rd. November 2014
Somali Dairy Act	X	X				Stage 1 -Dairy Industry Act Cap. 336 – Kenya - Somaliland Dairy Industry Act -Dairy Act PUNTLAND presented to MoLAH 2012 -Dairy Policy for the Republic of Somaliland Somali Pastoral Dairy Development Project II (SPDDP II) – FED/2010/244-446 -Dairy Policy for Puntland State of Somalia Somali Pastoral Dairy Development Project II (SPDDP II) – FED/2010/244-446 Stage 2:- Consultative meetings with dairy farmers, milk transporters, women milk vendors, veterinary professionals, government officials and traders associations 1st Validation workshop of the Draft of Milk Policy and Regulation on 30th Oct 2014
Somali Code of Milk Hygiene Practices	X	X				Stage 1:- -Code of Hygiene Practices for production, handling and distribution of milk and milk products- Garowe- Puntland -Code of Hygiene Practices for production, handling and distribution of milk and milk products- Hargeisa- Somaliland Stage 2:- Consultative meetings with dairy farmers, milk transporters, women milk vendors, veterinary professionals, government officials and traders associations 1st Validation workshop on Somali code on milk hygiene practices, 30th Oct 2014

Precise Definition(s): These are 5 different indicators, each measuring a successive stage in the progression from analysis to implementation.

Number of agricultural enabling environment policies/ regulations/ administrative procedures in the areas of agricultural resource, food, market standards and regulation, public investment, natural resource or water management and climate change adaptation/mitigation as it relates to agriculture that:

Stage 1: Underwent the first stage of the policy reform process i.e. analysis (review of existing policy/ regulation/ administrative procedure and/or proposal of new policy/regulations/ administrative procedures).

Stage 2: Underwent the second stage of the policy reform process. The second stage includes public debate and/or consultation with stakeholders on the proposed new or revised policy/ regulation/ administrative procedure.

Stage 3: Underwent the third stage of the policy reform process (policies were presented for legislation/decree to improve the policy environment for smallholder-based agriculture.)

Stage 4: Underwent the fourth stage of the policy reform process (official approval (legislation/decree) of new or revised policy / regulation/ administrative procedure by relevant authority)

Stage 5: Completed the policy reform process (implementation of new or revised policy/regulation/ administrative procedure by relevant authority). Please count the highest stage completed during the reporting year.

APPENDIX IV: SAMPLE PEG SUCCESS AND FEATURE STORIES

SUCCESS STORY

Somaliland's First Wind Farm Launched, Spurring Investment



President Ahmed Mohamed Mohamoud Silanyo officially launches Somaliland's first wind farm at the Hargeisa International Airport.

"Before USAID introduced wind power in Somaliland, no power providers used wind to produce electricity. Within only 2 years, our association has collectively ordered and paid for wind turbines of more than 2.0MW, amounting to more than 10% of the total power production in Somaliland today."

- Mr. Mohamoud Liban, Chairman of the Somaliland Wind and Solar Power Producers Association (SWSPPA)

U.S. Agency for International Development:
www.usaid.gov

The Government of Somaliland recently launched its first pilot wind farm, an innovative initiative to power the Hargeisa International Airport, sending a clear signal that Somaliland has abundant renewable energy resources. The launch event - attended by Somaliland President Ahmed Mohamed Mohamoud Silanyo and several other key ministries - was the culmination of energy sector activities implemented the USAID funded Partnership for Economic Growth program.

Small business owners, investors, and government staff have long recognized that the cost of electricity is one of the greatest impediments to economic growth in the Somali region. Local power producers use expensive imported diesel fuel as the only source of energy to generate electricity. Tariff rates are \$1.00/kWh - nearly ten times the cost of electricity in the United States. The high energy costs have caused the closure of many light manufacturing companies over the past ten years.

After conducting an energy assessment in 2011, the Partnership for Economic Growth collaborated with the Ministry of Energy to develop Somaliland's first Electrical Energy Law. The Law, now under review in Parliament, will lay the foundation for the government to provide the technical and oversight capabilities necessary to support a growing wind energy sector.

Beginning in 2013, a set of wind data monitoring stations were installed in four major cities to provide real-time wind speed data. With over 12-months of data now available, the government can confidently say that Somaliland is very windy. With average wind speeds easily exceeding 7-9 meters per second, some estimates suggest that 50% of Somaliland has wind speeds suitable for electric energy production.

These activities were complemented with the installation of the 5-turbine 100kw pilot wind farm as a proof-of-concept for potential wind investors. Local capacity was built during the installation process through a training program for engineers from public and private sectors, focusing on wind power construction, maintenance, repair and management.

The USAID Partnership for Economic Growth is a 4.5 year program focused on investing in productive sectors of the Somali economy, as a driver of stability and growth. Pilot activities such as this wind farm have shown demonstration effects spurring future investment. The Somaliland Wind and Solar Power Producers Association recently announced plans to invest in four to seven new wind farms in the coming year, with expectations that wind could soon generate over 10% of Somaliland's power.



SUCCESS STORY

Somalia's New Agribusiness Incubation Center Offers Practical Training to Farmers, New Opportunities for Traders

USAID/Partnership for Economic Growth



"I have benefited from the center especially from the practical knowledge I have acquired on good agriculture practices. Now I know how to increase my yield per unit area." Faduma Nuur, PEG female lead farmer, Balbaley village



"The technical packages of fodder production and preservation have opened a gate aimed at ending livestock starvation in famine and drought years," - Member of the ABA Farmers Association

For more info contact: Marybeth McKeever: mckeever@usaid.gov

U.S. Agency for International Development
www.usaid.gov

It is harvest time in the Shabelle Region of Somalia and Faduma Nur is smiling. Her demonstration plot and maize harvest have been rated excellent by the agricultural extension workers that have been trained at the new Agribusiness Incubation Center (ABIC) in Afgoi. Previously, her harvests were very poor. Her fields are on bush fallow lands and she was not aware of the GAP (good agriculture practices) until her recent training.

Beginning in the 2014 growing season, USAID expanded its first economic growth project in the Somali regions in over 20 years into South Central Somalia. Working through its local partner SATG (the Somali Agricultural Technical Group), the Partnership for Economic Growth program (PEG) has established three demonstration plots in Afgoi, Awdheegle, and Bal'ad to showcase best practice agronomy practices for local horticulture, maize, legume and fodder varieties. During the first season (March-August 2014), 200 lead farmers along the Shabelle River, such as Faduma, were trained on improved practices including spacing, fertilizer and manure use, and pest control. Each lead farmer's plot now acts as a demo field for 20 contact farmers reaching up to 4000 farm households – an estimated 24,000 beneficiaries.

A local NGO, Women in Action Against Malnutrition (WAANO), is playing a co-facilitator role by encouraging lead and contact women farmers to join.

"Are we in Minnesota? I did not know we could grow maize so high in Somalia!" quoted the Somali Minister of Agriculture when he recently visited the Center during harvest time. Maize stalk is valuable to the Somali community as it is used as fodder for the animals. The lead farmers in Awdheegle are particularly happy of the maize harvest this season as they have seen some of the highest yields on record.

Yields for horticulture farmers in the 2011-2013 PEG's demo activity in Somaliland increased by 100% to 500% for top performing seed varieties. The PEG agriculture team expects similar results in the Shabelle Region. Local partners host market days that bring agro-input suppliers, neighboring farmers, traders, Ministry extension staff and local university agronomy students together during harvest time to witness on-farm yield improvements and build market linkages.

During the recent harvest in August 2014, varieties of cabbage, eggplant, green pepper and salad greens piqued the interest of major traders from Mogadishu, since these vegetables have not been produced in tradable quantities since the civil unrest. PEG is facilitating the establishment of these market linkages.

SUCCESS STORY

First–Ever Wind Power Investment Workshop in Somaliland Builds Investors’ Confidence to Make Wind Power a Reality

USAID/Partnership for Economic Growth



Investors, power providers, money transfer companies, and Ministry staff discussed the potential for wind power investment in Somaliland



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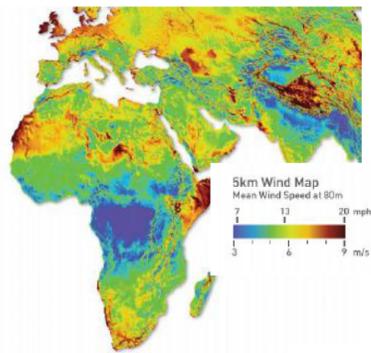
“We just spent \$240,000 on new diesel generators. I wish that we’d known about this – we would have spent that money on wind turbines, and saved on diesel costs right away.”

- Hargeisa independent power producer

Somaliland has some of the highest electricity costs in the world. Households and businesses often pay \$1.00 / kWh, which is about ten times what Americans pay. These costs stifle business development and limit the competitiveness of local industries. The high operating costs resulting from the use of imported diesel for generators – Somaliland’s main source of power – contributes to a major portion of these high prices. The USAID Partnership for Economic Growth program has been supporting the Somaliland Ministry of Mining, Energy and Water Resources as well as local power providers to research possible alternatives that could address some of the constraints within the electrical energy sector.

Recently, the Partnership program hosted a two-day workshop in Somaliland’s capital city, Hargeisa, to explore the potential of wind power investment in Somaliland. This first-of-its-kind investment workshop introduced potential Diaspora investors and stakeholders, including independent power producers (IPPs), to the opportunities of developing wind power in Somaliland. The first day highlighted the financial opportunities and challenges including returns on investment, payback periods, and investor requirements. The second day focused on the technical opportunities and challenges including suitable site availability, generation type diversification, energy security, logistics and technical system requirements.

The goal of the workshop was to facilitate a constructive public-private dialogue (PPD) between government, private sector and civil society participants about a potentially viable energy resource that can be expanded in Somaliland. According to a recent global wind data map, Somaliland is one of the areas with the highest wind speeds on Earth. The workshop hoped to



With wind speeds averaging 7-9 m/s, Somaliland is one of the windiest places in the world, and has ample opportunity for wind power investment

www.3tier.com

highlight how the upfront costs of wind turbines are paid back very quickly because of low operating costs, in contrast with diesel power where operating costs are high each year of operation.

The workshop was led by the Partnership's renewable energy finance specialist and a lead energy expert, with facilitation support by the Partnership's Investment Promotion Specialist. Nearly 50 participants attended the workshop, including representatives from Somaliland's largest power producers, several major remittances companies, representatives from the Ministries of Energy, Aviation, and Agriculture, as well as representatives of Diaspora investors.

Following the workshop, the lead facilitators hosted technical and financial advisory sessions for participants who have plans to pilot wind power in the coming year. In fact, the Partnership team has already held detailed discussions with and provided advice to two power providers and one Diaspora investor who have shown keen interest and a commitment to invest in wind turbines this year, after better understanding the financial and technical feasibility of the technology. With low operating costs that would save the average power provider nearly \$1 million in diesel costs per year, wind power offers Somaliland a viable opportunity to diversify its electricity production. The Partnership's energy team has been providing more specifics on prices, returns on investment and turbine specifications to assist these businesses with making sound investment choices. The eagerness of these local power providers is a true reflection of the need for investment alternatives to diesel generation.

The Partnership hopes that this investment workshop will lay the groundwork for more investment into the renewable energy sector of Somaliland and thus contribute towards economic growth.

SUCCESS STORY

USAID Partnership Program Announces Thirteen Finalists of its First Ever Somaliland Business Grants Program

USAID/Partnership for Economic Growth



The dynamic managing director of Dheeman Business Enterprises, Ms. Qani Abdi Alin, presents her business idea at the USAID Partnership Fund Launch in Hargeisa, Somaliland. As a small but growing clothing enterprise, her business partners are preparing for an ambitious tailoring training and specialty equipment procurement, with a goal of designing the first locally made African dresses in Hargeisa to meet the growing local demand.

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"USAID and the Government [of Somaliland] believe targeted investment leads to prosperity and economic growth."

- Minister of Commerce, Industry and Tourism, Abdirizak Khalif

In Somaliland there are limited options for small and medium enterprises needing capital in the range of \$20,000 - \$100,000 to expand local industries and generate employment. The first USAID matching-fund grants program known as the Partnership Fund was launched on June 19, 2012 to address this gap in access to private sector financing.

Nearly 300 business proposals underwent a transparent competitive evaluation process that led to the selection of the 13 grant winners. The proposals were evaluated by a team from the USAID/Partnership for Economic Growth program, the Ministry of Commerce, the Ministry of National Planning, and the Chamber of Commerce. Proposals were rated based on the viability of their business plan, employment generation potential, and the businesses' own financial or in-kind contributions.

During the Launch, the 13 successful applicants for the Partnership Fund's grant awards were announced. The total grant funds available under the Partnership Fund are USD 900,000. The co-investments are expected to create 250 new full time jobs in Somaliland, with an estimated one-third for women, and over 50% for youth. In addition, investment in new technologies, new processing facilities, and improved product distribution will create market access and better employment opportunities for a variety of suppliers and local businesses working with these grantees. It is estimated that over 1,300 businesswomen and men will find better employment opportunities through the expanded business opportunities in the livestock, energy, fisheries, tailoring, salt, and agriculture sectors.

The Launch, attended by representatives of all 13 grant awardees, was presided over by the Minister of Commerce. In attendance were representatives from the Ministries of Agriculture, Planning, and Energy as well as the Chamber of Commerce. USAID-Somalia also participated in the launch. The event received much publicity and was broadcast by Horn Cable TV (HCTV) and Universal TV – the two major television stations reaching both local audiences and the Somali Diaspora.



USAID | SOMALIA

FROM THE AMERICAN PEOPLE

FIRST PERSON Somali Livestock Opportunities

USAID's Partnership for Economic Growth supports Somali small livestock business



Photo courtesy of Nicholas Parkinson



Hamsa and his employees load hay for export from Berbera Port

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In 2009, Hamsa Haji Hussain returned from the United Kingdom to the small town of Beer in Somaliland to manage over 3000 hectares of farmland inherited from his father.

Hamsa had earned a degree in business administration in the UK and started an enterprise there. "But I always knew I was going to come back home and follow in my father's footsteps."

When Hamsa first saw his land, he was shocked at the contrast with England's lush countryside. "But once the rain fell, I saw the river flow and realized the potential. I was surprised."

The terrain is well suited for grazing livestock as well as for growing hay for fodder. Fodder is an essential part of Somaliland's multi-million dollar livestock trade, which accounts for over 60 percent of GDP.

Having invested his savings--and with no commercial banks in Somaliland--Hamsa wondered how he might grow the business. Then, in January 2012, he learned of USAID's Partnership for Economic Growth's grants competition.

Hamsa developed a detailed business plan, which passed the Partnership's rigorous tests, and won a grant for \$45,000. He invested \$251,000 of his own funds.

Today Hamsa employs hundreds of seasonal workers, benefiting the Beer and nearby communities. He plans for his business to steadily generate more employment for both casual and full-time, skilled workers in the coming years.

Hamsa's efforts bring benefits beyond the business. "We believe in creating community cohesion," he says. "Once we harvest the grasses, we let local pastoralists graze on the land, because it brings us closer to our neighbors."

USAID's Partnership for Economic Growth program, a \$13 million initiative, supports stabilization by investing in the local economy and strengthening the livestock, farming, and energy sectors.

1-7-2013

SUCCESS STORY

Somaliland's Veterinary Board Launches Major Livestock Drug Awareness Campaign

USAID/Partnership for Economic Growth



Livestock drug pharmacies throughout Somaliland are part of the awareness campaign to better inform consumers



Colorful billboards such as this one are set up in livestock markets and pastoral areas to share simple clear messages about the use and disposal of healthy livestock drugs

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“Quality Drugs leads to Healthy Animals leads to Healthy People”
- The new slogan of the Vet Board’s livestock drug awareness campaign

Livestock rearing has always been the principal source of food security and the central pillar of Somaliland’s economy. Animal health is important for livestock production. Economic losses and reductions in export volumes due to diseases can occur in the form of export bans, increased mortality and morbidity. For example, the economic losses due to the export ban in 1998 by Gulf States after the Rift Valley Fever (RVF) outbreak are estimated to be over \$100 million, while the estimation of the losses due to the ban from September 2000 to December 2002 is over \$300 million.

The disintegration of the Somali state in 1991 weakened the veterinary service system as well as the drug and medicine import and distribution systems, and increased vulnerability to such outbreaks. Increased public awareness on poor quality livestock veterinary drugs has major consequences for human and animal health, as well as economic activity in Somaliland. With support of USAID’s Partnership for Economic Growth that has been providing support to the Somali livestock sector since 2011 through community-based animal health worker (CAHW) trainings, the Somaliland Veterinary Board launched a major livestock drug awareness campaign to continue to support this sector.

The campaign will provide drug information related to the quality, use (e.g. proper administration of antibiotics) and disposal of used and expired veterinary drugs to primary stakeholders, namely livestock producers, drug importers and drug outlets, veterinarians and para-veterinarians (CAHWs and Animal Health Assistants). Also, awareness guidelines have been developed that consumers should follow, such as to check for abnormal appearances of packaging of livestock drugs, to procure drugs only from licensed drug outlets and pharmacies, and to avoid suspiciously inexpensive drugs.

A prominent media outlet has been recruited to support this awareness effort using a variety of media materials including TV and radio Public Service Announcements; articles for leaflets, newspapers, and websites to be distributed widely to veterinary livestock pharmacies; billboards in and around livestock markets; and local theater productions.

At the launch of the campaign in Hargeisa, nearly 60 participants from various livestock sub-sectors attended and commended the Veterinary Board for this important information campaign. The Director General of the Ministry of Livestock officially opened the 3-month campaign stating that “The level of production of our Somali livestock is determined by the type of drugs we give them. If we give our livestock approved quality drugs, there will instant benefits to our people and our economy.”



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FROM THE AMERICAN PEOPLE

SUCCESS STORY

Women's Trading Group Uses Grant to Improve Management and Supply Chain Systems

USAID/Partnership for Economic Growth



Abdirizak Ibrahima

The Togdheer Women's Livestock Traders Association of Burao are penetrating a typically male-dominated business in Somaliland

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"The members feel that the new financial and management system has made the management more transparent and has increased their trust in the business. The training opened my eyes to the importance of record keeping and documentation for a small business." -Zainab Yusuf, Chairperson of TWLTA

Burao, Somaliland—Historically, Somaliland's livestock sector is male dominated, and cultural traditions are so deep, that the buying and selling of animals is more of an art than a business that men have controlled for hundreds of years. Togdheer Women's Livestock Traders Association (TWLTA) went into business in 2006 when five women decided it was time for the tradition to change.

The five women from several Somali regions had never traded in the livestock business before. They established the association in the town of Burao, Somaliland's default livestock center. The women decided that in order for rural women to survive and be profitable in the livestock sector, they must form a cooperative and support one another. Many of the women are widows, having lost their husband breadwinners in the Somali civil war over twenty years ago.

Zainab Yusuf Abdi is a widowed mother of 8 children and one of the founders of TWLTA. Zainab was born and raised in Burao but graduated from a university in Mogadishu in management. Despite losing her husband in the civil war, she successfully raised her 8 children and today works full time at TWLTA. In January 2012, Zainab and her colleagues applied for a business grant competition sponsored by the USAID Partnership for Economic Growth. The Partnership program selected TWLTA and awarded them a grant worth \$50,000 and TWLTA committed to matching 25% of the grant.

Since then, the funds have enabled the association to recruit two full time employees including an accountant and financial advisor. In addition, TWLTA members attended a financial management training introducing the women to never before seen methods of bookkeeping and business management. Since implementing the new management and supply chain systems, TWLTA leaders foresee creating a more efficient trader's association while greater transparency will create more cohesion among the members.

Partnership for Economic Growth is a USAID-funded program that began targeting small and medium sized businesses in Somaliland in 2011. The program partnered with the Somaliland Chamber of Commerce and Ministry of Commerce to select 13 small and medium sized businesses. Partnership contributed nearly \$1 million in grants across a variety of sectors, and grantees also made significant contributions to their investments.

SUCCESS STORY

Market Day Allows Farmers and Vendors to Build Relationships and Discuss Crop Varieties

USAID/Partnership for Economic Growth



Newly tested crop varieties of local vegetables and fruits were displayed at Amoud University's second Market Day.



An energetic local vendor, who participated in the Partnership program's business training, explains consumer preferences of different varieties.

"The USAID Partnership for Economic Growth program facilitated us to transfer what we had in minds and our books into the surrounding fertile agricultural areas."

- Prof. Abokor Mohamed, Dean of Faculty of Agriculture, Amoud University

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Fruit and vegetable farmers in Somaliland's Awdal Region often have no idea where their seeds come from. Many of these seeds are imported from other countries, sold on an unregulated market and come with no guarantees or proven success.

In January 2013, farmers and vendors gathered to discuss the benefits of each seed variety for six vegetables (tomato, onion, cabbage, watermelon, hot pepper, lettuce) for the first time ever. Amoud University hosted the Market Day as a workshop to showcase produce from a recent harvest grown to test seed varieties.

Extension workers documented feedback from the farmers and Borama-based vendors in order to gather data about the crop yields, disease resistance and marketing potential. In addition, the farmers who grew the crops met face to face with vendors—often for the first time ever—to better understand consumer preferences.

"We brought vendors and farmers together to have a dialogue about the best performing varieties of vegetables and fruits. We want farmers to understand what local consumers are demanding." Prof. Mohamed Heban, Program Manager for the Amoud University, told the participants.

As a result of the market day, participating farmers are expected to adopt new practices and modify their plots according to consumer demand for the next crop cycle. These types of modifications will hopefully stimulate growth in the agricultural sector by increasing the revenue of both vendors and farmers in the region.

The market day is part of an agriculture extension project led by USAID Partnership for Economic Growth and its partners Amoud University and the Somali Agricultural Technical Group (SATG). The project aims to give farmers an outlet for tested seed varieties, currently unavailable in the Awdal region. An estimated 65% of fruits and vegetables—US\$50 to 75 million—in Somaliland are imported annually from Ethiopia. Improved seeds varieties coupled with new agronomic practices will support more local production.

The project established three demonstration plots at Amoud University located near Borama as well as the towns of Baki and Ruqi. Every week, participating farmers tend the plots and exchange knowledge about nursery germination, transplanting, irrigation, weeding, pests and disease control, and harvesting. The farmers will go through three crop cycles to test the seeds throughout the year.



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FROM THE AMERICAN PEOPLE

FIRST PERSON

New Investments Spur Emerging Somali Poultry Sector

USAID's Partnership for Economic Growth supports local Somali poultry business



Ubale Poultry Farm is serving the growing Hargeisa market with fresh eggs and demonstrating the prospects of a viable business model in this emerging sector.

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"[We believe] in a total market approach, industry growth, partnerships and mutual benefit among our firm, our suppliers, our employees, our customers, and the communities we work in. We intend to be amongst largest companies of poultry and bee in Somaliland and the Horn of Africa."

- Omar Hussein Mire, co-owner, Ubale Poultry Farm

Hargeisa, Somaliland—With a little capital mobilized by relatives, Omar Hussein Mire founded Ubale Poultry Farm (UPF) in November 2001. It was the only poultry business in Somaliland as far as they knew. The owners kept 150 chickens, subsidizing expenses and reinvesting profits from chicken and egg sales. But Hargeisa was a big market, and with its restaurant and supermarket operators importing frozen chickens from Brazil and eggs from Yemen, UPF knew there was a high demand for their products. The Ubale Poultry Farm became popular and profitable, growing to care 1,000 chickens. But due to limited local supply, Hargeisa's retailers increasingly bought imported products.

In 2014, UPF applied for a grant from the USAID Somalia Partnership for Economic Growth (PEG) program. It aimed to extend its capacity and serve local demand by: 1) enhancing production nearly 400 percent for poultry, and 2) maximizing its wealth and positive economic impact on suppliers and customers by reducing production costs and creating local jobs. To do so, the owners faced challenges in technology, transport, warehousing, water, and human resources.

UPF developed a business plan that would create at least 35 new permanent jobs in finance, marketing, site supervision, administration, and procurement as well as semi-skilled, unskilled and temporary jobs in rearing chicks, hatching and collecting eggs, selling eggs, producing honey, and building new warehouses and water facilities. The two sides negotiated a final proposal totalling \$231,000, including \$95,000 from PEG and a cost-share of \$136,000 from UPF.

The program energized UPF's ability to serve the Hargeisa market. Owners procured 6,000 chicks, diesel generators, incubators, feed, cage units, vehicles for transporting people and product, and veterinary drugs. They built a warehouse/housing unit for the chickens—powered by solar panels—and a water reservoir. These investments in place by April 2015, UPF has embarked on its new path, forging a partnership with Hargeisa-based wholesaler Mandeeq: Mandeeq supplies UPF with technical input including veterinary services, while UPF sells its eggs locally—which are much fresher than imports. UPF is Mandeeq's first medium-sized commercial partner, and it wants to see this model succeed.

UPF seeks to grow into new markets, expanding transport and possibly production to other major cities in Somaliland, and eventually selling to other Somali regions. Both Mandeeq and UPF want to be a showcase to others, demonstrating the opportunity to address mutual business challenges in areas such as water supply, animal health, and energy costs while engaging in local production to address local demand.