

ADBBP 357

APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3:43)

| | | | | |
|---|--|---|-----------------------|--------------------|
| AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET | | 1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete | Amendment Number 2 | DOCUMENT CODE 3 |
| COUNTRY/ENTITY Somalia | | 3. PROJECT NUMBER 649-0109 | | |
| 4. BUREAU/OFFICE Africa <input type="checkbox"/> 6 <input type="checkbox"/> | | 5. PROJECT TITLE (maximum 40 characters) Livestock Marketing and Health <input type="checkbox"/> | | |
| 6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 1 2 3 1 9 1 | | 7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> 8 <input type="checkbox"/> 4 <input type="checkbox"/> B. Quarter <input type="checkbox"/> 4 <input type="checkbox"/> C. Final FY <input type="checkbox"/> 9 <input type="checkbox"/> 1 <input type="checkbox"/> | | |

8. COSTS (\$000 OR EQUIVALENT \$1 =)

| A. FUNDING SOURCE | FIRST FY 84 | | | LIFE OF PROJECT | | |
|------------------------|--------------|--------------|----------|-----------------|---------------|---------------|
| | B. FX | C. L/C | D. Total | E. FX | F. L/C | G. Total |
| AID Appropriated Total | 2,000 | | | 18,660 | | 18,660 |
| (Grant) | (2,000) | () | () | (18,660) | () | (18,660) |
| (Loan) | () | () | () | () | () | () |
| Other | | | | | | |
| U.S. | | | | | | |
| Host Country | | 5,500 | | | 16,000 | 16,000 |
| Other Donor(s) | | | | | | |
| TOTALS | 2,000 | 5,500 | | 18,660 | 16,000 | 34,660 |

9. SCHEDULE OF AID FUNDING (\$000)

| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE | | D. OBLIGATIONS TO DATE | | E. AMOUNT APPROVED THIS ACTION | | F. LIFE OF PROJECT | |
|------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| | | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan |
| (1) ARDN | 113 | 060 | | 17,000 | | | | 17,000 | |
| (2) DFA | 113 | 060 | | | | 660 | | 660 | |
| (3) ESF | 113 | 060 | | | | 1,000 | | 1,000 | |
| (4) | | | | | | | | | |
| TOTALS | | | | 17,000 | | 1,660 | | 18,660 | |

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
010 050 040 960

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code BR BS R/AG
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To restore the contribution of cattle exports to the Somali balance of payments and to lay the conceptual basis for a broader approach to strengthening the Somali livestock industry.

14. SCHEDULED EVALUATIONS
Interim MM YY Final MM YY
0 | 2 | 8 | 8 | 1 | 1 | 9 | 1 |

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)
I concur in the methods of implementation and the financial arrangements under this project.

Michael R. Bradley
Michael R. Bradley

17. APPROVED BY
Signature: *Lois Richards*
Title: Lois Richards, Mission Director
Date Signed: MM DD YY
0 | 1 | 2 | 1 | 4 | 8 | 9 |

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

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II. BACKGROUND AND RATIONALE FOR PROJECT REVISION

A. Background:

In May 1983 Saudi Arabia banned importation of cattle from Somalia and several other countries in response to the health threat of a rinderpest outbreak in some African countries. At that time, sale of live animals generated over 75 percent of Somalia's hard currency earnings, and over 90 percent of the cattle exported were sold to Saudi Arabia.

At the request of the GSDR, AID responded to this emergency with the Livestock Marketing and Health Project. The project was authorized July 30, 1984, and authorized \$11 million in foreign exchange. This was supplemented by the equivalent of \$5.5 million in Somali shillings provided by the GSDR. The PACD for the project was June 30, 1988.

In order to cover construction costs, which were underbudgeted in the project design, the project was amended on August 2, 1986, to increase foreign exchange funding by \$6.0 million, to a new total of \$17 million. The GSDR contribution was also increased by the Somali shilling equivalent of \$7.5 million. In addition, the GSDR agreed to commit the shilling equivalent of \$3.0 million in funds generated by sale of equipment under the Livestock Investment Fund toward construction of the quarantine stations under the direct AID contract. The PACD was extended to December 31, 1989.

Project Objective:

The goal of the project is to support the expansion of Somali livestock exports and foreign exchange earnings and to increase the income and welfare of the Somali people generally, and the livestock industry specifically, over the next decade.

Project purposes in furtherance of this goal are:

1. To restore the contribution of cattle exports to the Somali balance of payments, and
2. To carry out studies related to livestock marketing in Somalia which can be used as a basis for improving livestock marketing and in developing future programs to strengthen the Somali livestock industry.

Private sector livestock traders will be the primary beneficiaries of the project, as cattle exports and resultant incomes are increased. Cattle herders will similarly benefit as increased demand for export cattle encourages increased production and a higher offtake rate. Farmers will benefit from the increased demand for fodder which will be stimulated by the needs of the quarantine stations. Somali livestock producers in general may benefit from the creation of a fodder industry. The rest of the Somali population is expected to benefit from the increased foreign exchange entering the economy as a result of the project.

The project was originally designed to include the following components:

Quarantine and Animal Health: The project was to construct a quarantine station to serve each of the three major ports (Mogadishu, Kismayo and Berbera), and to provide technical assistance to set up an effective quarantine system. The services of a Senior Veterinary Advisor were provided to assist in establishing the Livestock Marketing and Health Project Unit (LMHP). This unit was responsible for management and supervision of activities related to quarantine and export of cattle and the collection of livestock marketing and export statistics. The services of a Junior (Field) Veterinary Advisor and a Feedlot Advisor were provided to assist in developing procedures for efficient management and operation of the quarantine stations and to train quarantine station staff. Local currency was also provided by the GSDR for rehabilitation of the port marshalling yards and ancillary buildings at the quarantine stations.

Private Sector Support for Quarantine Activities: A Livestock Investment Fund (LIF) of \$3 million was to be established to provide foreign exchange for farmers to purchase equipment and goods needed for fodder production, and for traders to purchase livestock trailers for transporting cattle from the quarantine stations to the ports. To the extent possible, the LIF was to follow procedures developed for AID's Commodity Import Program. A Fodder Production Advisor was to assist farmers interested in fodder production. Local currency was provided for a demonstration/research farm and other activities to encourage farmers in fodder production.

Marketing Activities: Two one-year studies were financed in international livestock marketing and the socioeconomics of livestock marketing in Somalia to gain a better understanding of market dynamics and potential export markets and to identify improvements which can be made in livestock marketing which might serve as the basis for a longer term program. In addition, a domestic marketing study was to assist in establishment of a livestock marketing information system to collect and analyze data on the cost and availability of livestock for export and the market situation in importing countries.

B. Project Performance to Date:

Project implementation began in 1984 with organization of the Livestock Marketing and Health Project Unit (LMHP). Although the AID project itself was limited to quarantine and export activities related only to cattle, the Ministry of Livestock, Forestry and Range (MLFR) delegated responsibility for livestock marketing and export in Somalia to the LMHP. Thus, although the foreign exchange input was limited to cattle quarantine activities, the LMHP included local currency for activities related to export of sheep, goats, and camels.

USDA did the first technical design of the quarantine stations, taking into account the pattern of Somali livestock exports. Historically,

cattle exports from Somalia are very seasonal, due to the better condition of animals during the wet season, as well to the demand in Saudi Arabia for meat during the annual pilgrimage to Mecca, the Haj. Up to half of the total annual exports have often been shipped in a two to three month period. For example, of the approximately 150,000 cattle shipped in 1982, close to 20,000 were sent from each of the three major ports in one month.

The USDA design had a capacity of 24,000 head per station to accommodate this maximum monthly shipment, with room for expansion of the export market in the future. However, the cost of this design was found to be over \$7 million more than the \$3.9 million budgeted for construction in the original PP.

The GSDR and AID reviewed the USDA design and decided to reduce the size of the stations to 18,000 head, close to the maximum number shipped in the past in one month. USAID/Somalia also agreed to ask AID/W for additional funding to cover the estimated \$8.4 million needed for construction.

The project was accordingly amended in 1986, increasing funding for construction and associated architectural and engineering services. The project goals, objectives, and planned activities were not changed by the amendment.

The first RFP for construction of the quarantine stations, issued in July 1987, was cancelled because cost proposals from eligible bidders were far in excess of funds available. The GSDR and USAID reviewed the situation and agreed to reduce the capacity of the quarantine facilities to 12,000 head per station. Although this was below the number shipped during peak months in the past, it was felt that new export markets in Egypt, North Yemen, and other Gulf States opened since the Saudi ban in 1983 would draw off part of the total annual exports, leaving fewer animals to be shipped in peak months. A second RFP was issued in May 1988.

In December 1988, a direct AID contract was awarded for construction of the three quarantine stations. At the time of the award, dollars were available to construct two of the three stations (shillings were available to fully fund construction of only one station), and construction of the third was subject to availability of funds.

Although construction has been seriously delayed, other elements of the project have shown progress. The GSDR has used local currency to install wells, pumps, generators, and perimeter fencing and to begin construction of ancillary buildings (offices, laboratories, garages, warehouses, staff housing, etc.) at the quarantine stations. Construction is complete at one of the stations and has been contracted for the other two. An all-weather road from Kismayo to Lahaley is also being built with local currency. The GSDR has also rehabilitated marshalling yards at the ports and upgraded existing holding areas for processing cattle shipped to Egypt and North Yemen under semi-quarantine conditions. A new isolation unit for vaccine testing was also constructed with local currency at the

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Serum and Vaccine Institute (SVI) in Mogadishu. The SVI manufactures vaccines used for export cattle and other livestock, and the new isolation unit will be used for testing the vaccines.

Four studies related to livestock marketing were completed by AID-financed experts. A series of studies done on international marketing assessed potential markets and competition for Somali livestock sales. These studies concluded that market opportunities are strong in the Gulf States, Egypt, and Turkey, but conditions for certification of the health of the export animals and policy and infrastructure for marketing must be improved. Under the Domestic Marketing Study, collection of livestock market data, including volume of sales, price, age, and condition of animals offered for sale, has been established at various markets throughout Somalia. A third study on socioeconomic issues related to production and export of livestock in Somalia noted the recent trend toward enclosure of rangeland for fodder production and grazing and commented on problems and benefits from this practice. A study of the fodder situation in Somalia examined the costs and benefits of mechanization of fodder production, concluding that such a move is not economical until the demand for fodder increases. The study also identified constraints which now limit livestock production and marketing in Somalia, including problems with shipping, communications within and outside of the country, lack of credit for exporters, and poor marketing infrastructure.

The Senior Veterinary Advisor assisted the LMHP in reviewing and revising regulations related to exporting livestock. He also assisted in establishing the Field Operations Department, which is responsible for management and operation of the quarantine and port facilities. The Feedlot Advisor initiated feedlot trials using a small Government-owned feedlot to help identify problems and to train staff in management of cattle under conditions of confinement. The Junior Veterinary Advisor helped develop on-the-job training programs for quarantine station staff in vaccinating, dipping, and certifying the health of cattle in quarantine.

Three participants were sent to a U.S. institution for non-degree training in feedlot management, veterinary medicine and marketing. This type of training program, which was intended to combine limited academic work with on-the-job experience, did not work out as well as expected. The USDA and the university found it difficult to arrange suitable work experience in a timely manner. Participants also found academic work frustrating, since courses were selected from regular degree programs instead of being specialized short-term programs, fostering unfulfilled expectations that the training might be expanded to allow time to earn a degree. Two of the participants returned to Somalia. One is working as a veterinarian with the project, and one quit the project to join the military. The third quit training and reportedly went to Canada.

One participant attended a project implementation course given by an African training institute in Tanzania. He is now working in the administration section of the project. Seven LMHP staff also attended a three-week in-country management course given by USDA.

Early in the project, five members of the LMHP staff toured the U.S. to observe cattle feedlot and export facilities there, in preparation for their participation in design of the quarantine facilities. Two of the marketing staff on the LMHP accompanied the International Marketing Advisor on a tour of the Gulf States to evaluate market potential for Somali livestock there.

The Feedlot Advisor and his counterpart accompanied a shipload of cattle sent from Kismayo to Egypt to observe conditions during shipment and on arrival in Egypt. Based on problems they observed, the project is now working to educate traders on the importance of selecting cattle in prime condition for export and of providing adequate feed during shipment.

Although there have been some expressions of interest in the Livestock Investment Fund, none of the available foreign exchange has been used. Reasons for this include inadequate advertising of the LIF, confusion over who would administer it and who would approve applicants, and lack of a credit program to assist small farmers who were interested in fodder production but were unwilling to make the heavy initial capital investment. Another factor which may have adversely affected use of the LIF was the foreign exchange auction which was in operation at that time. Foreign exchange for importing agricultural equipment was available through this auction or on the parallel market at a rate not appreciably different from the official rate used for the LIF, and traders and farmers preferred these sources rather than the LIF, with its restrictions on source and origin and substantial deposit requirements.

C. Rationale for Project Supplement

As noted in an evaluation of the LMHP in February 1988, progress has been limited by failure to complete the construction of the quarantine stations. This has had a negative impact on success of other elements of the project, and much time and money was spent while problems of design and funding for construction were being resolved.

Loss of the Saudi cattle market has had drastic effects on Somali foreign exchange earnings. Somalia depends on live animal exports for a major portion of its foreign exchange earnings, and it is vital that the quarantine system is improved to insure existing markets remain open and to enable Somalia to return to the Saudi market and expand into new markets. Although markets for Somali cattle have opened in North Yemen and Egypt since the ban was imposed in Saudi Arabia, the international marketing study done under this project concluded that improved quarantine procedures will soon be needed for Somalia to remain competitive in these and other export cattle markets.

In keeping with the high priority accorded this project, the GSDR has spent in excess of 500 million Somali shillings for construction of ancillary structures at the quarantine stations and for operating costs of the project. The GSDR has assumed substantial costs for wells, pumps, generators, and perimeter fencing for the quarantine stations, as well as rehabilitation of the marshalling yards at the three major ports. All of these items were originally to be part of AID's contribution, but they

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were done by the GSDR to save foreign exchange for construction of the quarantine facilities.

The GSDR has also agreed to substantial reductions in the size and engineering specifications for the quarantine stations in an effort to decrease costs to the minimum without compromising the concept of the system. Clearly, the construction and operation of the quarantine stations is the most important element in the project.

When the cost of the construction contract was known, it was obvious that there were not enough funds remaining in the project to cover construction of three stations with a capacity of 12,000 head each. First consideration was given to the option of further reducing the size of the stations. However, it was agreed that this is the minimum size which will enable Somalia to take advantage of seasonal shipments of cattle.

Since funds were available to construct two stations, second consideration was given the option of not constructing a station at one of the sites. However, the GSDR and USAID agreed that each station is important as an export point for cattle raised in a separate area of the country, so none could be eliminated without potentially reducing total annual exports. Furthermore, because of the unrest in the North, the station serving Berbera port would be the last to be constructed and the one to be eliminated if only two stations were to be built. However, it is recognized that logistically and politically, Berbera is the most important shipping point, because of its proximity to the Gulf States and because of AID's commitment to assist Northern Somalia recover from the effects of the fighting and restore economic activity.

In order to fund construction of all three quarantine stations, \$6.2 million in additional project funding was requested from AID/W. AID/W has not approved any increase in the USAID/Somalia operational year budget (OYB) for the project, but agreement has been reached with AID/W to increase the project's life-of-project amount by \$1.660 million from within existing OYB levels by reducing FY 1989 funding for other Mission projects.

Even with these additional funds, there is not enough money to continue the marketing and fodder production activities which were included in the \$6.2 million originally requested of AID/W. Consequently, these activities are being eliminated to provide sufficient funds for quarantine construction, and the project will now focus exclusively on preparation and health certification of export cattle. Project activities will be limited to construction of the quarantine stations, in-country training for their operation and management, limited additional training in other African or third world countries, and some procurement of commodities in support of the quarantine stations. Further USAID participation in marketing and fodder production activities will not be included in the project unless additional funds can be obtained.



III. REVISED PROJECT DESCRIPTION

A. Goal and Purpose: The overall goal and purpose of the LMHP is unchanged. However, the project will now focus on activities directly related to quarantine and health certification of export cattle. It will no longer include activities which support the quarantine system but which are not directly part of it, such as marketing and fodder production. Nor will it support activities related to export of livestock other than cattle which are processed through the quarantine stations constructed by the project. Project beneficiaries remain the same.

B. Project Elements: During the remainder of the project, activities will focus on one component, Quarantine and Animal Health:

1. Construction: The project will construct quarantine stations to serve each of the three major ports (Mogadishu, Kismayo and Berbera). The basic design which isolates cattle in quarantine and divides the station into quarantined ("clean") and unquarantined ("dirty") areas remains unchanged. The design also divides cattle into "cells" of 3,000 animals, each separated from other cells to prevent contamination of the entire station should an outbreak of disease occur in one of the cells. Therefore, the size of the station has been reduced by eliminating some of these cells, but the overall design is unchanged.

Wells and generators, perimeter fencing, and ancillary buildings for the quarantine stations, such as offices, warehouses, garages, etc., will be constructed using local currency provided by the GSDR. Much of this construction, especially at Warmahan, has been completed, and the remainder has been contracted.

The schedule for construction is included in the Revised Implementation Schedule in Annex A. It is anticipated construction will begin at Warmahan, the station serving Mogadishu, and that construction on the second station will be at Lahaley, near Kismayo. Construction of the station at Lafarug in the north is anticipated to begin about October 1990, by which time it is assumed the area will be sufficiently secure to enable construction work to begin.

Services of an architecture and engineering firm were used for modification of the design and blueprints and in preparation of the request for proposals for construction. However, supervision of construction, which was originally included in the contract with the A&E firm, will now be done by the USAID/Engineering Division, and the contract with the A&E firm will be terminated.

2. Technical Assistance: Technical assistance will be provided for training quarantine station personnel in operating an effective quarantine system. Because of funding limitations, the position of Senior Veterinary Advisor is dropped, as most of the work on review and revision of regulations related to quarantine and livestock exports has been completed. The services of a Field Veterinary Advisor and a Feedlot

Advisor are provided to assist in developing procedures for efficient management and operation of the quarantine stations and in training quarantine station and port veterinary staff.

The option of discontinuing the quarantine stations advisors (Field Veterinary Advisor and Feedlot Advisor) during the construction of the quarantine stations and bringing them back just before completion of the facilities was considered. However, the Mission decided this is not cost effective, as the advisors are assisting the LMHP in a number of important activities which should be continued during this time. New scopes of work for the advisors to cover this interim period will be developed for the USDA PASA which provides technical assistance for the quarantine program.

Continued consideration of cost recovery for the project will be reflected in periodic review and rescheduling of the user fees which will be charged to traders entering cattle in quarantine. The Field Veterinarian and Feedlot Advisor will assist the project in establishing procedures for setting the level of the fee. A separate GSDR account has been established within the project to receive funds collected under the user fee, and these will be used for costs of operating the stations, specific treatments to cattle, such as dipping and vaccination, and overhead costs for management and administration of cattle quarantine activities. The fee will cover maintenance of the stations but will not cover replacement costs, since by the end of the lifespan of the stations it is anticipated the livestock industry in Somalia will have changed considerably.

3. Training: It was planned that at least seven participants would be sent to U.S. institutions for short term non-degree training. Only three have been sent so far, but the training plan will now be modified to follow recommendations made in the mid-term evaluation. Training will be refocused to emphasize in-country, on-the-job training and short courses in other African and Third World countries. Limited funds are included for some training during the remainder of the project, primarily for short courses in administrative subjects such as financial management, stockroom control, etc., and for study trips to other African and/or Gulf State countries to observe quarantine or processing of cattle and to investigate export markets. Specific courses will be selected as project needs dictate.

4. Commodity Procurement: Limited funds are also included for commodity procurement, as the majority of the procurement under the project has been initiated or completed. Funds are available for purchase of spare parts for vehicles which will be assigned to the quarantine stations and which will not be serviced by the USAID Field Support Unit. Funds are also available for minor purchases found to be necessary as the stations begin operation.

5. Operations Support: Logistic support for contractors will continue to be provided through the USAID Field Support Unit. However, because of funding limitations, maintenance services will be provided for only the

two AID-procured vehicles assigned to the field quarantine technical assistance personnel. Maintenance and repairs for all other project vehicles, including those procured by AID, will be the responsibility of the GSDR.

C. Activities No Longer Included in the Project:

1. Fodder Production Activities: Although some interest was expressed by farmers, traders and equipment dealers in using the LIF, no formal applications for using the fund were received. AID funds allocated for the LIF are now shifted to construction, and the LIF is eliminated from the project. Although development of a fodder industry to supply feed for the cattle in quarantine is essential for the success of the project, several donors now have commodity import type programs which will make foreign exchange available for agriculture imports, including fodder production equipment and supplies. Local currency generated by the LIF was allocated to the shilling cost of construction of the quarantine stations under the direct AID contract. These funds for construction will now be provided by the GSDR from other local currency generations under the PL480 and/or ESF programs.

2. Marketing Activities: Four one-year studies were completed in international and domestic livestock marketing, the socioeconomics of livestock marketing, and fodder production, to gain a better understanding of market dynamics and potential export markets and to identify constraints to improved livestock marketing. A domestic livestock marketing information system to collect and analyze data was also established by the domestic marketing study. These studies should provide information useful to AID and other donors in development of new project inputs for livestock production and marketing. A study on drug marketing/in-country packaging was described in the PP, but this will not be done. Some commodities were ordered for the marketing activities and will be turned over to the LMHP when they arrive; however, unless additional funds become available, further assistance in marketing is not included in the project. Therefore, following the project evaluation recommendation, this component is dropped from the project.

3. Construction of the isolation unit for the Serum and Vaccine Institute (SVI): Construction of this complex was completed using local currency. An order of equipment, drugs and chemicals was also prepared for the SVI and the Central Diagnostic Laboratory. These goods are included in the order of equipment and supplies for the quarantine stations, and they will be turned over to the SVI when they arrive. Further assistance to the SVI or the Central Diagnostic Laboratory is not included in the project, and the use and management of the new isolation unit are now the responsibility of the Ministry of Livestock, Forestry and Range.

4. Dues for Membership in OIE: Funds were provided in the project for payment of the annual dues for Somalia's membership in the Office International des Epizooties. The OIE is the organization responsible for coordinating regulations concerning international livestock movement

and for distributing information on outbreaks of contagious animal diseases throughout the world. Although it is essential Somalia maintain its membership in this organization, funding will no longer be provided through the LMHP and payment of membership fees will be the responsibility of the Ministry of Livestock, Forestry and Range.

Several project activities which have been funded solely with local currency are dropped from the project, although they may be continued by the GSDR separately from the project. These include maintenance and operation of the small ports; rehabilitation and operation of the sheep and goat export facility at Aroori and other activities related to the export of sheep, goats and camels; fodder production/private sector assistance activities; credit programs; disease monitoring; and other activities which are not directly related to operation of the quarantine system. Some of these activities will revert to control of the the Ministry of Livestock, Forestry and Range. Others may more properly be assigned to the new Livestock Environment and Research Institute (LERI).

IV. Revised Cost Estimate and Financial Plan

The Livestock Marketing and Health Project Paper Supplement involves an AID L.O.P. contribution of \$18.660 million and a GSDR contribution of \$16.0 million. Most of the changes to the project description discussed in the previous section will require adjustments to the project budget. These changes are summarized below and in the following financial tables. Detailed cost estimates and analysis are shown in Annex B. (Note: The GSDR contribution has not been increased since the extension of the PACD, and the LMHP unit is now reviewing this budget. The GSDR contribution is well above the required 25% of the AID contribution, and a revised budget will be incorporated into the project at a later date by an amendment of the Project Agreement to provide additional local currency for operational costs to the end of the project.)

AID CONTRIBUTION

A. Technical Assistance (\$2,696,000)

The first PP supplement budgeted \$2.036 million for technical assistance. Of this, \$1 million funded the USDA PASA, which provided seven person-years of long-term advisors for quarantine operations. Five person-years of short-term assistance were provided by a contract with Ronco Consulting Corporation for marketing and administration TA, at a cost of \$834,000. A separate PASA with USDA for \$200,000 provided an agricultural economist to assist the Office of Agriculture and Rural Development. Thus, of the \$2.036 million obligated for TA, approximately \$2.034 million has been committed.

This PP revision will extend the TA provided under the USDA PASA for quarantine advisors by approximately five person years, for a total of twelve person years. Funding for the PASA will be correspondingly increased by \$662,000, bringing the total to \$1.662 million. Since approximately \$2,000 remain uncommitted, an increase of \$660,000 is needed for technical assistance, making a new total of \$2,696,000.

B. Commodities (\$1,900,000)

Most of the procurement for the project has been completed or initiated. Major items purchased include 15 project vehicles and related spare parts and equipment and supplies for operation of the quarantine stations. The PP budgeted \$1.965 million for commodity procurement. Procurement to date totals approximately \$1.830 million, so about \$135,000 remains in this line item. Of this, approximately \$70,000 will be needed for the purchase of additional spare parts and materials during the remainder of the project. Thus, a total of \$1.9 million is needed in this line item, and the line item is therefore decreased by \$65,000 to \$1,900,000.

C. Construction (\$12,873,000)

Construction costs will be about \$12.498 million for three stations each holding 12,000 head of cattle to serve the ports of Mogadishu, Kismayo and Berbera. A contingency of 3% is included in construction, for a total dollar cost of \$12.873 million. This is an increase of \$4.473 million over the \$8.4 million budgeted in the last PP amendment.

D. Training (\$205,000)

Approximately \$195,000 of the \$268,000 now budgeted for training has been spent. This PP revision will provide approximately \$10,000 more for short courses and study tours to other African and third world countries during the remainder of the project. Therefore, training funds are decreased by \$63,000, leaving a total of \$205,000.

E. Field Support Unit Operational Costs (\$547,000)

Since the USDA PASA long-term TA is increased in this PP supplement, FSU costs for logistic support of contract staff are correspondingly increased by \$90,000. Two of the AID-procured project vehicles, which will be assigned to technical assistance personnel, will also be serviced by FSU, for a cost of \$90,000. All of the \$367,000 now budgeted in this line item has been committed, so an increase of \$180,000 is necessary, bringing the total for FSU costs to \$547,000.

F. Architectural and Engineering Services (\$285,000)

The contract with Parsons, Brinckerhoff, International will be terminated after completion of design and RFP preparation services, and USAID/Engineering will now assume supervision of construction. PBI was notified of USAID's intent to terminate the contract on December 8, 1988. The last PP amendment budgeted \$650,000 for A & E services. Design services and termination costs total approximately \$285,000, so this line item is now decreased by \$365,000.

G. Evaluation/Audit (\$121,000)

A midterm evaluation was completed in February 1988, for approximately \$46,000. A final evaluation and audit are now budgeted at a cost of \$75,000. Thus, the total needed in the line item for evaluation/audit is \$121,000. The present total in this line item is \$200,000, and this is now decreased by \$79,000 to a new total of \$121,000.

H. Contingency (\$33,000)

Contingency for construction is included in that budget element. The overall project contingency is now reduced by \$81,000, from \$114,000 to \$33,000.

I. Livestock Investment Fund (\$0)

The \$3 million budgeted in the PP for the LIF will be used for funding construction, and the line item is eliminated from the budget.

GSDR CONTRIBUTION

The the GSDR contribution to the project is now the Somali shilling equivalent of \$16.0 million. Since this is more than 85% of AID's contribution and far exceeds the minimum 25% host country contribution, this does not need to be increased. However, it is anticipated the GSDR contribution will be increased at a later date to cover operational costs for the increased life of project, since the PACD has been extended from 12/31/89 to 12/31/91.

METHOD OF IMPLEMENTATION AND FINANCE

The following table presents the methods of finance and implementation for Project 649-0109. The USAID/Somalia Mission General Assessment of Funding Policies and Procedures, dated 12/31/85 (updated as of 12/31/86) should be referred to for an overall perspective regarding the Payment Verification Policies as they impact on USAID/Somalia. Since AID direct contracting and direct reimbursement are being employed, these policies have significant impact on this project in only one area. Internal financial controls over the use of local currency by Host Government at the Domestic Development Division (DDD) level is acceptable. However, at the project level, these controls are inadequate. Controls exercised at local non-government agencies are inadequate to be minimally acceptable.

| <u>Element/Description</u> | <u>Method of Implementation</u> | <u>Method of Financing</u> | <u>Amount</u> |
|-------------------------------|---------------------------------|----------------------------|---------------|
| <u>Technical Assistance</u> | | | |
| L/T Quarantine Advisors | PASA | Direct Reimb. | 1,662 |
| S/T Marketing Advisors | AID Direct Contr | Direct Reimb. | 834 |
| L/T Mission Ag Econ | PASA | Direct Reimb | 200 |
| | | | <u>2,696</u> |
| <u>Commodities</u> | | | |
| Quar. Station Supplies | Host Coun Contr | Bank/Dir L/Comm | 1,600 |
| Drugs, Vehicles | GSA Procurement | Direct Reimb | 300 |
| | | | <u>1,900</u> |
| <u>Construction</u> | | | |
| Contract for Construction | AID Direct Contr | Direct Reimb | 12,873 |
| A&E Services | AID Direct Contr | Direct Reimb | 285 |
| | | | <u>13,158</u> |
| <u>Training</u> | | | |
| S/T Training in U.S. | USDA | Direct Reimb | 137 |
| Study Tours | PIO/P's | Direct Reimb | 68 |
| | | | <u>205</u> |
| <u>FSU Services</u> | | | |
| | PIL's, PIO/C's | Direct Reimb | 547 |
| | | Bank L/Com | |
| <u>Evaluation & Audit</u> | | | |
| | AID Direct Contr | Direct Reimb | 121 |
| <u>Contingency</u> | | | |
| | N/A | N/A | <u>33</u> |
| | | | <u>18,660</u> |

BUDGET REVISION

U.S. DOLLAR BUDGET (\$000's)

| <u>Line Item</u> | PP Amend | | <u>New Total</u> |
|----------------------|--------------|---------------|------------------|
| | <u>No. 1</u> | <u>Change</u> | |
| Technical Assistance | 2,036 | + 660 | 2,696 |
| FSU | 367 | + 180 | 547 |
| Construction | 8,400 | +4,473 | 12,873 |
| A & E Services | 650 | - 365 | 285 |
| Commodities | 1,965 | - 65 | 1,900 |
| Training | 268 | - 63 | 205 |
| LIF | 3,000 | -3,000 | -0- |
| Evaluation/Audit | 200 | - 79 | 121 |
| Contingency | 114 | - 81 | 33 |
| TOTAL | 17,000 | +1,660 | 18,560 |

SUMMARY OF EXPENDITURES (\$000's)

| <u>Line Item</u> | <u>Actual Expenditures</u> | | | | <u>Estimated Expenditures</u> | | | | <u>Total</u> |
|------------------|----------------------------|-------------|-------------|-------------|-------------------------------|-------------|-------------|-------------|--------------|
| | <u>FY 85</u> | <u>FY86</u> | <u>FY87</u> | <u>FY88</u> | <u>FY89</u> | <u>FY90</u> | <u>FY91</u> | <u>FY92</u> | |
| Tech. Asst. | 55 | 435 | 964 | 420 | 330 | 300 | 192 | | 2,696 |
| FSU | 62 | 64 | 73 | 168 | 87 | 53 | 40 | | 547 |
| Construct | | | | | 7,146 | 5,727 | | | 12,873 |
| A & E | | | 144 | 41 | 100 | | | | 285 |
| Commodities | 26 | 58 | 30 | 5 | 1,605 | 165 | 11 | | 1,900 |
| Training | | 20 | 70 | 104 | | 11 | | | 205 |
| Eval/Audit | | | | 46 | | | | 75 | 121 |
| Contingency | | | | 2 | | | 31 | | 33 |
| TOTAL | 143 | 577 | 1,281 | 786 | 9,268 | 6,256 | 274 | 75 | 18,660 |

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ANNEX A

REVISED IMPLEMENTATION SCHEDULE

| <u>Action</u> | <u>Agent</u> | <u>Start</u> | <u>Stop</u> |
|--------------------------|--------------|--------------|-------------|
| Project Agreement Signed | USAID/MLFR | 7/84 (C) | |
| Initial CP's Met | MLFR | 10/84 (C) | |
| USDA Quarantine Design | USDA/MLFR | 2/85 | 2/86 (C) |
| USDA PASA Signed | USDA/AID/W | 5/85 (C) | |
| Sr Veterinarian On Board | USDA/LMHP | 1/86 | 12/88 (C) |
| Feedlot Advisor On Board | USDA/LMHP | 5/86 | 7/91 |
| U.S. Study Tour | USDA/LMHP | 5/86 | 7/86 (C) |
| Ronco Contract Signed | AID/W | 5/86 (C) | |
| Internatl Mkt Study | LMHP/USAID | 7/86 | 12/87 (C) |
| Fodder Production Study | LMHP/USAID | 7/86 | 8/87 (C) |
| PP Revision | USAID | 8/86 (C) | |
| Domestic Mkt Study | LMHP/USAID | 9/86 | 11/87 (C) |
| Socioeconomic Study | LMHP/USAID | 10/86 | 5/87 (C) |
| A&E Contract Signed | USAID | 10/86 (C) | |
| Construct SVI Unit | LMHP | 2/87 | 6/88 (C) |
| Final Quarantine Design | PBI/USAID | 3/87 (C) | |
| Prepare First RFP | PBI/USAID | 3/87 | 7/87 (C) |
| Long-term Training | USAID/LMHP | 5/87 | 10/88 (C) |
| Issue First RFP | USAID | 7/87 (C) | |
| Jr Vet Advisor on Board | USDA/LMHP | 10/87 | 6/91 |
| Admin Advisor on Board | LMHP/USAID | 11/87 | 12/88 (C) |
| First RFP Cancelled | USAID | 12/87 (C) | |
| Ancillary QS Constr | LMHP | 1/88 | 12/89 |
| Prepare Second RFP | PBI/USAID | 1/88 | 5/88 (C) |
| Midterm Evaluation | USAID/LMHP | 2/88 (C) | |
| Issue Second RFP | USAID | 5/88 (C) | |
| Bid Evaluation | USAID/LMHP | 7/88 | 12/88 (C) |
| Quarantine Equip Order | USAID | 7/88 (C) | |
| Award Contract | USAID | 12/88 (C) | |
| Second PP Revision | USAID | 12/88 | |
| Contractor Mobilization | JE/USAID | 1/89 | 2/89 |
| Construct First Station | JE/USAID | 3/89 | 12/89 |
| Quarantine Equip Arrives | USAID/LMHP | 3/89 | |
| Construct Second Station | JE/USAID | 9/89 | 6/90 |
| Construct Third Station | JE/USAID | 3/90 | 12/90 |
| Final Evaluation | USAID | 11/91 | |
| Final Audit | USAID | 12/91 | |

(C) = Activity Completed

USAID = USAID/Somalia

MLFR = Ministry of Livestock, Forestry and Range

LMHP = Livestock Marketing and Health Project Unit

USDA = U.S. Department of Agriculture

PBI = Parsons Brinckerhoff, International

JE = Juba Enterprises

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ANNEX B

DETAILED ESTIMATED EXPENDITURES
(\$000's)

| Line Item | Actual Expenditures | | | | Estimated Expenditures | | | | Total |
|---------------------|---------------------|------|-------|------|------------------------|-------|------|------|--------|
| | FY 85 | FY86 | FY87 | FY88 | FY89 | FY90 | FY91 | FY92 | |
| <u>TECH ASST</u> | | | | | | | | | |
| PASA-Sr Vet | | 140 | 160 | | | | | | 300 |
| -Jr Vet | | | | 150 | 150 | 150 | 95 | | 545 |
| -Feedlt | | 65 | 150 | 150 | 150 | 150 | 97 | | 762 |
| -Design | 55 | | | | | | | | 55 |
| Total PASA | 55 | 205 | 310 | 300 | 300 | 300 | 192 | | 1,662 |
| Ronco | | | | | | | | | |
| -Dom. Mkt | | 20 | 150 | | | | | | 170 |
| -Int. Mkt | | 45 | 174 | | | | | | 219 |
| -Socioec. | | 20 | 100 | | | | | | 120 |
| -Fodder | | 45 | 150 | | | | | | 195 |
| -Admin | | | | 100 | 30 | | | | 130 |
| Total RONCO | | 130 | 574 | 100 | 30 | | | | 834 |
| Ag Econ | | 100 | 80 | 20 | | | | | 200 |
| TOTAL TA | 55 | 435 | 964 | 420 | 330 | 300 | 192 | | 2,696 |
| <u>COMMODITIES</u> | | | | | | | | | |
| Vehic (15) | | 25 | | | 315 | | | | 340 |
| Spares | | | 5 | | 65 | 100 | 4 | | 174 |
| Quar. Sta | 2 | 8 | 16 | | 1,200 | 40 | 4 | | 1,270 |
| Misc | 24 | 25 | 9 | 5 | 25 | 25 | 3 | | 116 |
| Total COM | 26 | 58 | 30 | 5 | 1,605 | 165 | 11 | | 1,900 |
| <u>CONSTRUCTION</u> | | | | | | | | | |
| Station 1 | | | | | 4,288 | | | | 4,288 |
| Station 2 | | | | | 2,858 | 1,430 | | | 4,288 |
| Station 3 | | | | | | 4,297 | | | 4,297 |
| Total CONST | | | | | 7,146 | 5,727 | | | 12,873 |
| <u>TRAINING</u> | | | | | | | | | |
| Short term | | 20 | 37 | 54 | | 5 | | | 116 |
| Study tour | | | 33 | 50 | | 6 | | | 84 |
| Total TRAIN | | 20 | 70 | 104 | | 11 | | | 205 |
| <u>FSU</u> | 62 | 64 | 73 | 168 | 87 | 53 | 40 | | 547 |
| <u>A & E</u> | | | 144 | 41 | 100 | | | | 285 |
| <u>EVAL/AUDIT</u> | | | | 46 | | | | 75 | 121 |
| <u>CONTING</u> | | | | 2 | | | 31 | | 33 |
| TOTAL PROJ | 143 | 577 | 1,281 | 786 | 9,278 | 6,256 | 274 | 75 | 18,660 |

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