



USAID | **SOMALIA**
FROM THE AMERICAN PEOPLE

USAID Somalia Partnership for Economic Growth Project Quarterly Progress Report

January – March 2014

**Partnership for Economic Growth
FY 2014 Q2 PROGRESS REPORT**

(01 JANUARY – 31 MARCH 2014)

Award No:

Prepared for Marybeth McKeever
United States Agency for International Development/Somalia
C/O American Embassy
United Nations Avenue, Gigiri
P.O. Box 629, Village Market 00621
Nairobi, Kenya

Prepared by
DAI
7600 Wisconsin Avenue, Suite 200
Bethesda, MD 20814

The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

[Type text]

Table of Contents

Contents

I.	EXECUTIVE SUMMARY	3
II.	KEY ACHIEVEMENTS (QUALITATIVE IMPACT).....	4
II.	ACTIVITY PROGRESS (QUANTITATIVE IMPACT).....	10
III.	PERFORMANCE MONITORING.....	12
V.	ENVIRONMENTAL MONITORING	12
VI.	PROGRESS ON LINKS TO HOST GOVERNMENT.....	14
VII.	FINANCIAL INFORMATION.....	14
VIII.	ACTIVITY ADMINISTRATION.....	16
	ANNEX I: SCHEDULE OF FUTURE EVENTS.....	18

I. EXECUTIVE SUMMARY

As PEG is in the initial phase of the two-year project extension period, this quarter we focused mainly on program planning and mobilization. PEG experienced a major change in leadership mid-way through Q2 with the departure of Program Manager Suleiman Mohamed. He was replaced by Steve Smith who will act as Program Manager during a 6-month transition period. As part of PEG's initiative to launch new agriculture and livestock activities in South Central Somalia, DAI hired Jama Hanshi to act as Project DCOP. Mr. Hanshi has been assigned to manage the South Central program and has been stationed in Mogadishu.

In Q2 we completed almost all of the preparatory work for PEG's three major technical programs: the Partnership Fund; the Somaliland Agriculture Activity; and the South Central Somalia Agriculture and Livestock activities. After a late Q1 announcement of the second round of the Partnership Matching Grants Fund, a total of 765 concept notes were submitted early in Q2. During the ensuing three months we evaluated and short-listed 38 proposals. We then requested and received full blown proposals from the short-listed group and conducted another intensive evaluation process that resulted in a list of 12 winning proposals and two alternates by end of Quarter 2. We plan to conduct due diligence, negotiate and secure USAID approval of the winning grants in Q3.

The development of a potentially sustainable Somaliland Agriculture activity proved to be a time consuming, yet worthwhile process. Amoud University, the implementing organization for this activity, raised the bar after PEG Phase I by conceiving of a sustainable seedling production activity. The development of a viable activity and realistic scope of work required no less than five rounds of discussions between PEG and Amoud representatives. By the end of Q2 we had achieved full agreement on a comprehensive program that will begin early in Q3.

In South Central Somalia, led by our main implementing organization SATG, PEG began mobilization in late February. We worked quickly to form relationships with farmers and establish the infrastructure and inputs required to implement activities during the March-June 2014 growing season. We established a main demonstration field, laboratory and training center in the Afgoi region as well as demonstration fields and nurseries in the other two project sites of Aw-dheegle and Balad. We also hired 15 extension workers and identified 60 lead farmers. Finally, PEG began the exercise of building collaborative relationships with other organizations by meeting with the Ministry of Agriculture and a local women-centered NGO.

In March we developed timelines to swiftly complete and hand over the PEG Phase I Pilot Wind Farm and Investment Promotion Programs to counterparts. Under the Wind Farm Program, we ordered replacement equipment and contracted consultants and engineering services to repair and finalize pending technical issues with wind turbines and the wind data monitoring stations. We also secured an agreement from the Ministry of Energy to issue a PPP solicitation for the Hargeisa wind farm operations management.

Under the Investment Promotion Program, we worked closely with the Ministry of Commerce to ship and deliver the English language Somaliland Investment Guides and to finalize the translation and layout of the Somali language version. We also developed a detailed web portal training program to enable the final handover of the somalilandinvest.net portal. The training and handover will take place in April.

During the month of March PEG initiated several essential management and reporting systems. We designed and implemented a new internal Project Implementation Monitoring (PIM) system that all staff used for weekly and monthly planning and reporting. We made significant progress in developing an M&E Plan amendment and a revised Environmental Mitigation and Monitoring Plan (EMMP). These two plans will be ready for submission to USAID in April.

[Type text]

II. KEY ACHIEVEMENTS (Qualitative Impact)

A. Partnership Fund Grants Activity

Late in Q1 PEG announced the start of a second round of the Partnership Fund at a media-covered event in Hargeisa. The launch was followed by an aggressive promotional campaign to inform Somaliland's entire business sector about the program. We advertised in local newspapers and used effective low-cost text message blitzes through the country's main telecom service provider. PEG's grants team, supported by the Ministry of Commerce and local government officials, held information sessions in all of Somaliland's major towns. The sessions provided detailed information on all aspects of the Fund's objectives and operations. We explained the Fund was designed to spur innovation, jobs and growth in the agriculture, livestock, fishing, poultry, beekeeping and natural oils sectors, as well as supporting infrastructure such as energy and financial services.

A total of 765 "concept notes" were submitted by the early Q2 deadline in January. PEG then created two teams of four evaluators to assess the applications based on the following criteria: potential job creation and economic impact, understanding of the market, technical and operational management experience, and financial viability. This process resulted in a pre-shortlist of 96 applications. A further exercise to ensure broad sectoral and demographic representation brought the final short-list of potential grantees to 38. Information on the sectoral and regional distribution of short-listed proposals is included in **Table I** below.

Table I: Summary of Short-listed Applications

Sector	Number	Percent
Crop Agriculture	7	18%
Livestock & Dairy	7	18%
Agro-processing	6	16%
Fisheries	6	16%
Energy	3	8%
Poultry	3	8%
Beekeeping	2	5%
Leather and Tanning	2	5%
Gums and Resins	2	5%
Total	38	

Region	Number	Percent
Maroodijeex	15	39%
Togdheer	7	18%
Awdal	4	11%
Sahil	4	11%
Sanaag	4	11%
Sool	2	5%
Sahil/Maroodijeex	1	3%
Toghdeer/Maroodijeex	1	3%
Total	38	

PEG announced the 38 shortlisted candidates in mid-February, followed by an additional information session (held in Hargeisa and Burao) to explain how candidates should prepare and submit full business proposals for the final evaluation. A total of 37 proposals were submitted before the March 15 deadline. PEG formed an Evaluation Committee consisting of eight members, five from PEG and three from counterpart organizations, including the Ministry of Commerce, the Ministry of National Planning & Development and the Chamber of Commerce. All 37 proposals were reviewed and scored by all Evaluation Committee members.

Based on aggregate scores, the top 20 proposals were selected for a collective review by the Committee during a one-day retreat in Hargeisa. Our objective was to select 10-12 winning proposals from this group, as well as two alternates in case any of the winners do not pass the due

[Type text]

diligence test. This proved to be a highly useful exercise, as each member of the Committee brought a unique perspective to the discussion. By March 27th PEG had selected a final list of potential grantees after an extensive and efficiently implemented 3-month process.

Major Planned Actions and Milestones for Q2

- Due diligence site visits and information reviews of tentative grants winners and alternates
- Announcement of winning firms and their project ideas
- Negotiate, acquire USAID approval and sign grants
- Initiate Environmental Reviews for all winning projects
- Initiate implementation of the Business Organizational Capacity and Assessment Tool with all winning firms

Lessons Learned

The process used to manage the promotion and evaluation of PEG's second round of grants benefited greatly from lessons learned during the first round. In designing the second round, PEG made several changes based on the 18 lessons learned and outlined in a debriefing paper entitled Review of the Partnership Fund.

Although we regard the huge number of applicants as a positive outcome, it implied a major outlay of resources for the applicants and PEG alike. Only a select few – less than 2 percent of applicants – will receive a PEG grant. In the future, PEG and other USAID projects should consider ways of capitalizing further on the resources invested. For example, the short-listed non-winning firms may represent good potential investments to local investors and financial services providers since they have undergone a rigorous screening process. We could also find ways to connect some of the losing firms with business development services. Such activities could produce additional program impact. PEG has and will continue to consider some of these options, although any further support would depend on the availability of scarce PEG funds.

B. Somaliland Agriculture Activity

Based on Amoud University's solid performance during Phase I of PEG, a follow-on agriculture activity was included in the PEG extension. Early in Q2 we informed Amoud of our intention to build on progress achieved during the first phase. We requested that Amoud submit a new proposal and detailed scope of work.

Both Amoud and PEG had observed the positive impact improved seed varieties and seedling production techniques had on yields and the associated uptake by farmers. In this context, Amoud's initial idea was to establish Somaliland's first seed production and seed bank facility. After further analysis, we agreed that such an initiative would be too ambitious at this stage. Instead, Amoud chose to develop a seedling production and distribution activity. The proposal to sell seedlings would lead to the activity's financial sustainability while providing a valuable service for farmers in the target areas of the Borama, Baki and Ruqi sites.

While the concept was sound, it proved challenging for Amoud to undertake the detailed analysis required to construct a sound business plan. Amoud's first draft scope of work lacked sufficient financial analysis and other essential underpinnings of such a plan. Furthermore, the budget was disconnected from the plan and included significant overhead costs not associated with the proposed scope of work.

During the month of March PEG staff met with Amoud representatives on four occasions for a total of 20 hours to help strengthen the scope of work and budget. This investment of time and

[Type text]

resources was necessary because we did not want to simply dictate to Amoud the terms of their program. We felt Amoud should be the owner of this activity and we had to spend time in the trenches with them working this out together.

In late March Amoud submitted a fourth and final version of the scope of work and budget that was acceptable to PEG. Although Amoud had come far in its thinking about the steps required to implement a financially sustainable activity, the final proposal fell somewhat short of achieving this objective. Both Amoud and PEG will enter into the activity knowing that Amoud will require additional support beyond PEG in order to achieve program sustainability.

In addition to the seedlings production and sales sub-activity, the Somaliland agriculture activity will include sub-activities in farmer extension services and demonstration windmill irrigation systems in Baki and Ruqi.

Unfortunately, due to the long and intensive planning and negotiation process, Amoud has lost the opportunity to implement the new activity for the Gu rains beginning in March-April. We expect Amoud to be well prepared for implementation during the Dayr rainy season that begins in September.

Lessons Learned

PEG continues to confront the legacy that donor charity programs have created in Somaliland. This has made it especially challenging for donors and beneficiaries to meet halfway, i.e. achieve an equal sharing of costs and other resources. Amoud is also aware and concerned of this legacy, but is ambivalent about participating in reform. The first lesson learned is that, as a donor, we must stand firm if we are to build sustainable local capacities and programs. This is a reminder that we design and implement activities that are essentially demand driven, which results in a self-selection process by beneficiaries. Given the limited capacities (for instance, Amoud is Somaliland's only agricultural university) in Somaliland, it will continue to be a major challenge to identify the best potential counterparts.

Major Planned Milestones for Q3

- Sign Fixed Price Purchase Order between PEG and Amoud
- Conduct stakeholder program information events in Borama, Baki and Ruqi sites
- Prepare seedling nurseries for production
- Distribute seedlings to farmers in three areas
- Develop and sign MOU among PEG, Amoud and two farmer communities for demonstration windmill sites, including detailed cost share mechanism with farmers

C. South Central Somalia Agriculture Activity

This activity's ambitious scope of work and targets will require full scale technical implementation during three full growing seasons before the project end date in August 2015. The first of these growing seasons, called Gu by the local population, runs from April through June. In order to meet our technical obligations, PEG began the mobilization of project activities in late February even before USAID had made all necessary approvals associated with this activity.

In late February we coordinated with our main implementing partner Somali Agricultural Technical Group (SATG) to develop a 60 day work plan for the agriculture activity. The first order of business was to establish relationships with local farmer organizations in the three project sites of Afgoi, Aw-dheegle and Balad. In coordination with farmers, we identified and established demonstration sites that would represent the focal points of all activities. Given its comparatively central location, we

[Type text]

decided that Afgoi would serve as the main station. Fortunately, the facility at the demo field also consists of two total hectares of land, office space and a training hall that can accommodate 200 people.

During Q2 PEG successfully mobilized local counterparts, personnel and infrastructure in time for the Gu growing season. Specific progress included:

- Submission by PEG and approval by USAID of the agriculture and livestock scopes of work
- Hiring of two SATG agriculture specialist hired and assigned full-time to the Afgoi main station,
- 10 extension workers identified and provided with induction training,
- 30 lead farmers identified, recruited and trained in basic agriculture technologies,
- The design and installation of an appropriate technology drip irrigation system,
- Construction of a nursery and shade area for seedling production of cabbage, onion, tomato, mung bean and cow pea,
- The design of a an appropriate technology soil steaming system,
- Soil samples taken and tested in Nairobi.

During Q2, PEG also initiated mobilization in the Aw-dheegle and Balad sites. An additional five extension workers and 30 lead farmers were hired and signed up respectively in Aw-dheegle.

PEG initiated contacts with key national and local organizations in South Central Somalia. We met on two occasions with Minister of Agriculture, Hon Abdi Ahmed Mahmed. During these meetings PEG and the Minister briefed one another about their programs and explored possible areas for future coordination. Late in March, PEG provided the Minister with a written program description.

PEG also established initial working relations with the Women in Action Against Malnutrition (WAANO), a local NGO focused on women's development in the area's rural villages. WAANO has already proved helpful in bringing women lead and contact farmers into the PEG activity. PEG has in turn invited WAANO to participate in a number of initial training and technology transfer activities.

Major Planned Milestones for Q3

- Complete the identification of remaining 140 lead farmers in Afgoi, Aw-dheegle and Balad,
- Continue and complete training of extension workers and lead farmers,
- Conduct mapping exercise of relevant actors, including inputs suppliers, buyers and market channels, other government institutions, NGOs and others,
- Identify and begin training of agro-dealers on safe use of pesticides,
- Conduct baseline survey on crop production practices,
- Conduct famer field days in Afgoi,
- Transplant vegetable nursery seedlings to demo plots,
- Support planting of cereal and fodder crops in lead farmer fields.

D. South Central Somalia Livestock Activity

Due to the urgent timing issue regarding the Gu growing season, almost all PEG resources and attention focused on the agriculture activity during Q2. The technical work on this activity will begin in Q3.

Major Planned Milestones for Q3

- Finalize work plans for fodder improvement and extension worker training programs,
[Type text]

- Identify and establish initial relationships with key value chain actors including agro-vets, 200 milk farmers, approximately half a dozen milk traders and at least one milk processor,
- Prepare technical material on milk handling, hygiene and cold chain systems,
- Establish relationships with other relevant actors, including the Banadir Livestock Professional Association and the South West Livestock Professional Association.

E. Pilot Wind Energy Program

Although the vast majority of tasks under this activity had been completed by December 2013, a few critical pending issues had delayed final hand over of the wind energy farm and wind data monitoring stations to the Ministry of Energy. The Ministry had also been unwilling to issue a Public Private Partnership (PPP) solicitation for a private operator to manage the airport wind farm pending resolution of these issues.

In March PEG redoubled its efforts to complete the hand over as swiftly as possible. The most critical issue was the replacement of a faulty generator for one of the five wind turbines. Through our partial warrantee with Adsite, we had the replacement generator air shipped from China to Hargeisa. It arrived at the end of the Quarter.

During the final week of March we met with the Minister of Energy Director General and Director of Energy to secure their firm commitment to issue the solicitation and award the PPP by April 15. We even communicated with the out-of-town Minister to secure his commitment. At the same time we rehired energy consultant Arte Max and contracted local engineering firm Golis Solar to complete the pending list of post-installation issues, which included:

1. Installation of the 20kw generator,
2. Replacement of defective power supply units for three wind turbines in Berbera and verification of two power supply units already replaced and fitted at the Hargeisa wind farm site,
3. Training of the PPP winning private operator and technical staff of the Somaliland Electricity Inspectorate,
4. Development of technical training and operations manuals for wind turbine and wind data monitoring operations.

However, our efforts met with a temporary setback when consultant Arte fell ill and was medically evacuated to Nairobi and then to the U.S. On the following day we initiated an aggressive search for a suitable and immediately available replacement in order to avoid any further delays.

Major Planned Milestones for Q3

- Identify and hire energy consultant to replace Arte Max,
- Complete all pending post-installation activities for wind turbines and wind data monitoring stations,
- Assure the Ministry of Energy and Tender Board advertise, evaluate, select and negotiate PPP with private operator of the Hargeisa wind farm,
- Train PPP operator managers and technicians as well as technical staff of the Somaliland Electricity Inspectorate,
- Develop technical training and operations manuals for wind turbine and wind data monitoring operations,
- Formally hand over all equipment, authorities and responsibilities of the Hargeisa wind farm and data monitoring stations to the Somaliland Government, concluding in a launch ceremony with high level USAID and GOS dignitaries, possibly including the President.

[Type text]

F. Investment Promotion Program

As with the Pilot Wind Energy Program, the Investment Promotion Program represents unfinished business from Phase I of PEG. During the first week of March we found a committed and pro-active counterpart in Mohamed Awale, the newly appointed Director of Planning and Development at the Ministry of Commerce. Together we outlined a concrete plan to finalize and hand over all pending Investment Promotion activities.

First, we printed, shipped and delivered almost 1000 copies of the English version of the Somaliland Investment Guide to the Ministry. Second, we finalized the Somali language translation of the Guide. To ensure maximum Ministry ownership we asked that Mr. Awale and his team do the final editing of the document. This was timely, since the Ministry made several important changes to ensure consistency with the Foreign Act and Commercial Law. We sent the final version to a graphic designer just before the end of Q2. We plan to print and deliver 1000 copies of the Somali version to the Ministry in April.

The other pending activity, the somalilandinvest.net portal, was more critical because of its potentially greater impact on investment promotion efforts. The portal represents an excellent resource for potential investors and tool for the Ministry to communicate dynamically with investment related audiences. Mr. Awale recognizes this potential and seems committed to taking full advantage of it. This will require constant updating of portal information based on the expressed needs of the investor community. In late March, PEG laid plans for a three half-day web training sessions by PEG's international and local web designers. The Ministry has agreed to send no less than three staff to the training, which will be held in early April.

Major Planned Milestones for Q3

- Print, transport (from Nairobi) and deliver 1000 Somali language Investment Guides to the Ministry of Commerce,
- Conduct three half-day web/portal training sessions for Ministry of Commerce staff
- Formally hand over all Investment Promotion Program responsibilities, authorities and assets to the Ministry of Commerce,
- Explore possible PEG support to the Ministry of Commerce for an Investment Promotion international mission.

Lessons Learned

Delays in both the Investment Promotion and Pilot Wind Energy programs owe in part to deficient ownership by PEG counterparts. This type of challenge exists in all donor projects but is particularly salient in Somaliland because of the lack of counterpart resources and the omnipresence of humanitarian style donor programs that have created a culture of donor dependency. Despite efforts by PEG to involve counterparts (mainly the Ministry of Energy and the Ministry of Commerce) from the beginning, most key decisions and actions were led by PEG. We undertook the financing and contracting responsibilities with little support from our counterparts in these areas. This may have led initially to swifter and more efficient implementation, but clearly slowed the transition to ownership by our counterparts. In many respects they were unprepared to assume the financial and technical leadership of these programs. The main lesson learned is to start the hand over process on Day 1 of implementation and secure maximum resource contributions from the counterparts.

[Type text]

G. Livestock Drug Quality Awareness Campaign

This was the final activity under PEG's Phase I Somaliland and Puntland livestock program. In consultation with Phase I counterparts and implementing organizations, we decided to implement a massive socialization program to communicate critical information about basic livestock veterinary practices.

PEG signed agreements with several TV and radio media outlets to broadcast one and five minute messages on basic livestock drug practices. The messages were broadcasted over a two month period. In addition, PEG developed posters, pamphlets and billboards with the same reinforcing messages. The program was completed during Q1.

II. ACTIVITY PROGRESS (Quantitative Impact)

The transitional nature of this three month period had major implications on indicator measurement. Although the extension period activities are technically similar to those carried out in Phase I, the activities themselves are completely new. Most of the program activities from Phase I had ended before Q1, while Extension period activities were still in the planning and resource mobilization stages.

Although PEG has not completed and submitted an amended M&E Plan to USAID, we have anticipated likely modifications as shown in **Table 2** below. Due to the low level of technical program implementation during the Quarter, only three of the 12 indicators recorded any data.

Indicator 1.2 - *Number of days of technical assistance trade and investment environment provided to counterpart or stakeholder*, recorded 41 days of technical assistance, most of which was used to implement Phase I activities that had crept into the Extension period.

The other two indicators resulted from early work on the South Central Somalia Agriculture activity. The first of these is Indicator 3.2 - *Number of persons receiving new or better employment (including better self-employment) as a result of participation in USG-funded projects*. A total of 26 new jobs were created, most consisting of SATG employees and extension workers.

Finally, 14 percent of the early farmer participation in South Central were women under the Indicator 3.6 - *Proportion of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)*. This percentage would have been lower had PEG not coordinated with the NGO Women in Action Against Malnutrition Organization.

Table 2: Partnership For Economic Growth Indicators performance in 2nd quarter FY 2014

Indicator	Baseline Year	Value	FY2014: Target	Actual Results				Achievement Total
				Q1	Q2	Q3	Q4	
PO 1: Percent of respondents who state that economic conditions have improved over the last year	FY 2012	59% ¹	N/A	N/A	N/A			
PO 2: Percent of respondents who state that security has improved over the last year.	FY 2012	82% ²	N/A	N/A	N/A			
1.1: Average percent change in score on key areas of organization capacity amongst USG direct and indirect local implementing partners.	FY 2014	TBD	N/A	N/A	N/A			
1.2: Number of days of technical assistance trade and investment environment provided to counterpart or stakeholder.	FY 2011	0	450	218	41			
2.1: Percent change in volume/yield of agricultural products/commodities supported through PEG activities (kg)	FY 2011	25,904 ³	100%	N/A	N/A			
2.2: Number Farmers and others who have applied new technologies or Management practices as a result of USG assistance.	FY 2011	0	60 (F=6)	35 (F=1)	N/A			
3.1. Number of individuals who have received USG supported short-term agricultural sector productivity or food security training.	FY 2011	0	2000 (F=200)	N/A	N/A			
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	900 (F=90)	N/A	28 (24M - 4F) Y:5			
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	15	N/A	N/A			
3.4. Number of technologies or management practices in one of the phases of development	FY 2011	0	19	11	N/A			
3.5. Number of investment deals initiated or completed by project end, through the contribution of USG assistance.	FY 2011	0	5	N/A	N/A			
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	10%	N/A	14%			

¹ This baseline will need to be recalculated to include South/Central survey data.

² This baseline will need to be recalculated to include South/Central survey data.

³ This baseline will need to be recalculated to include new commodities in South/Central.

III. PERFORMANCE MONITORING

We began the exercise of developing an amended PMP in March after seeking guidance from USAID. Our starting point was a draft amended set of indicators resulting from communications between the PEG COR and PEG in late November 2013. By the end of March we had almost finalized this exercise, resulting in a new, provisional set of indicators and targets contained in **Table 2** above. The exercise has resulted in a total reduction of indicators from 17 to 12. We have proposed to eliminate six indicators and we have added the gender specific Indicator 3.6.

In order to establish baseline data in South Central Somalia for the two PO level indicators on perceptions about economic and security conditions, we will carry out a new opinion survey in the regions of Afgoi, Aw-dheegle and Balad. We will begin and complete this exercise in Q3.

During this quarter USAID M&E contractor IBTCI conducted two major activities for PEG. The first was a series of five activity verification site visits. Activities visited included:

1. Veterinary pharmacies in the Togdher, Sool and Sanag regions,
2. The distribution of animal drugs to four pharmacies in Burao,
3. The Investment Guide public presentation,
4. Wind Turbine Installation and technical Assistance to Tayo Energy Company, and
5. The Somaliland Veterinary Board Workshop for CAHW Curriculum.

The results of the verification site visits were positive and contained few observations to which PEG responded in a prompt and satisfactory manner.

The second major M&E activity was the IBTCI evaluation of Phase I of PEG. PEG provided IBTCI with all required technical and logistical assistance. The evaluation was completed in March, although as of the date of this report a draft evaluation had not been shared with PEG. We are eager to hear of the lessons learned and recommendations that emerged from the evaluation and to incorporate them into our programming for the Extension period.

Major Planned Milestones for Q3

- Complete amended M&E Plan and submit to USAID for approval,
- Conduct opinion survey in South Central Somalia,
- Receive, analyze and discuss IBTCI evaluation internally and with USAID; incorporate lessons learned and recommendations into new programming as appropriate.

V. ENVIRONMENTAL MONITORING

The Partnership Environmental Mitigation and Monitoring Plan (EMMP) outlines the project environmental compliance requirements and includes a list of reports for submission to USAID. The primary environmental compliance reporting tools are the project Quarterly Reports and the Annual Reports. The USAID Initial Environmental Examination (IEE) covering environmental risk for all Investing in People (IIP) and Economic Growth (EG) Program Activities in Somalia from FY 2010-FY 2015 establishes the template and format for the quarterly and annual Environmental Mitigation and Monitoring Report (EMMR).

A summary of these final mitigation measures is provided below. Additionally, this section outlines steps taken and planned for the Partnership extension activities and development of new and

amended Environmental Reporting Forms (ERF). The anticipated need for a Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP) is also addressed.

In summary, the majority of the original Partnership activities and grants were either completed or closed prior to this quarter. Therefore, we have not attached the comprehensive EMMR to this document.

The extension activities are now beginning and the second cycle of Partnership Grants are currently under evaluation and have not yet been awarded. ERFs for Extension value chain activities are being drafted. We anticipate that a PERSUAP will be required for the second growing season for the South Central activities because the overall anticipated area for research/demonstration plots using pesticides is anticipated to far exceed 4 hectares in the second growing season, which will begin in September/October.

The status of each activity is listed below in **Table 3**.

Table 3: PEG Environmental Compliance Overview				
Activities (Completed, On-going, and Planned)		Environmental Compliance Actions		
#	Activity Description	Initial screening and ERF completed?	Mitigation Required?	Current Status
Partnership Value Chain Activities				
1	Agriculture Subactivity	Yes	Yes	Activity Complete.
2	Business Enabling Environment Subactivity	Yes	No	Activity Complete.
3	Somaliland Livestock Subactivity	Yes	Yes	Activity Complete.
4	Puntland Livestock Subactivity	Yes	Yes	Activity Complete.
5	Energy Subactivity	Yes	Yes	Activity Complete.
6	Puntland Business Subactivity	Yes	No	Activity Complete.
Partnership Grant Fund – Cycle I				
7	International Livestock Raising Grant	Yes	Yes	Grant Complete.
8	Afjireh Energy Grant	Yes	Yes	Grant Complete.
9	Red Sea Fishing and Shrimp Grant	Yes	Yes	Grant Complete.
10	Muliyo Salt Grant	Yes	Yes	Grant Complete.
11	GETCO Seafood Processing Grant	Yes	Yes	Grant Complete.
12	Shaqodoon Youth Job Training Grant	Yes	No	Grant Complete.
13	Transparent Solutions Grant	Yes	No	Grant Complete.
14	Togdheer Women Trade Assn Grant	Yes	Yes	Grant Complete.
15	Al Hussein Farms Grant	Yes	Yes	Grant Complete.
16	Dheerman Trading Grant	Yes	No	Grant Complete.
17	Tayo Energy Grant	Yes	Yes	Grant Complete.
18	Horumar Camel Dairy Farm Grant	Yes	Yes	Grant Complete.
19	KAABA Financial Services Grant	Yes	No	Grant Complete.
Partnership Value Chain Activities – Extension				
20	Somaliland Agriculture Extension Subactivity	In draft format, not yet submitted	Anticipated	

21	South Central Agriculture Subactivity	In draft format, not yet submitted	Anticipated	
22	South Central Livestock Subactivity	In draft format, not yet submitted	Anticipated	
Partnership Grant Fund – Cycle 2 – Planned				
23-33	Multiple grant applications currently under review and evaluation	Anticipated June 2014	TBD	Applications under evaluation and verification

VI. PROGRESS ON LINKS TO HOST GOVERNMENT

Somaliland PEG maintained ongoing counterpart relationships with the Ministries of Energy and Commerce. Although we do not anticipate significant additional budget resources for these programs, we will continue to monitor and support these Ministries to help ensure program sustainability of the Wind Energy and Investment Promotion programs. We are especially encouraged by the commitment of Mohamed Awale at the Ministry of Commerce. We hope to continue to build on this budding relationship.

As described in the South Central Somalia Agriculture Activity above, PEG has established a relationship with the Minister of Agriculture Abdi Ahmed Mahmed. We will continue to coordinate with this Ministry and explore opportunities for substantive collaboration as appropriate.

VII. FINANCIAL INFORMATION

During the reporting period, PEG concluded technical and budgetary negotiations for sub-awards to the Somalia Agricultural Technical Group (SATG) and Amoud University. In addition, evaluations of applications to the second phase of the Partnership Fund were concluded. Disbursements under these sub-awards are expected to commence in Q3 (April-June 2014). There were no unexpected expenditures or material changes in costs.

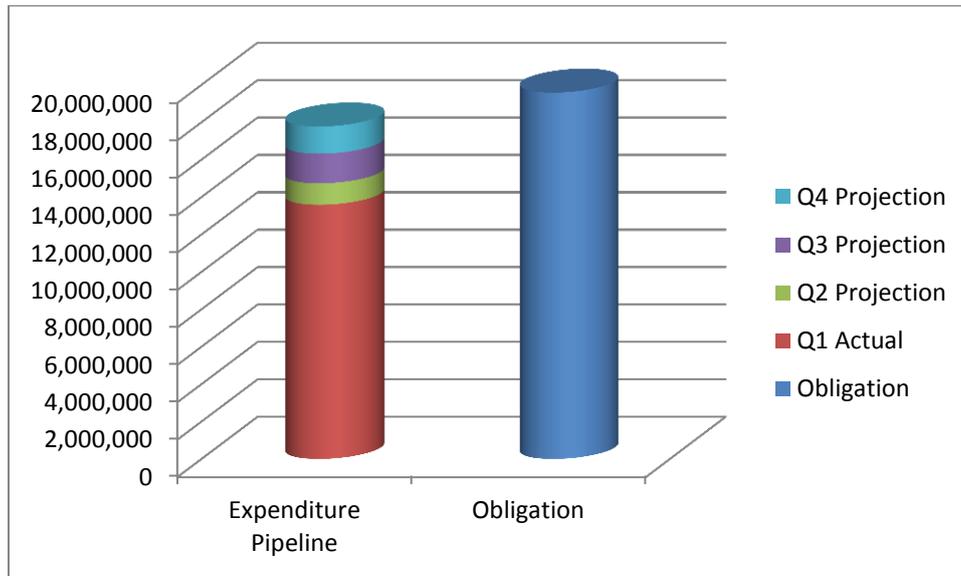
Disbursements in Q1 and Q2 were consistent and for the most part were made in support of project administration. However, starting in Q3, we anticipate higher and more frequent disbursements in support of technical implementation under the Partnership Fund and all of the agriculture and livestock value chain activities.

In recent discussions between PEG and USAID, we were informed that the remaining balance of obligated funds (\$1,403,908) may be in jeopardy due to USAID's shifting program priorities and earmarks. Such a major change in project funding would require that PEG implement timely budget realignment measures. Therefore, it will be important that USAID confirm any budget changes or cutbacks as soon as possible.

The field accounting function for the Project is run out of the office in Hargeisa where we have a senior accountant working under the direction of the Finance and Compliance Manager. Starting in the Q3, an accountant will be hired to support operations in South Central from the Mogadishu office.

Cash Flow Report and Financial Projections (Pipeline Burn-Rate)

Chart I: Obligations vs. Current and Projected Expenditures



T.E.C:	\$20,989,232
Cum Oblig:	\$19,585,324
Cum Expenditure:	\$13,585,547

Obligation	1st Quarter Actual Expenditures Jan-Mar2014	2nd Quarter Projected Expenditures Apr-Jun 2014	3rd Quarter Projected Expenditures Jul-Sep 2014	4th Quarter Projected Expenditures Oct-Dec 2014
19,585,324	13,585,547	1,147,748	1,585,000	1,453,000

Labor	6,299,099	509,430	510,000	510,000
Travel, Transport, Per Diem	900,225	50,000	55,000	60,000
Other Direct Costs	4,386,291	194,743	200,000	210,000
Grants Under Contract	912,121	250,000	650,000	500,000
Subcontracts	463,252	100,000	125,000	125,000
G&A	624,560	43,574	45,000	48,000

Budget Notes

Labor	Salaries for the coming quarter we PEG will increase staff for the Mogadishu office (M&E/Grants Officer, Security Officer, Accountant).
Travel, Transport, Per Diem	Travel expenses have been consistent. Occasional spikes occur with international travel by staff and consultants.
Other Direct Costs	The level of expenditures has been consistent throughout the activity and is expected to remain as such for the foreseeable future.
Grants Under Contract	A new sub-grant to SATG for agriculture and livestock activities in South Central Somalia has been submitted to USAID for approval. Disbursements will commence in Q3. Additionally, grants under the Partnership Fund will increase expenditures significantly starting in Q3.
Subcontracts	The Partnership presently has two subcontracts, one with SATG that provides for operations support to activities in South Central Somalia, and the other with PRS for security services in Hargeisa. Additional subcontracts are not anticipated at this point.
G&A	Calculated as per Award conditions.

New Sub-Award Details

Total amount in the approved budget for sub-awards:	\$2,164,800
Total amount sub-awarded to date:	\$0.00

VIII. ACTIVITY ADMINISTRATION

A. Constraints and Critical Issues

The only major challenge faced by PEG was the context within which we had to mobilize resources and initiate operations in South Central Somalia. Due to the severe security risk, PEG searched for and found a suitable office/guest house location located in the green zone very near the airport in Mogadishu. During the period DAI Security Advisor John Reid conducted a Security General Security Assessment and an Office Assessment. The assessment includes numerous recommendations that either have been or will be implemented by PEG. One of the major issues is the presence of up to 20 police checkpoints between the office and project sites only 30 kilometers away. The checkpoints cause delays and pose a significant additional security risk to project personnel. The checkpoints also have a direct impact on technical results due to the perceived and real transactions costs for farmers trying to transport product to market. We will continue to monitor these issues as well as others that will likely present themselves in the future

B. Personnel

As part of the transition from PEG Phase I to the Extension period, there were a number of major changes. Most notably, Program Manager Suleiman Mohamed resigned and was replaced by Steve Smith. Mr. Smith has been hired as a transitional Program Manager for a seven month period ending in September 2014. Additionally, DAI hired Deputy Chief of Party Jama Hanshi and assigned him to

manage the South Central Somalia activity out of Mogadishu. The changes in personnel are included in the **Table 5** below.

Table 5: PEG Personnel Changes

Name	Position	Date Hired
Steve Smith	Program Manager	Feb 2014
Jama Hanshi	Deputy Chief of Party	Dec 2014
TBD	Monitoring & Evaluation Officer South Central	May 2014
TBD	Safety & Logistics Officer South Central	May 2014
TBD	Accountant South Central	May 2014

C. Changes in the Project

No major changes in the project occurred or are anticipated.

D. Contract and Sub-contract Awards, Issues, Modifications

Modification No. 8 to the DAI contract was issued on 12 February 2014 to incrementally fund the contract and make changes to key personnel. DAI plans to issue approximately 12 sub-awards for business matching grants under the Partnership Fund upon USAID approval. Additionally, subsequent to USAID approval, DAI will issue a time and materials sub-contract and a fixed obligation grant (FOG) to SATG for implementation of agriculture and livestock activities in South Central Somalia. Finally we will issue a Fixed Price Purchase Order to Amoud University for implementation of the Somaliland Agriculture activity.

Annex I: Schedule of Future Events

Date	Sector	Location	Activity
April	Energy	Hargeisa	Wind and Renewable Energy Integration one day Workshop
May	Energy	Hargeisa	Official Launch Wind Farm at Hargeisa Airport
May	Partnership Fund-Phase I	Borama	Mulyo Salt Factory Launch
June	Partnership Fund-Phase II	Hargeisa	Launch- Implementation of the Partnership Fund-Second Round
April	Agriculture/Amoud University	Borama	Training for both extension staff and Nursery attendants about the advantage of seeding, building nursery shed, seeds tray etc.
May	Agriculture/Amoud University	Borama	Farmer's workshop: Informal workshops, one for each location lasting one day
May	Agriculture/Amoud University	Borama, Baki and Ruqi	Stakeholder Workshop: One day workshop for each site
May	Agriculture	Afgoi	1 day training agro-dealers and extension workers on safe use of pesticides
May	Agriculture	Afgoi	3 day training on crop production and data protocol for extension workers
May	Agriculture	Afgoi	1 day training on compost manure
May	Livestock	Mogadishu	1 day technical round-table discussion with private animal health service providers, expose them to new drugs/vaccine