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PARTNERS IN DEVELOPMENT

GSDH USAID PVO's NGO's

***Project
Operational
Manual***

PARTNERS IN DEVELOPMENT

An Operational Manual

For the

Somalia Development Partners Projects

USAID / Somalia

1986

This Manual provides Private Voluntary Organizations (PVO) Somali Non-Governmental Organizations (NGO) and local communities with information essential to participate in the Development Partners Project. It contains a description of the project and how it will work, guidelines for the preparation of proposals and tips on implementing a project in Somalia.

This manual was compiled and edited for USAID/Somalia by Barbara Zucrow Cohen and William C. Keefe. Much of the information included here first appeared in the USAID/Somalia Development Partners Project Paper. The contributions of Michael Brown, John Gaudet and Linda Markey to that paper are included here with modifications. PVO staff in Somalia offered valuable comments, particularly Robert Hollister, Mohamoud Hamoud and Norman Prather. The editors wish to acknowledge the considerable help and assistance provided by the staff of USAID/Somalia, especially Pamela Procella and Merideth Scovill for their contributions to the text of the manual, and Linda Pavich for her patient typing of the many drafts.



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID MISSION TO SOMALIA
VIA AFGOI
MOGADISCIO

January 26 , 1986

Dear Participant:

On behalf of the United States Agency for International Development, I welcome your participation in the Somalia Development Partners Project. I salute this project as a major first step in the Somali Government's efforts to bring together the resources of the private sector, the knowledge of its skilled workers and the initiative of its rural communities to bring about local solutions to local development problems.

USAID recognizes and appreciates the relief efforts of Private and Voluntary Organizations in Somalia over the past few years, and expects that you will now bring that same energy and experience to your work in Somalia's towns and villages. Through the Somalia Development Partners Project we hope to work with you and the Government in a grass roots development process which provides both the opportunity to bring about significant change and the flexibility to respond to the changing needs of Somalia over the next few years.

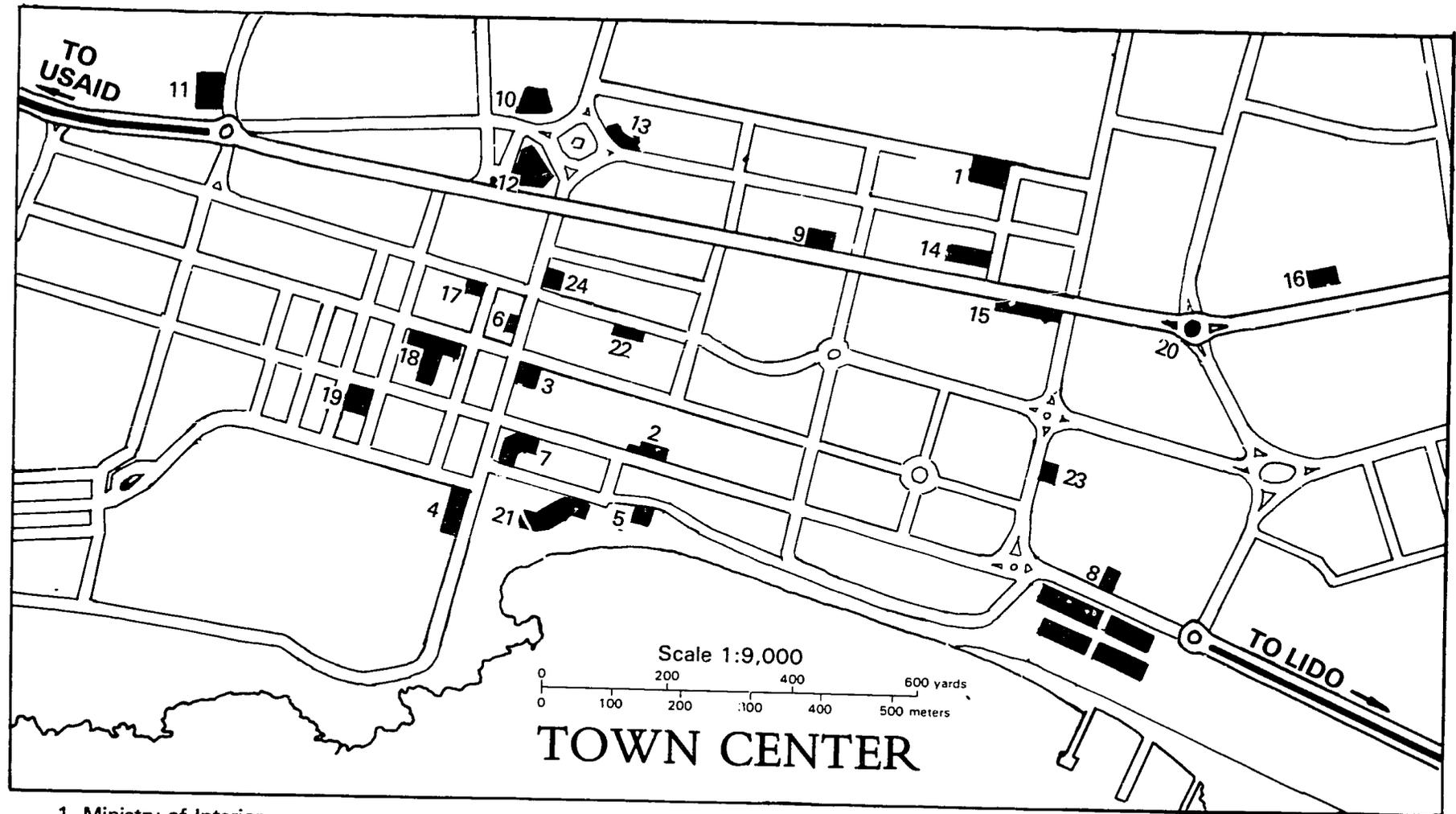
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TABLE OF CONTENTS

Chapter I	THE PROJECT	1
Chapter II	THE PARTNERS	3
Chapter III	PVO REGISTRATION	5
Chapter IV	GRANT REVIEW	9
Chapter V	GRANT DESIGN	18
Chapter VI	GUIDELINES FOR ANALYSIS	29
Chapter VII	THE GRANT AGREEMENT	56
Chapter VIII	COMMODITY PROCUREMENT	63
Chapter IX	REPORTING AND EVALUATION	70

APPENDIX

Appendix A	Relationship of USAID/Somalia to the Project
Appendix B	Bibliographic Reference for Data Matrix
Appendix C	Economic Analysis Case Study
Appendix D	Financial Status Report (SF-209)
Appendix E	Selected Bibliography



- | | | |
|------------------------------|---------------------------------|--|
| 1. Ministry of Interior | 9. U.N.H.C.R. | 17. Somali Airlines |
| 2. U.S. Embassy | 10. Ministry of Health | 18. Cathedral |
| 3. Ministry of Finance | 11. National Theater | 19. Croce del Sud |
| 4. Ministry of Revenue | 12. Labor Office | 20. Fiat Circle |
| 5. Foreign Exchange Bank | 13. C.A.S.S. | 21. El Aruba Hotel |
| 6. Central Bank | 14. Post Office | 22. P.R.A. Car Licenses & Registration |
| 7. Commercial & Savings Bank | 15. Juba Hotel & Duty Free Shop | 23. Car Road Tax Office |
| 8. Old Port | 16. Passport and Immigration | 24. S.N.A.I. (Juba Sugar Estate) |

Chapter I: THE PROJECT

The Somalia Development Partners Project forms a partnership between the Government of the Somali Democratic Republic (GSDR), USAID, Private and Voluntary Organizations (PVO), Somali communities and private groups to capitalize on the unique skills of PVOs to turn local initiative into local development. This partnership began in the project design, during which opinions were discussed and drafts shared with all partners. The result is a project which provides resources for local development, encourages dialogue and provides the flexibility to revise the project to meet the changing needs of Somalia.

Over a period of six years, the project provides \$18.2 million in USAID funds, a \$6.8 million (GSDR) contribution and an additional \$9 million in contributions from PVOs and local groups.

The majority of these funds (approximately \$16 million of the USAID contribution) directly supports PVO activities with Somali groups in the form of grants. Of this \$16 million, \$14 million fund Operational Program Grants with a US dollar contribution greater than \$50,000, and \$2 million is awarded in grants with a US dollar contribution less than \$50,000, called Community Action Grants. Together these grants support a wide range of activities which will address the varied needs of the Somali communities and match the diverse skills of PVOs.

The Project also provides training to participants. During the first four years of the project, workshops are planned to develop skills; e.g., proposal writing, conducting needs assessments, evaluation.

GRANTS

Operational Program Grants

Operational Program Grants (OPGs) receive substantial funding under the Project. Most OPGs will run for 2-3 years, funding programs which demonstrate significant impact. These OPGs develop managerial and financial capabilities of local organizations and bring positive developmental change to target areas. Proposals for OPGs are expected to thoroughly describe the project setting, the problem to be addressed and the strategy chosen to implement change, including a description of the type of training the local organizations receive and how this training prepares them to continue similar activities after the Project has ended. A proposal outline is offered in Chapter V.

Community Action Grants

Community Action Grants (CAGs) are small scale, community level grants with a USAID contribution under \$50,000 which permit a diverse participation in the Project among PVOs, particularly those with much smaller scale programs. CAGs offer the opportunity to broaden the Partnership and the potential for almost immediate impact. They foster community involvement in grass roots development.

CAGs are expected to be implemented in less than one year. The Project has initially budgeted \$2.0 million in foreign exchange and \$1.0 million GSDR local currency contribution over the life of the Project. It is anticipated that PVOs and local groups will provide \$2.0 million in cash or in-kind contributions.

The Project takes specific steps to distinguish CAGs from the larger OPGs to ensure their being rapidly funded and implemented. Criteria and documentation for proposals have been reduced and proposal review streamlined to ensure rapid implementation start-up.

TRAINING

Training is an integral part of the Project. Partners will collaborate to identify possible opportunities for training to PVOs, Non-Governmental Organizations (NGO) and Ministry of Interior (MOI) personnel. Training opportunities include: Workshops on such topics as grant preparation, implementation and evaluation, third country training for NGO and MOI staff, on the job training for staff of the MOI.

The Management Unit for Support and Training

The Management Unit for Support and Training (MUST) is under a direct contract with USAID/Somalia to assist in the management, monitoring and training components of the Project. The MUST works closely with the MOI to see these tasks through to completion and resolve implementation issues which may arise. For the PVO, the MUST is the primary source for project information regarding all implementation issues.

Specific Objectives of the MUST:

A. Training

1. Design and implement a detailed training plan for staff of the MOI, Department of Rural Development.
2. Design and implement, in consultation with PVOs, MOI and USAID, a detailed plan for training of PVO and NGO staffs in Somalia.

B. Management and Monitoring

1. Act as the secretariat of the Proposal Review Group (PRG), ensuring that the PRG thoroughly reviews and approves proposals in a timely fashion.
2. Monitor and assess the Project Community Action Grant component by conducting site visits, reviewing all relevant reports, and discussing component progress with implementing partners.
3. Provide information and non-technical support to PVO implementing partners and Somali NGOs wishing to participate in project activities.
4. Assist the PVOs with AID and GSDR registration procedures.

Chapter II: THE PARTNERS

THE MINISTRY OF INTERIOR

As the Grant Implementing Partner, the Ministry of Interior (MOI) assumes the lead role in the implementation of the Project. The MOI will chair the Proposal Review Group (PRG), a body which approves PVO grant requests. The Ministry also facilitates project implementation through its regional and district offices which will have regular contact with PVO implementing agencies at their worksites.

PVOs wishing to get involved in the Project should first contact the Ministry of Interior, Directorate of Rural Development. With assistance from the MUST, the Directorate schedules the review of concept papers and proposals by the PRG. On approval of a concept paper, the Ministry provides the PVO with an invitation to participate in the Project. This invitation is needed to register with the GSDR, Ministry of Foreign Affairs. (See Chapter III).

The MOI has established priorities for rural development activities. Most prominent among these are:

- (a) Reduction of rural poverty;
- (b) Increase in food production, and improvement of nutritional levels;
- (c) Increase in social services for the rural poor.

The Ministry does not expect the Project to address all these needs. PVO efforts to develop water resources, increase health services to people and livestock and improve small-scale agriculture and industry in Somali towns and villages will be encouraged.

USAID

USAID participates with the Somali Government in the review of PVO proposals and concept papers, assessment and evaluation of Project activities, and training for the implementing partners.

The Mission is looking to the MUST and the Ministry of Interior to take the lead role and provide feedback to both Somali and foreign PVOs in grant implementation. PVOs will be encouraged to familiarize themselves with the workings of the Mission through the designated Project Manager for the Project, but they will be referred to the Ministry and the MUST for answers to most questions regarding the grant, field operations, and implementation needs.

The USAID Project Manager for the Project is located in the Project Development Office. The Project Manager is a member of the Proposal Review Group (PRG), participates in project evaluations, and manages the contract for the Management Unit for Support and Training. When contacting USAID, you are encouraged to first contact the USAID Project Manager. The Project Manager can take issues up with others in the Mission and, if necessary, refer you to other staff.

USAID technical officers will monitor PVO grants. These officers will also serve as resource people for technical implementation questions which may arise. Other USAID offices, such as the Controller, the Program Office and the Engineering Office also play a role in grant review and implementation.

PVO ADVISORY BOARD

The creation of the PVO Advisory Board (PAB) brings the experience and perspective of PVOs into the project planning and policy process.

PVO representation on the Proposal Review Group (PRG) broadens the perspective of reviewers to include realistic assessments of technical feasibility, the constraints on field work in Somalia, procurement, staffing and cost estimates.

Specific PAB functions are:

- (a) Participate in proposal review;
- (b) Assist in identifying training needs for PVOs;
- (c) Meet with USAID and MOI in a consultative role to discuss project process and direction;
- (d) Participate in annual project assessments.

PVO Advisory Board Membership is open to any PVO working in Somalia which is registered with the Somali Government.

NON-GOVERNMENTAL ORGANIZATIONS

The development of Somali Non-Governmental Organizations (NGOs) is a project objective. Requirements for AID and Somali government registration are delineated in Chapter III of this manual. The MUST can assist in explaining the registration process. The Project also funds training of Somali NGO staff to better prepare them for grant implementation.

Chapter III: PVO REGISTRATION

Host country PVOs and third country or international PVOs can apply for funds under the Project, providing they are registered with AID and the GSDR. Third country or international PVOs must register with AID/Washington prior to receiving funds; Somali PVOs can register with USAID/Somalia. Any organization seeking registration should become familiar with AID and GSDR Conditions of Eligibility.

REGISTRATION WITH AID

A. Conditions of Eligibility

Each applicant should submit evidence demonstrating that:

1. *It is a legal body organized under laws of the country in which it operates;*
2. *It is a private, non-government organization;*
3. *It is a voluntary organization, i.e., receives voluntary contribution of money, staff time or in-kind support from the general public;*
4. *It operates on a not-for-profit basis and has tax exemption under the laws of its country (if such laws exist and are appropriate);*
5. *It is engaged in or expects to be involved in voluntary charitable and development activities of a non-religious nature (i.e., that its sole function and/or activities do not exclusively promote and/or encourage religious efforts and practices);*
6. *It prepares an annual financial statement, and this statement indicates the organization's ability to perform its normal operation and function without AID funding. (When possible the financial statement should be prepared by an independent accountant/auditor who certifies that the statements are an accurate and fair representation of the organization's financial status);*
7. *It exercises financial planning through the preparation of an annual budget;*
8. *It is managed by an active and responsible governing body (board of directors) whose members are principally composed of citizens of the country where the organization is legally formed.*

B. Registration Documentation to be Furnished in Support of Certification of Eligibility

1. *Articles of incorporation, by-laws, constitution, or other relevant documents which describe the purpose of the organization, its methods of management, and scope of program.*
2. *Copy of statement of tax exemption, if available.*
3. *For Somali PVOs, proof of registration with the Government of Somalia.*
4. *Latest financial statement audited by an independent (chartered) accountant/auditor who can attest to their conformity with generally accepted accounting principles. (For international and third country organizations, these statements must be in English.)*
5. *Current budget, detailing sources of income, administrative (personnel and related overhead) expenses, and program costs.*
6. *Annual report of program activities (within last year) or document of similar import.*
7. *Names and addresses of members of board of directors; average number of times Board meets in a year, and minutes of board meetings.*

C. Summary of Documentation*

The applications should be submitted with the following specific documents:

1. Letter of Request for Registration with AID
2. Registration with GSDR
3. Articles of Incorporation
4. Constitution and By-laws
5. Financial Statement
6. Annual Report, Narrative
7. Current Budget
8. Certificate of Tax Exempt Status/GSDR
9. List of Board of Trustees/Directors
10. Salary statement of top management officers.

* In the absence of these specific documents, the approving officer can use his/her discretion in accepting substitutes which provide the same or equivalent information.

Maintenance of Registration Status

Annual submissions are required of registered PVOs to maintain their registered status. Documentation demonstrating that the PVO continues to meet the Conditions of Registration is required within 180 days after the close of the PVO's fiscal year. PVOs must ensure that their annual submissions are complete and timely. Organizations which do not annually comply with the registration requirements will be removed from the registry. Once removed, PVOs may not reapply for a period of three months.

REGISTRATION WITH THE GSDR

Prior to participating in the Project, your organization is required to register with the Somali Government. This agreement, signed by the Ministry of Foreign Affairs (MOFA), permits an organization to negotiate and implement agreements with other Ministries. It is a standardized process which normally takes 2-4 weeks to complete.

A. The Registration Process

1. *Notify the MOI, Directorate of Rural Development of your agency's intention to participate in the Project by submitting a concept paper which briefly describes the project you expect to implement.*
2. *Upon approval of your concept paper by the PRG, the MOI invites you to participate in the Project.*
3. *Contact MOFA Legal Department and obtain a copy of the standard Country Agreement form.*
4. *Provide the Legal Department with the necessary documentation for registration as described below, and the MOI invitation to participate in the Project.*
5. *Draft the Country Agreement, review and sign.*
6. *Forward copies to Ministry of Interior and SAID.*

B. Conditions of Eligibility and Documents to be Submitted

The following Conditions of Eligibility and Documentation Requirements must be met prior to signing your Agreement with the Ministry of Foreign Affairs.

1. Conditions of Eligibility

Each applicant should submit evidence demonstrating that:

- a) *It is a legal body organized under the laws of the country in which it operates;*

- b) It is a voluntary organization, i.e., receives voluntary contributions of cash and in-kind, including staff time support from the general public and private institutions;
- c) It operates on a non-profit basis and has tax exemption under the laws of its country of origin;
- d) It is engaged in or expects to be involved in voluntary charitable and developmental activities of a non-religious nature;
- e) It is of sound financial standing which indicates the organization's ability to perform its normal functions;
- f) It is managed by an effective and responsible governing body whose members mainly composed of citizens of the country where the organization is legally formed.

2. Documents to be Submitted

Each applicant should submit the following documents with the application:

- a) Articles of incorporation, by-laws, and constitution which describe the purpose of the organization, its methods of management and scope of program;
- b) Copy of statement of tax exemption;
- c) Latest financial statement prepared by an independent accountant/auditor who can certify that the organization is financially viable;
- d) Current budget, detailing sources of income and administrative (personnel and related overhead) expenses;
- e) Names and addresses of members of board of directors/average number of times the board meets in a year and minutes of board meetings;
- f) Salary statement of management officer;
- g) Annual report of its activities within the last two years, if applicable;
- h) Project proposal describing in detail the purpose, what it will achieve, means to be employed in attaining the accomplishments and the plan of operation. The proposal will also include a socio-economic analysis and detailed overall budget which identifies the source of funds and a detailed expenditure by cost element. Source of funds should be identified separately and indicate whether these sources are cash or in-kind;
- i) Certificates of membership of national association of voluntary organizations in the country of its origin and/or UN System;
- j) Certificates of achievements in other development countries.

Chapter IV: GRANT REVIEW

The Proposal Review Group (PRG) is the focus of PVO grant proposal review. Represented on the PRG are: Ministry of Interior (Chairman), Ministry of Foreign Affairs, Ministry of National Planning, Ministry of Finance, USAID, PVO Advisory Board and Somali Private Sector.

With secretariat assistance provided by the MUST, the PRG reviews all PVO concept papers and proposals and makes recommendations to the Minister of Interior for funding. All PVO proposals and concept papers must be approved by the PRG to be considered for funding.

Proposals and OPG concept papers are reviewed quarterly by the PRG. A PVO must submit its proposal at least three (3) weeks prior to PRG review to be included on the agenda. Diagram 1* illustrates the proposal review process. You will note that OPG concept papers are only reviewed by the PRG, then returned to the PVO for development of a full proposal.

Diagram 2 outlines USAID review. In this process, the USAID Project Manager receives the proposal or OPG concept paper from the MUST and convenes a meeting of the Project Review Committee. The Committee makes recommendations which are then forwarded to the USAID Director for review and approval. The Project Manager brings these recommendations to the PRG meeting.

Tables 1 and 2 offer a timeframe for review and approval of proposals. They also identify the parties responsible for each action in the process. The timeframe offers "maximum time" and does not take into account the possible time lapse between early submission of a proposal and PVO quarterly review. Experience with the project is likely to bring about some modification of these estimates.

CRITERIA FOR SELECTION OF PROPOSALS

To be considered for funding, proposals must meet a set of minimum criteria for review. These criteria are not specific to the substance of the proposal, but concern clarity and completeness and evidence of minimum non-AID funding. Beyond this, proposals are reviewed according to a set of criteria which reflect priority concerns of the Project. Familiarize yourself with the criteria and use them along with the guidelines in the previous section in preparing your grant proposal.

*Diagrams and Tables are at the end of the chapter.

A. Minimum Requirements for Funding

PVO is registered either with AID/W or, in the case of a local PVO, with USAID/Somalia.

PVO is registered with GSDR Ministry of Foreign Affairs.

PVO agrees to follow standard USAID and GSDR procedures and practices in project implementation.

Proposal exhibits ability to contribute at least 25% of total costs from non-AID sources.

PVO has demonstrated experience in design, implementation and evaluation of similiar projects.

PVO exhibits capability to manage the Grant.

Proposal does not contain any component which is either illegal or in direct contradiction of USAID or GSDR regulations or policy, e.g., importation of firearms, promotion of religious activities.

B. A Proposal Must:

Be complete in presentation; i.e., all required sections are included;

Include a detailed evaluation and monitoring plan, including necessary budget allocations;

Clearly identify direct and indirect beneficiaries (numbers, kind, extent of impact);

Identify type and source of non-USAID contribution;

Demonstrate technical feasibility;

Demonstrate knowledge and familiarity with Somalia and the project area;

Exhibit demonstrated experience working independently with local groups;

Conform with guidelines for social and economic feasibility as presented in Chapter VI;

Demonstrate a PVO and local group contribution. For Community Action Grants, a minimum 25% cash or in-kind contribution is expected from local groups. There is no minimum for OPGs. However, a higher percentage of PVO and local group contributions will increase the chances of approval of an OPG proposal;

Include an Environmental Analysis which conforms with guidelines in Chapter VI.

C. Preferred Characteristics of Priority Proposals

1. Is consistent with the major areas of GSDR/USAID programming. For USAID, priority areas are those indicated by the functional accounts presented in this section.
2. Demonstrates favorable past performance with AID and USAID/Somalia.
3. Promotes equity and the role of women in development (e.g., distribute resources to and promote capabilities of relatively disadvantaged groups).
4. Demonstrates that USAID support will phase out over the life of the project and that the project is sustainable or replicable upon completion.
5. Has potential for developing capability of existing private local groups to actively and independently continue development activities.
6. Includes local group participation in all phases of proposed activities, beginning with design of activities.
7. Demonstrates potential for timely implementation of project activities.
8. Shows impetus for project coming from local group(s).
9. Demonstrates that the activity is not in a region(s) or sector(s) already oversubscribed by the Project.
10. Has cash for work and Food for Work components kept to a minimum.

The PRG, USAID, the GSDR and the PVO Advisory Board review these criteria in annual assessments and project evaluations to ensure that they meet the needs of all parties in the review process and reflect the current priorities of the funding agencies.

FUNCTIONAL ACCOUNTS

U.S. dollar funding for the Project is designated by AID functional accounts. These categories are intended to identify sectors eligible for project funding and provide allocation of funding for each. The range of activities, Agriculture Rural Development and Nutrition (ARDN), Health, and Selected Development Activities (SDA), permits a wide range of PVO activities to receive funding. A brief description of each category follows.

In developing OPG and CAG proposals, PVOs must consider these categories carefully to ensure that their proposed activity falls within one of them. USAID periodically informs the GSDR and the PVO Advisory Board of current levels of funding.

A. Agriculture, Rural Development and Nutrition (ARDN)

Activities with ARDN funding should be specifically designed to increase the productivity and income of the rural poor. Examples of such activities by appropriation are:

Better Production Methods

- cultivation practices
- storage
- water management
- land improvement
- extension
- training
- agro forestry
- improved seed

Delivery Marketing Systems

- farm to market roads
- savings and credit systems
- establishing or strengthening cooperatives
- developing delivery systems

Rural Organizations

Activities which work to obtain an equitable distribution of income to small farmers, farm laborers, and other rural poor.

Small Entrepreneurs

Activities which promote village industries and other production or service industry possibilities for small entrepreneurs and/or improve the profitableness of their activities, i.e., skills training, establishing credit institutions.

Nutrition

Activities which help improve nutrition through encouragement of increased production of nutritive food crops, nutrition education, expanding use of indigenous crops, improved administration and planning of nutrition programs.

B. Health

Integrated Delivery Systems

Activities which provide, establish or strengthen low cost integrated delivery systems to provide health and family planning services to rural areas and the poorest economic sectors.

Possible activities include promotion of

- self-sustaining community based health programs
- safe water
- sanitation
- health education or training
- extension

C. Selected Development Activities (SDA)

Urban Poor Income

Activities include those which increase employment by public works programs and increasing profitableness of small entrepreneur activities.

Urban Poor Quality of Life

Activities include all those which might improve essential services to the urban poor.

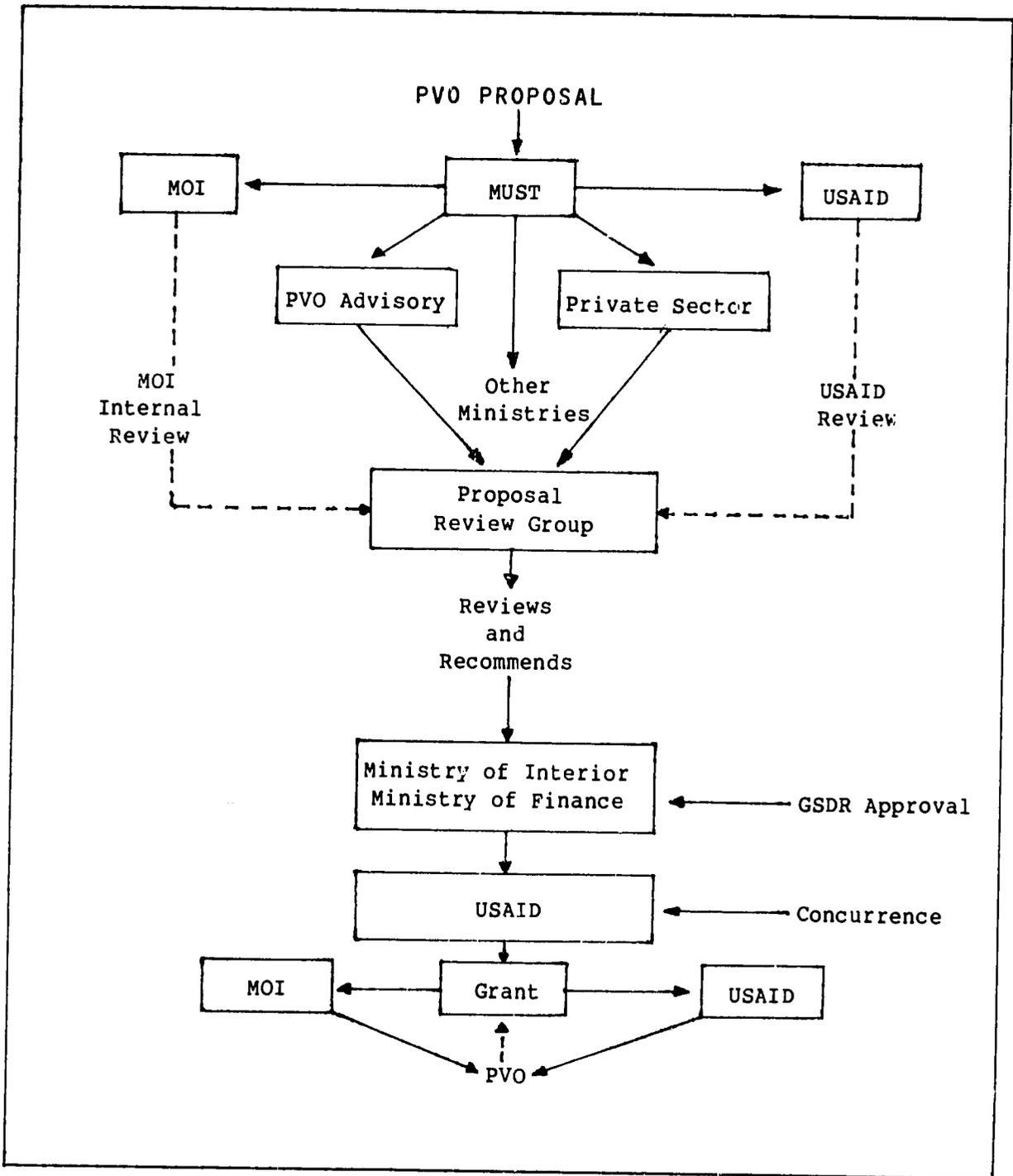
Energy Production/Conservation

Activities which increase the production or conservation of energy through small-scale decentralized renewable energy resources for rural areas, e.g., wind power, solar power, fuel conservation.

Science and Technology

While overlapping with energy production and conservation, this category funds activities which adapt or apply intermediate/appropriate technology to a wide range of development problems, e.g., food processing, water distribution, food storage and agricultural production.

GRANT PROPOSAL REVIEW PROCESS



Concept papers for OPGs will be reviewed by the PRG and returned to PVOs with comments and recommendations for action.

Note: Both GSDR and USAID have absolute veto authority

USAID PROPOSAL REVIEW

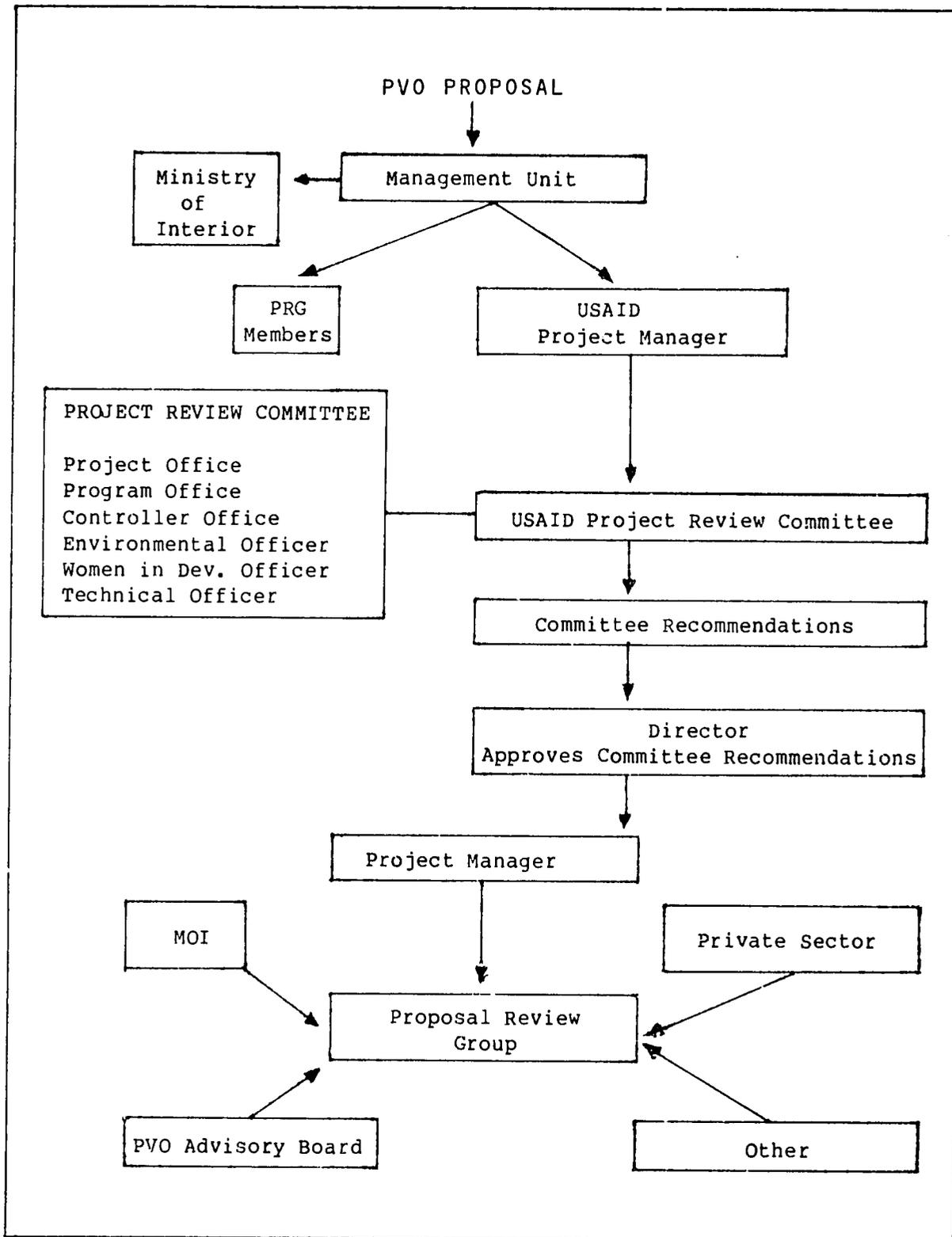


Table 1: TIMELINE AND MAJOR ACTIONS FOR OPG PROPOSAL REVIEW

CONCEPT PAPER PROCEDURES	ACTION	MAXIMUM TIME
1. PVOs present paper	PVO	N/A
2. Distribution of concept paper to USAID, MOI & PRG members	MUST	1 week
3. Internal USAID review	USAID	1 week
4. PRG formal review of concept paper	PRG/MUST	2 weeks
5. PRG recommendations submitted	PRG/MUST	1 week
	TOTAL:	<u>6 weeks</u>

PROPOSAL PROCEDURES	ACTION	MAXIMUM TIME
1. Distribution of proposal to all parties	MUST	1 week
2. Internal USAID review Internal GSDR reviews	USAID/GSDR	2 weeks
3. PRG proposal review	PRG/MUST	2 weeks
4. PRG recommendations to PVO for response	PRG/MUST	1 week
5. PVO responds to PRG recommendations	PVO	3 weeks
6. PRG notifies PVO, USAID and MOI of approval	PRG/MUST	1 week
7. Project Implementation Letter signed approving project	USAID/MOI	2 weeks
8. Grant Agreement drafted by MUST, approved by USAID/MOI	USAID	2 weeks
9. Grant Agreement signed	USAID/MOI/PVO	2 weeks
	TOTAL:	<u>16 weeks</u>

Table 2: TIMELINE AND MAJOR ACTIONS FOR CAG PROPOSAL REVIEW

PROCEDURES	ACTION	MAXIMUM TIME
1. PVOs participate in training; discuss proposal with MUST, GSDR and USAID	PVO	N/A
2. Distribution of proposal to USAID, MOI and PRG members	MUST	1 week
3. Internal USAID review GSDR Review	USAID	1 week
4. PRG review of proposal	PRG/MUST	1 week
5. PRG recommendations forwarded to PVO	PRG/MUST	1 week
6. If further work is needed, PVO responds to recommendations and forwards revisions to MUST/PRG. MUST consults with all parties to obtain approval	PVO	N/A
7. Project Implementation Letter signed by USAID/MOI approving project	USAID/MOI	2 weeks
8. Grant drafted by MUST Approved by USAID/MOI	MUST/ USAID/MOI	1 week
9. Grant signed	PVO/ USAID/MOI	1 week
	TOTAL:	<u>8 weeks</u>

Chapter V: GRANT DESIGN

OUTLINES FOR PVO PROPOSAL

This section provides guidelines to PVOs for what is expected in the presentation of a proposal. It sets down the minimum requirements and briefly describes what is expected by each; it is not intended to limit the effort or analysis which goes into a proposal.

Proposals for Community Action Grants will address the same questions as those for OPGs, but with a lesser degree of analysis. A CAG proposal is not expected to run more than 10 pages, while an OPG proposal is expected to be a substantial document, both in length and in detail.

COMMUNITY ACTION GRANT PROPOSAL

Summary Data Sheet

Country:

Activity Title:

Total USAID Contribution:

Total GSDR/CIPL Contribution:

Total PVO Contribution: Cash _____, In-kind _____

Total Local Group Contribution: Cash _____, In-kind _____

Activity Location:

PVO Name:

PVO Home Office Headquarters (Address, Telex, Cable):

PVO Somalia Office Location and Phone:

Date Registered with GSDR: _____

Contact Person:

Date of Submission to PRG:

A. Activity Purpose

1. Briefly state the goal or purpose of the activity.
2. What problem or problems will be addressed during the activity's life? Describe the geographical area involved in this proposal and why it was selected.
3. Does this proposal address problems or improvements sought by some or all of the residents of the involved area? Does the activity fall within the social and cultural context of the target group, or is it an attempt to make desirable changes in attitudes or behavior? Are there persons or groups who may be adversely affected or have opposition to the activity?

B. Background

1. Explain how your organization became involved in the activity. Will you be working with a private local group, e.g., self-help, cooperative, other NGO? What part did this group play in the development of the idea for the activity? Its design?
2. State what has been done by your organization or others to address the problem(s) described in Paragraph A. What has been done by the target group to address this problem? If nothing has been done, simply state so.
3. Comment on your organization's ability to manage this activity. Briefly discuss availability of key staff, local availability of needed materials and equipment, logistical arrangements. Refer to ongoing activities you are undertaking in Somalia.
4. Is this activity compatible with GSDR and USAID development priorities?

C. Who Will Benefit?

1. If the specific direct and indirect beneficiaries have been identified, describe their numbers, kinds, economic and/or other status.

If the exact intended direct and indirect beneficiaries will not be selected until after the activity begins, describe the status of the target group and state the criteria you will use in choosing beneficiaries.

2. What will this activity cost per direct beneficiary and how will they and others benefit?

D. What Will This Activity Accomplish?

1. Describe the changes you expect to have taken place at the end of the activity to improve the status of beneficiaries. For example, state what changes in income, employment, production, education or health status would be expected at the end of the activity.
2. Do you anticipate that any activities will continue after the end of the grant? If so, would these require additional outside funding, or would the grant have generated a source of funds and a sense of commitment for continuation?
3. List the specific types of information you will gather at the outset of and during the project which will serve as indicators to measure progress, or lack thereof, during and at the end of the activity. How will this information be gathered and by whom?

E. What Technology Will Be Used To Achieve Your Objectives?

1. Describe the technical component of your project.
2. Why was this technology chosen? Is it a natural extension of existing activities by the target group? If it's a new technology, what assumptions are being made that it will be accepted?
3. Will training be necessary? Have resources been budgeted to achieve training success? What indicators will be used to assess the success of the introduction of new technology or methods of production?
4. If there is a construction component, will material and equipment needs be met locally or imported?

F. Implementation Plan

1. Describe the tasks you will undertake to accomplish the activity purpose. If more than one group is involved, assign responsibility for task completion.
2. When do you expect tasks to be completed? Use chart or narrative form.

G. Assumptions

Is the successful completion of this activity dependent on other activities or other support?

Does it depend on support and participation of intended beneficiaries, continued market demand for a given product or support from the Somali Government? Describe what must take place or continue in order to accomplish the purpose of the project.

H. Describe Your Evaluation Plans

1. Frequency and type of reports.
2. How often will evaluations take place?
3. Who will evaluate the activity?
4. Have funds been identified to cover costs of evaluation?

I. Financial Narrative

1. If you plan to make sub-grants or contracts with other organizations, identify them by organization and amounts in this section. How will you fund the sub-grants/contracts? If you plan to advance funds, how many days advance will you need to give?
2. If you plan to buy any goods or services which would require a waiver, identify these requirements in this section. Study the Standard Provisions and, if necessary, consult with the MUST for clarification.
3. How much of the USAID funds will be used to buy goods and services? How much will be spent in-country? What financial controls will the PVO employ to ensure good financial management.
4. Describe your method of financing the procurement of goods or services, if not through USAID Letter of Credit. Use a grid or narrative style.
5. Briefly describe your accounting system, identifying by title the people operating it. Describe your organization's audit capability and how this relates to your Somali operation.

J. Budget

List in detail by year or other convenient time period the expenditures of USAID resources. The non-AID resources should be identified in separate columns both as to the source of the resources as well as whether these resources are in cash or in-kind.

An estimated value should be shown for in-kind resources, such as donated materials and services from individuals, organizations and governments. The budget should identify unit cost where applicable, such as per diem rates, salary levels, cost per square foot for construction, and should have an accompanying list, where appropriate, detailing such items as equipment, supplies, materials and services to be acquired under the activity. Sufficient line items should be listed to permit detailed evaluation of progress against the budget.

OPERATIONAL PROGRAM GRANT PROPOSAL

Summary Data Sheet

Country:

Activity Title:

Total USAID Contribution:

Total GSDR Contribution:

Total PVO Contribution: Cash _____, In-kind _____

Total Local Group Contribution: Cash _____, In-kind _____

Activity Location:

PVO Name:

PVO Home Office Headquarters (Address, Telex, Cable):

PVO Somalia Office Location and Phone:

Date Registered with GSDR: _____

Contact Person:

Date of Submission to PRG:

A. Activity Purpose

1. Briefly state the goal or purpose of the activity.
2. What problem or problems will be addressed during the activity's life? Describe the geographical area involved in this proposal and why it was selected.
3. Does this proposal address problems or improvement sought by some or all of the residents of the involved area? Does the activity fall within the social and cultural context of the target group, or is it an attempt to make desirable changes in attitudes or behavior? Are there persons or groups who may be adversely affected or have opposition to the activity?

B. Background

1. Explain how your organization became involved in the activity. Will you be working with a private local group, e.g., self-help, cooperative, other NGO? What part did this group play in the development of the idea for the activity? Its design?
2. State what has been done by your organization or others to address the problem(s) described in Paragraph A. What has been done by the target group to address this problem? If nothing has been done, simply state so.
3. Comment on your organization's capacity to undertake this activity. If you have implemented similar activities in this or other countries, please identify them briefly stating dates, sources of funding, magnitude of funding and location.

Include as an appendix any evaluations or assessments of similar activities you have conducted either here or elsewhere.

4. Is this activity compatible with GSDR development priorities? USAID CDSS? If not, what unique beneficial aspect of the activity warrants special consideration for approval.

C. What Will This Activity Accomplish?

1. Describe the changes you expect to have taken place at the end of the activity to improve the status of beneficiaries. For example, state what changes in income, employment, production, education or health status would be expected at the end of the activity. How will you measure these changes?
2. Do you anticipate that any activities will continue after the end of the grant? Will the activity attempt to generate a source of funds and commitment for sustainability? How? If not, what other funding sources are foreseen?
3. List the specific types of information you will gather at the outset of and during the project which will serve as indicators to measure progress, or lack thereof, during and at the end of the activity. How will this information be gathered and by whom?

D. What Technology Will Be Used To Bring About Accomplishments?

1. Describe the technical component of your project.
2. Why was this technology chosen? Is it a natural extension of existing activities by the target group? If it's a new technology, what assumptions are being made that it will be accepted?

3. Will training be necessary? Have resources been budgeted to achieve training success? What indicators will be used to assess the success of the introduction of new technology or methods of production?
4. If there is a construction component, detailed plans must be included and submitted to USAID for review. Will material and equipment needs be met locally or imported?

E. Implementation Plan

A proposal's implementation plan is expected to clearly describe, in conjunction with the Logical Framework (Section N), the overall plan of operation for the proposed project. Together they explain the project's tasks and strategy and how they fit together to bring about expected project outputs.

1. Describe the approach or strategy you have chosen and the tasks you will undertake to accomplish the purpose in Section A.
2. If you have identified local groups which are to be involved, specify to what extent and what tasks they will fulfill.
3. What is the timeframe for these activities? A narrative form and/or a chart may be used, e.g.:

a) First quarter: Grant signed, funds transferred. Team leader arrives, office set up, contract made with local groups.

Second quarter: Extension worker arrives, procurement initiated, etc.

b) Activity/Month

	Jan	Feb	March	April
• Arrival of Team Leader	_____			
• Vehicles procured		_____		
• Workshops held			_____	

F. Social Analysis

A thorough social analysis is required of all OPG proposals. Guidance on the preparation of a social analysis is found in Chapter VI. Among the more important issues are:

1. Beneficiaries: Direct and indirect beneficiaries should be identified and disaggregated by sex, numbers, and socio-economic strata.

If the exact beneficiaries will not be selected until after the project begins, the status of the target group should be described.

2. Organizational Criteria: What are the communities or groups relevant to the project? What is the community reaction to "self-help" projects, and what initiative has the target group exhibited to date? If an NGO is involved, what is the status of its relationship with local government.
3. Economic System: General patterns of economic system of NGOs in activity area; allocation of resources, work organization, income distribution, consumption patterns.

Does project positively or negatively effect socio-economic stratification?

4. Participation: Where will participation be greatest and why?
5. Training: Number of participants to receive training. Who will receive training and why? Explain informal vs. formal training needs by sector and target group.

G. Economic Analysis

Each project proposal is required to have an Economic Analysis. Guidelines for Economic Analysis are offered in Chapter VI. The guidelines provide simplified versions of standard cost-benefit and cost-efficiency analyses for projects producing monetary benefits and for those with harder to quantify benefits. Multi-sectoral projects require analyses for each component. For projects or components with hard to quantify benefits, the analysis includes a comparison of alternate implementation options.

H. Environmental Analysis

An environmental analysis is required of all OPG proposals which are not otherwise exempt or excluded from this requirement by having demonstrated that the activity does not have an effect on the natural or physical environment. Guidelines for an Environmental Analysis are in Chapter VI.

I. Assumptions:

Is the successful completion of this activity dependent on other activities or other support?

Does it depend on support and participation of intended beneficiaries, continued market demand for a given product or support from the Somali Government? Describe what must take place or continue in order to accomplish the purpose of the project.

J. Evaluation and Monitoring Plan

Describe your monitoring and evaluation plans:

1. Frequency and type of reports (see Chapter IX for guidelines).
2. Number of case studies; frequency and method of follow up.
3. How often will evaluations take place?
4. Who will evaluate?
5. Have funds been identified for evaluations?

K. Financial Narrative

1. If you plan to make sub-grants or contracts with other organizations, identify them by organization and amounts. How will you fund the sub-grants/contracts? If you plan to advance funds, how many days advance will you need to give?
2. Sub-Grants and Contracts: All sub-grants and contracts are required to be approved in advance by the USAID Grant Officer either on a case-by-case basis or during the negotiation of the Financial Plan. All sub-grants and contracts should be identified in the grantee's proposal.
3. If you plan to buy any goods or services which would require a waiver, identify these requirements. Study your Standard Provisions and, if necessary, consult with the MUST for clarification. (N.B. PVOs are expected to purchase American manufactured vehicles when using USAID funds).
4. How much of the USAID funds will be used to buy goods and services? How much will be spent in-country? What financial controls will the PVO employ to ensure good financial management?
5. Describe your method of financing the procurement of goods and services, if not by Letter of Credit. Use a grid or narrative style.
6. Briefly describe your accounting system, identifying by title the people operating it. Describe your organization's audit capability and how this relates to the Somali operation.

L. Consultants

Clearly identify and explain the need for external consultants to assist in project implementation. The "Implementation Plan" should also clearly show when such consultancies are expected to take place.

M. Budget

At least 3 detailed budgets and a summary budget are included in all OPG proposals.

1. A detailed budget of expenditures of USAID resources by cost element.
2. A detailed budget of expenditures of GSDR/CIPL funds by cost element. (Consult the Somali Labor Code, Law No. 65, when estimating local staff costs. A copy is available at the Ministry of Labor.)
3. A detailed list by year or other convenient time period of expenditure of USAID, GSDR, PVO, local group, and other resources. Non-AID resources should be identified in separate columns both as to the source of the resources as well as whether these resources are cash or in-kind.
4. Summary budget illustrating total levels of funding of AID, GSDR, PVO, Local Group and other sources by cost element.

An estimated value should be shown for in-kind resources, such as donated materials and services from individuals, organizations and governments. The detailed budgets should identify unit cost where applicable, such as per diem rates, salary levels, cost per square foot for construction, and should have an accompanying list, where appropriate, detailing such items as equipment, supplies, materials and services to be acquired under this activity.

Summary budgets should contain no more than six major budget line items (a-f) to correspond to the six columns on AID's Financial Status Report SF-169 (Chapter VII), which is used for project financial reporting.

N. Logical Framework

All OPG proposals must have a standard Logical Framework as an attachment to the Project Proposal. The logical framework clearly identifies the objectives, indicators, inputs, outputs, and assumptions of the activity. It makes the project plan of action clear to the reader. It is as valuable a planning tool for the PVO as it is a means of assessing the proposal. A sample Logical Framework follows.

Logical Framework for OPG Proposals

Date of this Summary _____

Project Title: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program Goal: The broader objective to which this project contributes:</p>	<p>Measures of Goal Achievement:</p>		<p>Concerning long-term value of program/project:</p>
<p>Project Purpose:</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p>		<p>Affecting purpose to goal link:</p>
<p>Outputs:</p>	<p>Magnitude of Outputs necessary and sufficient to achieve purpose.</p>		<p>Affecting output to purpose link:</p>
<p>Inputs: Activities</p>	<p>Level of Effort/Expenditure for each activity.</p>		<p>Affecting input to output link:</p>

Chapter VI: GUIDELINES FOR ANALYSIS

GUIDELINES FOR SOCIAL SOUNDNESS ANALYSIS

This section contains a set of socio-economic criteria and guidelines for formulating project proposals. An accompanying matrix is provided which indicates socio-economic data priorities and methodologies for different development sectors in OPG proposal preparation. The data priorities indicate benchmarks that PVOs should strive for; better proposals will address the data priorities more completely.

Grant Priority

CAG proposals focus on potential projects which (1) have been identified by community consensus as being a priority; (2) have a capable NGO to mobilize community participation in all aspects of the project; (3) fall within the technical expertise of the PVO, together with CAG funding guidelines; (4) have a high probability for rapid implementation; (5) have the potential to spread benefits among a variety of beneficiary categories.

Setting priorities for OPGs is more complex. Different communities have different needs. Isolated communities have many serious needs, i.e., spreading sand dunes, poor human health, isolation/poor roads, insufficient/minimally potable water, poor livestock productivity, malnutrition, rural-urban exodus, etc.

Criteria for Proposals

All OPG proposals must reflect insight into local conditions. This is obviously a difficult task for an organization with little or no experience in Somalia. However, there are methods which can be employed to produce quality proposals.

The crucial first step for any PVO making a proposal is to justify why the project deserves funding. Chapter IV offers criteria which must be met to justify funding.

Among these criteria is one requiring identification of the participating groups, a description of the structure of their organization, and an analysis of their anticipated role in the project design and implementation. The PVO must be aware of the basic social, economic, and cultural environments within which its project is to function and demonstrate a minimum local knowledge in order to qualify for funding.

What constitutes "a minimum local knowledge"? Specific criteria relating to each particular development sector are outlined in the matrix at the end of this section. The following discussion provides generic criteria for OPG proposals.

First, the project must be put in the context of general knowledge about Somalia. Data available from USAID, World Bank, GTZ, FAO, and other major donor agencies are useful. For Somalia's agro-pastoral sector, a particularly useful resource is Resource Management Research's "Northern, Central, and Southern Rangelands Surveys" on livestock and cropping densities. The surveys focus on the relative importance of domesticated livestock species, cultivation patterns, and how these support different human population densities in regions and districts, broken out into land system units.

The social analysis must provide more in-depth information on the sociocultural feasibility of the project. Targeted project beneficiaries must be identified socially and economically. The organization of participating NGOs should be defined and their corporate relationship to government and other NGOs described. Evaluate their strengths and weaknesses in terms of their capacity to help design and implement an OPG, including the relevance of the NGO as an organization in the daily lives of its constituents. While specific data priorities are cited in the matrix, it is worth stressing that the implications of resource tenure issues are important to all projects where resource utilization and management are at issue.

The goals of a social analysis are to:

- 1) Demonstrate an awareness of the inherent local variation in key socioeconomic and socialcultural factors among different NGOs;
- 2) Successfully sketch intergroup dynamics: points of conflict and accord;
- 3) Identify where cleavages between beneficiaries are likely to exist;
- 4) Suggest where and why participation from particular NGOs in a project will be weakest and strongest;
- 5) Explore whether the project will potentially increase or decrease stratification or inequalities between or within NGOs.

Demonstration of an awareness of variation (without forcing it, if in fact there is little or possibly none) in social, technical, and environmental parameters indicates sensitivity to local circumstances. Those most aware of the scope of local variation will be those most capable of dealing with it responsibly in project design and subsequently, during implementation.

Matrix For Social Analysis

The matrix, with accompanying key, pairs different development sectors with data priorities and procedures. It sets guidelines for data priorities for different development sectors and establishes orders of magnitude for each sector with respect to proposal preparation and project investigation. While it is not expected that information

presented in a proposal will be detailed if in-country experience is limited, using the guidelines will help you to prepare a better proposal. If a certain data priority presented in the guidelines cannot be answered in the proposal, its absence should be noted. If data categories listed in the guidelines are irrelevant, explain why this is the case. Proposals should candidly acknowledge uncertainties requiring follow-up data collection and contingency planning.

CAG proposals should attempt to cover the criteria listed in the matrix, where feasible. If the PVO considers these to be neither appropriate nor feasible, justification should be given as to why this is the case. When possible, include additional information which can be provided from the guidelines matrix block most closely corresponding to the project.

Socio-economic investigations during the project implementation and monitoring stage should be done by a trained social scientist. If not a Somali, a Somali counterpart with demonstrated sensitivity to socio-economic issues is essential.

When using the matrix, take note of the following:

- The order of numbers and letters listed in each box does not represent a priority ordering, though in the "Methods" column it may refer to a logical progression.
- Information in the "Data Reliability" column will depend on initial survey results.
- ALL social analyses will first refer to the "Generic Sector" for data priorities and methods.
- The "Follow-up Data Needs" column is included for use during project implementation.

Matrix For Socio-Economic and Cultural Data

Development Sector	Priority Data Needs	Sampling Methods Used	Bibliographic References*	Data Reliability	Follow-up Data Needs	Follow-up Sampling
"Generic" Sector	19,22,13,1,40,10,53,2,26,60-63,27,73,56-58,20	a,b,d,g,p,q	XXIII,XXIV,XVII,XXIX,XXX	A,B,C	17,16,21,12,72	a,b,l,q
New Water Points	32-38,13,44,8,36	a,c,e	I,III,IV,V,VI,X,XIII,XIX	A,B,C	48,25,29	c,n
Existing Water Point Rehab. (District level)	33-35,38,44,8,52,36	a,c,e	I,II,IV,V,XIX	A,B,C	48,25,29	c,n
Integrated Rural Development	43,44,3,14,7,23,65,36,46,52,9,15,28,69	c,h,i	I,VIII,IX,X,XIII,XIX,XX	A,B,C	48,65,69,29,59	g,m,n
Roads	14,42,40	a,b,d,g,p,q	XXV	A,B,C	74	d,m
Sand Dune Fixation/Reforestation	48,43,44,3,13,36,28	c,h	I, X	A,B,C	48,25,29	n
Primary health Care (PHC)	54,55,50,49,51,45,52,9,36,69	c,f,g	XI,XII,XIX,XX,XXVI	A,B,C	67,68,29	g,o,s
Cooperatives/Purchasing Group	4,24,44,41,14,52,36,65,69,5	d,i	IX,XVI,XVII	A,B,C	48,65,69,29,30	n
Small Business Enterprise	5,6,69	a,d,i,j,l	XIV	A,B,C	65,25,4,68,69,29,70	d,j,n
Appropriate Technology Energy Technology	6,47,43,18,52,69,36	l	XIII,XVIII	A,B,C	65,25,18,	d,l,o,s
Training	6,66,67,68,69	j	XV,XXI	A,B,C,	68,25,29,36	d.j

*Bibliographic References: See Appendix B

Matrix Key

<u>DATA GROUPS</u>	<u>NUMBER</u>	<u>REFERENCE</u>
<u>Organizational Criteria</u>	1.	What are the "operant communities" relevant to the project;
	2.	Corporate viability of local SNGOs;
	3.	Self-reliance or group initiative exhibited to date by particular social or occupational groups;
	4.	Traditional and government appointed leaders: Overlap and disjunctions;
	5.	Evaluation of existing local cooperatives' efficiency in production, marketing, planning, etc.;
	6.	Use and maintenance capacity of available technologies;
	7.	Anticipated membership of coop or purchasing group;
	8.	What are community reaction to projects emphasizing "self-help" (<u>iska wax u gabso</u>) that historically have been related to disappointing centralist development approaches;
	9.	What will the PVOS logistical role be?
	10.	Most capable local group(s) to take lead role in project;
	11.	Current status of SNGO/local government relationship;
	12.	Effectiveness of newly created management structures (SNGOs) vis-a-vis pre-existing structures;
<u>Perceived Constraints & Priorities</u>	13.	Locally perceived development priorities;
	14.	Locally perceived development constraints; what are the limiting factors for households, <u>degaans</u> , and villages; what are the externally perceived constraints - cultural, social, economic, political, etc.;
	15.	Extension and/or formal training requests (agricultural techniques, water rehabilitation, etc.);
	16.	Constraints to implementation not originally identified;
	17.	Change in perceived constraints and needs;
	18.	Perceived energy use trends and needs;
<u>Beneficiaries</u>	19.	Anticipated beneficiaries by socioeconomic strata;
	20.	Consistency with GSDR and USAID Development Strategies;
	21.	Beneficiary impact analysis;
<u>Economic System</u>	22.	General patterns of economic system of SNGOs in area: Allocation of productive resources, work organization, income distribution, consumption patterns;
	23.	Existing and potential labor constraints;

DATA GROUPS NUMBER

REFERENCE

24. Existing sources of credit, family and formal, and for what purposes, e.g., agricultural land development, livestock purchase;
25. Specific indicators of wealth stratification and differential consumption patterns between households and groups within a village or degaan;
26. Local socioeconomic stratification and where relevant SNGOs fit in;
27. Does the project increase stratification or inequalities between SNGOs;
28. How technical input changes recurrent labor requirements for different groups, e.g., sex, age, wealth, etc.;
29. Relevant frequency distributions of group profiles and activities by economic strata;
30. The effect of price on supply of commodity marketed;
31. District or village economic impact;
- Resource Use 32. Existing water points inventory: Kind of water and
Tenure point (well, berkad, natural depression, etc.), relative concentration, number per area (village, degaan, etc.);
33. Locally perceived water needs: Shallow wells, dugouts, tug diversion, berkads, sub-surface dams, etc.;
34. Orders of magnitude for water use by humans and livestock seasonally;
35. Water quality of existing wells;
36. Implications for livestock distribution and range management (qualitative);
37. Existing water point management structures: Traditional, water committee;
38. Anticipated water management organization;
39. Water quality of existing wells;
40. Current land/resource use patterns: Degaan boundaries, use of particular land/water resources seasonally by particular groups, etc.;
41. Evidence of resource disputes between cooperatives and local institutions;
42. Potential for resource related conflict;
43. Oral accounts of dune formation and spread with reference to livestock/agricultural land use interface;
44. Perceived need for change in land use patterns (SNGOs);
45. Women's role in water and/or wood collection due to existing circumstances;
46. Seasonal mobilizing of the population;
47. Impact of government services and resource use to date;
48. Change in local water use and/or land use patterns;
- Health 49. Locally perceived human health problems/trends and
Factors their causality;
50. Utilization of traditional and western medical diagnosis and treatment of women, men, and children;

<u>DATA GROUPS</u>	<u>NUMBER</u>	<u>REFERENCE</u>
<u>System Analysis</u>	51.	How many community health workers and traditional birth attendants are there in the relevant area;
	52.	How available are drugs and who offers most reliable medical care now: Government, pharmacists, or traditional practitioners;
	53.	What is social, political, and economic context of project area;
	54.	Relation between environmental problems (water scarcity, water-borne diseases, blowing sand, etc.), nutritional problems (protein loss from abrupt weaning of children from milk to grains or from "competitive" eating from a common bowl) and health problems (malaria, schistosomiasis, anemia, kwashiokor, etc.);
	55.	Relation between infrastructural problems (lack of roads, schools, health facilities, etc.) and health problems (either emergencies or debilitating diseases);
	56.	Logic behind proposed implementation plan and scheduling;
	57.	Identification of obstacles to be overcome for successful project implementation and enhanced spread effects;
	58.	Recurrent data base/monitoring needs;
	59.	Demographic statistics for households, compounds, or extended family unit;
	<u>Participation</u>	60.
61.		How much discretionary time is available to SNGO constituents to assure maximum participation;
62.		Local participation in cash or kind anticipated;
63.		Relative design input of SNGO and PVO in proposed project;
64.		Government participation in project; benefit to local government from project;
<u>Training</u>	65.	Proportion of "progressive" farmers to "conservative" farmers in terms of extension and training;
	66.	Available training opportunities locally, at district and regional levels, for men and women by age;
	67.	Identify and justify target groups suggested for training;
	68.	Explain emphasis on non-formal or formal training needs by development sector and target group;
	69.	Impact of training and integration of skills into community;
	70.	Possibilities for introducing animal traction;
	71.	Possibilities for development of cheese making, windmill construction, ploughmaking and other "cutting edge" industries;

<u>DATA GROUPS</u>	<u>NUMBER</u>	<u>REFERENCE</u>
<u>Additions</u>	72.	Evaluation of SNGO institutionalization as result of project;
	73.	Relation between SNGO and local government in project;
	74.	Improved communications and increased economic activity;

SAMPLING METHODS

- a Open-ended interview of heads of village committees;
- b Open-ended interview with key local elders;
- c Formal water point survey;
- d Case studies of particular groups/situations;
- e Water expert visits several prospective sites for feasibility study in conjunction with socioeconomic survey for immediate feedback;
- f Ministry of Health - Health Assessment Form;
- g Opportunistic or informal interviewing with herders, farmers, traders, etc.;
- h Oral histories of economic, social, and environmental trends;
- i Entrepreneurial case studies;
- j International Labor Organization training survey;
- k Formal household energy use questionnaire;
- l Random sample of project participants;
- m Group discussion;
- n Random village household survey;
- o Random stratified cluster sampling;
- p Wealth ranking for socioeconomic stratification;
- q Open-ended interview with regional and district government officials;
- r Village;
- s Uncertain.

Data Reliability

- A. Fair
- B. Good
- C. Uncertain

GUIDELINES FOR THE ECONOMIC ANALYSIS

The following guidelines are to be used by PVOs when preparing project proposals to be submitted for funding under the OPG component of the Somalia Development Partners Project. These guidelines outline the minimum requirements for an economic analysis. If your organization requires a more rigorous form of analysis, this can be used as a supplement.

The methods presented in the guidelines are somewhat simplified step-by-step cost-benefit and cost-effectiveness analyses. The process of thinking about different aspects of a project is very important to the economic success of the project. Therefore, seriously consider each step in the analysis.

In even a simplified cost-benefit analysis, an important concept is the time value of money, which briefly states that a dollar today is worth more than a dollar tomorrow. This is true for several reasons, including inflation and money's ability to earn more money (e.g., when you deposit money in a savings account which earns interest).*

In terms of development projects, this means a greater value is placed on money spent or earned in earlier years of a project's life than money earned or spent in later years. Consequently, projects with low costs and large benefits which start occurring early in a project's life are more beneficial than projects with the same total costs and benefits but with the benefit starting later.

Many projects which are designed for funding under the large grant provision of the Project will have more than one component. For example, an integrated rural development project may have one component which improves yields of vegetables by introducing improved varieties of seeds, another which deals with reforestation, and a third which provides health care for project participants. In cases such as this, each component must be analyzed separately.

The guidelines are divided into two sections: the first section describes the economic analysis for projects with monetary benefits; the second section describes the economic analysis of projects with benefits which are hard to quantify. Use the method which best applies to your project.

*For example, if the interest rate (i) is 10%, one dollar placed in a savings account today equals \$1.10 [$1 \times (1+i)$] a year from now. Conversely \$1.10 a year from now equals $\frac{1.10}{1+i}$ or \$1 now. One dollar today will be worth $(1.00)(1+i)(1+i) = (1.00)(1+i)^2 = 1.21$ two years from now. Similarly, \$1.21 offered 2 years from now equals $\frac{1.21}{(1+i)^2} = 1.00$ today.

A. ECONOMIC ANALYSIS OF PROJECTS PRODUCING MONETARY BENEFITS

The following guidelines are to be used when proposing projects which have monetary benefits. Monetary benefits are goods which are sold in markets, such as crops, livestock, mats, or handicrafts. They also include goods used by the producers, such as crops which are grown for home consumption.

Divide the analysis into seven sections:

1. Introduction
2. Choice of Interest Rate, Project Life, and Exchange Rate
3. Marketing Study
4. Project Costs
5. Project Benefits
6. Calculating Present Value of Costs and Benefits
7. Comparison of Present Value of Costs and Benefits

The following instructions give an indication of what each section should look like and contain.*

1. Introduction

- a. A brief description of the project
- b. A description of project inputs
- c. A description of project outputs

2. Choice of Interest Rate, Project Life, and Exchange Rate

The choice of an interest rate is important. The higher the interest rate, the less relevant are the costs and/or benefits in later years of the project. There is no perfect rate to choose. A good choice, however, is the rate at which private sector individuals must borrow. For Somalia, this ranges from 12 to 20%, depending on the borrower and length of loan. Most rates are between 14% and 17%. Generally, but not always, a project that is worthwhile at 14% will also be worth undertaking if 17% is chosen. Fifteen percent (15%) is commonly used.

The analyst must also choose the "Project Life". The majority of costs will occur at the beginning of the project. Benefits will probably continue for several years, maybe indefinitely, but you should plan for a project that becomes profitable 5 years after benefits begin. (Anything requiring a longer period should be carefully justified.) An exchange rate must be chosen for any monetary amounts denominated in foreign currency. If a free market exists, that is the most appropriate value. In Somalia, the free market rate has generally been around So.Sh.100 to 110 = \$1 for the second half of 1985. If no free market exists, you should try to approximate a free market rate.

* A case study can be found in the Appendix.

3. Marketing Study

The analysis includes a description of the marketing system for the goods to be produced by the project. This description should mention all of the organizations or individuals who are involved in the process of carrying the goods from the producer to the consumer, including cooperatives, middlemen, merchants and other types of trade organizations. In addition, the per unit cost, for example, the cost of taking one ton of potatoes to market, should be determined during each stage of the process. Form 1 will help you in the presentation of marketing cost information. It will also help you to determine the price producers will receive for the goods. If more than one product is produced by the project, include the price structure and marketing system description for each. You should also give information on any common constraints which may hamper the functioning of the marketing system; for example, fuel shortages for trucks, poor roads, government regulations on sales, or subsidies.

Form 1: THE PRICE STRUCTURE

<u>Item</u>	<u>Price/Cost</u> (So.Sh.)
1. Price received by producers	_____
2. Transportation & handling costs	_____
3. Price paid to wholesaler* (Line 3 = Line 1 + Line 2)	_____
4. Cost to wholesaler and wholesaler's profit	_____
5. Price paid to retailer (Line 5 = Line 3 + Line 4)	_____
6. Cost to retailer and retailer's profit	_____
7. Price paid to consumer (Line 7 = Line 5 + Line 6)	_____

* In all cases, price and cost should include estimates of the individual's profit.

4. Production Costs

There are two kinds of costs to consider here: those incurred by local producers, consumers, etc., and those incurred by donors. The project funding from donors should already be known from the project budget and can be placed immediately in Table 4, Section A.1.

Use Form 2 as a guide for preparing the costs to local producers, etc. before transferring to Table 4.

If the project plans to improve the production process for a product already being produced (the best example is an agricultural project where farmers improve yields by adopting improved production techniques through use of fertilizer, irrigation or high-yielding varieties of seeds), include two per unit costs tables (2A and 2B): one showing the production costs without the project, the other showing production costs with the project. You also need to determine the incremental costs with the project on Table 2C. To do this, subtract the costs without the project from costs with the project:

Incremental per unit production cost	=	Total production costs per unit with the project	-	Total production costs per unit without the project
--	---	--	---	---

Then multiply incremental per unit production cost by the number of units per year to get total incremental production cost per year. This number on Table 2C will then go on Table 4 as line A.2(a).

If contributions-in-kind are part of the per unit costs of the project, value them in Somali Shillings. For example, if the farm family in an agricultural project provides free labor, value it at the same price paid to a hired farm laborer in the region. For other goods contributed in kind, use the price paid if the good had been purchased in the market. Valuing contributions-in-kind is important because the goods provided free would be available for other uses in the Somali economy if they weren't used by the project.

You may also wish to comment on the availability of inputs for the project; e.g., if labor or foreign exchange for purchasing imported inputs are in short supply.

Form 2: PER UNIT PRODUCTION COSTS INFORMATION

<u>Item</u>	<u>Quantity per unit of output</u>	<u>Cost per unit of quantity</u>	<u>Cost per unit of output</u>
<u>Labor</u>			
Skilled	_____	_____	_____
Unskilled	_____	_____	_____
<u>Raw Materials</u>			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
<u>Utilities</u>			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
<u>Taxes</u>	_____	_____	_____
<u>Administration</u>	_____	_____	_____
<u>Maintenance</u>	_____	_____	_____
<u>Total Production</u>			
<u>Costs per Unit</u>	_____	_____	_____
<u>Total number of units per year</u>			_____
<u>Total Incremental Production Costs Per Year</u>			_____

5. Benefits

Briefly describe the price per unit which will be received by the producer with the project. This may be the same price that you used in Form 1. If it is different, either higher or lower, explain why.

Also include the total annual benefits which the project will produce. To calculate total annual benefits, multiply the total units which will be produced annually by the price per unit:

$$\text{Total annual benefits} = \text{price per unit} \times \begin{array}{l} \text{number of units} \\ \text{produced annually} \end{array}$$

As with production costs, only the additional units produced because of the project should be included as benefits when the project objective is to improve a process already in use. For example, if improved fertilizer and seeds increase farmers' yields, only the incremental tons should be included as benefits of the project:

$$\begin{array}{l} \text{Total Incremental} \\ \text{currency benefits} \end{array} = \begin{array}{l} \text{Total units produced} \\ \text{with the project per} \\ \text{year} \end{array} - \begin{array}{l} \text{Total units produced} \\ \text{without the project} \\ \text{per year} \end{array}$$

The total incremental annual benefits goes on Form 4, line B.1. If benefits are different for different years in the project, enter the appropriate amount for each year.

6. The Calculation of The Present Value of Costs and Benefits

Table 4 contains costs and benefits for each year of the project: for the sake of space, Table 4 extends from Year 0 through Year 3. Yours should end about 5 years after project benefits begin appearing. Any costs and benefits occurring after the initial year need to be discounted by the interest rate. Therefore, costs and benefits occurring after the initial year (year 0) are divided by $(1 + \text{interest rate})^N$, when N = number of years in future. (The initial year is generally labelled 0 rather than one to simplify the discounting process. If the initial year is 0 and you are discounting values in Year 7, you divide by $(1+i)^7$)

7. Comparing Present Value (Discounted Value) of Costs and Benefits

If the total present value of benefits exceeds the total present value of costs after a reasonable number of years (generally 5 years after benefits begin), the project is worthwhile.

B. GUIDELINES FOR THE ECONOMIC ANALYSIS OF PROJECTS WITH HARD-TO-QUANTIFY BENEFITS

Many PVO projects have benefits which are hard to express in monetary terms; for example, the value to the Somali economy of a well-nourished child or the benefit from having a well-trained government worker. Rather than attempting to put a value on these benefits, a process which often leads to spurious results, concentrate on the costs of achieving those benefits. These costs will be expressed in terms of costs per unit of output.

The following guidelines take you step-by-step through the process of calculating this measure. They are divided into 5 sections:

1. Introduction
2. Project Costs
3. Project Benefits
4. Calculation of Annual Per Unit Costs of the Project
5. Interpretation of the Measure

1. Introduction

- a. A brief description of the project
- b. A description of project inputs
- c. A description of project outputs

2. The Costs

The objective, in calculating this measure, is to determine the annual costs of running the project. Costs must be divided into two categories:

- a. Capital Costs: Capital costs have two components. The first is all costs which are incurred during the start-up phase of the project (that period at the beginning of the project before any output or benefits are realized). For example, if you are building an irrigation system, all expenditures during the building of the system, such as labor, materials, rent and transportation, are considered to be capital costs. The second component consists of items purchased for use during the project which will last for more than one year. In order to represent the cost of these items, which will be used in each year of the project in a representative annual budget, you must depreciate the value for each capital cost item. To find the annual depreciated value, divide the original purchase price (or the amount you have budgeted as the purchase price) by the number of years you expect to be able to use the item.

For example, if you purchase a Land Rover for \$20,000 and you expect it to last for 3 years, depreciate the value in the following way:

$$\frac{\text{Price of Land Rover}}{3 \text{ years}} = \frac{\$20,000}{3} = \$6,667$$

When constructing the annual costs of the project, you enter \$6,667 as the annual cost of the Land Rover to the project. Form 1 is provided to make this calculation very straightforward.

Form 1: THE ANNUAL DEPRECIATED VALUE OF INVESTMENT COSTS

Item	Purchase price in (units of currency) (1)	Number of years of use (2)	Annual depreciated value (3)=(1)÷(2)
_____	_____ :	_____ =	_____
_____	_____ :	_____ =	_____
_____	_____ :	_____ =	_____

Table 1 gives some typical examples of capital costs.

Table 1: EXAMPLES OF CAPITAL COSTS

Capital Costs

Vehicles

Landrovers
Jeeps
Vans
Trucks
Bicycles
Motorbikes
Tractors
Boats
Carts

Equipment

Scales
Medical equipment
Farm tools
Blacksmith tools
Generators
Typewriters
Sewing machines
Threshers
Mills

Plows

Water tanks
Mechanics tools
Irrigation pumps
Kilns
Fishing nets
Office furniture
Adding machines
Animals

Buildings(if not rented)

Project offices
Nutrition/health clinic
Grain storage facilities
Tool sheds
Animal shelters

Labor

Project administrators
Construction crews
Engineers
Consultants
Trainers

- b. Annual Operating Costs: The complement of capital costs are annual operating costs, those costs which are incurred in each year the project is operating. Salaries and wages are annual operating costs, as are maintenance of equipment, fuel, rent, and the cost of an annual planning retreat. While it is easy to calculate the value of annual costs for fuel and rent, several other types of annual operating costs are more difficult to value. Table 2 gives some examples of annual operating costs.

Table 2: EXAMPLES OF OPERATING COSTS

<u>Labor</u>		<u>Supplies</u>	
Administrative salaries		Office supplies	
Project workers salaries		Gasoline	
<u>Utilities</u>		<u>Maintenance Costs</u>	<u>Raw Materials</u>
Electricity		Building	Fertilizer
Water		Vehicles	Seeds
Telephone		Equipment	Sacks
Telex		Tools	Medicine
			Food

(i) Allocation of Shared Costs of the Local Agency: Where a PVO country office supports a number of projects, administrative costs will have to be allocated among the various projects, including the project being planned. Allocation can be based on the relative total funding of the various projects being served. To do this you follow these steps:

1. Add the total agency annual funding for all projects projected for the year.
2. Take the expected annual funding of the project being assessed as a percent of the above total.
3. Apply this percentage to the agency's projected administrative costs.
4. Add the result as an item in the annual operating costs of the project.

Form 2 gives guidance for following these steps.

Form 2: ALLOCATION OF LOCAL AGENCY ADMINISTRATIVE
EXPENDITURE AS AN OPERATING COST OF THE PROJECT

<u>Line</u>	<u>Value</u>
1. Total annual funding for all projects	_____
2. Total annual funding for the project being planned	_____
3. Total project funding as a percent of total annual funding for all projects (Line 3 = Line 2 ÷ Line 1)	_____
4. Total planned annual administrative budget	_____
5. Proportion of annual administrative budget allocated to project being planned (Line 5 = Line 3 x Line 4)	_____

(ii) Inclusion of expenditure of funds from all sources: All expenditures of the project, whether funded by USAID or other sources, including the government, should be included as part of the annual budget.

(iii) Valuation of contributions-in-kind: Contributions-in-kind, such as donated labor, medical supplies, food or equipment, should be given a dollar value regardless of the source. Include the amount you would have paid for each item, if it was not given free as an annual cost to the project .

(iv) Annual overhead of worldwide agency: Any funding which goes for paying overhead costs of the international headquarters for your organization should be included as an annual budget item.

c. The Annual Budget: When you have collected and/or calculated all information for capital and annual operating costs, put them together in an annual budget. Form 3 shows you where to enter each cost of the project.

Form 3: ANNUAL PROJECT BUDGET

<u>Item</u>	<u>Cost</u>
<u>Capital costs</u>	
Land	_____
Building	_____
Equipment	_____
Vehicles	_____
Labor	_____
<u>Annual Operating costs</u>	
Supplies	_____
Utilities	_____
Raw Materials	_____
Labor	_____
Maintenance	_____
Taxes	_____
Overhead	_____
<u>Total Annual Budget</u>	_____

3. Benefits

Benefits are the total units of output you will achieve by implementing the project. See Table 3.

Table 3: SUGGESTIONS FOR COUNTING THE UNITS OF OUTPUT FOR VARIOUS PROJECTS

<u>Type of Project</u>	<u>Measure</u>
Nutrition Project	Total number of children to be treated over the life of the project.
Training Project	Total number of participants in training project.
Sand Dune Stabilization	Number of square kilometers or hectares stabilized.
Reforestation Project	Number of square kilometers or hectares of trees planted.
Health Project	Total number of patients reached over the life of the project.

It is also important that as part of your project plan you design a system for tracking annual output in the chosen units. This is an important way of monitoring the success of the project, since failing to meet your output objectives raises the per unit cost of the project.

4. Calculation of the Annual Per Unit Cost of the Project

Calculating the annual per unit cost of the project is a fairly simple exercise. Form 4 presents a format for calculating the measure.

<u>Form 4: CALCULATION OF THE ANNUAL PER UNIT COST OF THE PROJECT</u>	
	<u>Value</u>
1. Total annual budget for the project	_____
2. Per unit measure of project outputs for the life of the project	_____
3. Annual per unit cost of the project (Line 3 = Line 1 ÷ Line 2)	_____

5. Interpretation

This measure can be used as an important part of the planning process. Your objective is to provide the desired outputs at the lowest possible cost. In preparing a proposal you should compare the annual per unit cost of alternative means of achieving project output. Your implementation strategy should reflect the lowest cost alternative for reaching your output goals.

The per unit measure of annual project costs is also a good monitoring tool. At various stages in the project's life you can compare your expected costs per unit with your actual costs per unit. The per unit costs in the project plan can be used as baseline information.

GUIDELINES FOR THE ENVIRONMENTAL ANALYSIS

The following guidelines will assist PVO planners in the identification of environmental impacts which might be associated with their grant proposals. Your particular grant may not require a complete environmental review; this is especially true of a grant which falls within development section which is excluded from any further environmental review. (See Table 1, "Categorical Exclusions".) A detailed definition of these classes of action are listed in USAID Handbook 3, Regulation 16, but they generally include activities such as: analyses, studies, academic or research workshops, programs of maternal or child feeding, nutrition programs, family planning, information transfer and training. If your grant falls within these areas, you do not need to consider the guidelines below. However, your proposal must include a section that states your organization's belief that activities in your proposal qualify for categorical exclusion.

If your grant activity is among those indicated in Table 2, Activities that Require an Environmental Statement, or is not listed, and the total budget does not exceed \$50,000, then a short (1-2 sentence) statement must be included in your proposal indicating what environmental effects are expected. This statement should specify whether the effects are to be considered positive or negative.

For grants over \$50,000 which include activities indicated in Table 2, or not listed, then an Impact Matrix must be completed. The Impact Matrix at the end of the chapter is extensive. If it does not apply to the specific activities proposed under your grant, you must then change it or adapt it accordingly.

To fill out the matrix, the planner must first determine the major grant component decisions that will be made, i.e., routing, site locations, water resources. List these component decisions on the left column of the Impact Matrix. Then, using the scale below as a guide, determine to the extent possible the potential impact of each sub-project component decision on those environmental components listed across the top of the matrix.

- ND - Not determinable (same as HA until evaluation)
- HA - Highly adverse
- MA - Medium adverse
- LA - Low adverse
- O - Insignificant/None
- LB - Low beneficial
- MB - Medium beneficial
- HB - Highly beneficial

When the best estimate has been made, enter an appropriate symbol on the Impact Matrix. Upon completion of the matrix, review grant plans by focusing on those impacts considered most adverse.

Table 1: CATEGORICAL EXCLUSIONS (By functional account)

Better Production Methods

- extension
- training
- agro forestry
- improved seed

Delivery Marketing Systems

- savings and credit systems
- establishing or strengthening cooperatives
- developing delivery systems

Urban Poor Quality of Life

Activities which might improve essential services to the urban poor.

Rural Organizations

Activities which work towards an equitable distribution of income to small farmers, farm laborers, and other rural poor.

Small Enterprises

- skills training
- establishing credit institutions

Nutrition

Activities which help improve nutrition of the target group through encouragement of increased production of nutritive food crops, nutrition education, expanding use of indigenous crops, improved administration and planning of nutrition programs.

Integrated Delivery Systems

Possible activities include promotion of

- community health programs
- health education or training
- safe water
- sanitation
- extension

Energy Production/Conservation

Activities which increase the production or conservation of energy through small-scale decentralized renewable energy resources for rural areas, e.g., wind power, solar power, fuel conservation.

Then review relevant project decisions to see if they can be modified or mitigating actions introduced to reduce the degree of any adverse effect either before, during, or after the sub-project starts up.

On the basis of the completed Impact Matrix or your statement of categorical exclusion, the USAID Mission Environmental Officer (MEO) decides where the grant activities fall within the following three categories: Categorical Exclusion, Initial Environmental Examination, or Environmental Assessment. An Action Plan for environmental review (Table 3) follows this section.

Categorical Exclusion

If the Mission Environmental Officer determines that your proposed activities fall within this category on the basis of a completed Impact Matrix, no further environmental review is necessary.

Initial Environmental Examination

Where small-scale rural activities are to be undertaken and environmental impacts are expected, activity impacts can be minimized if proper design guidelines are used in proposal planning. USAID requires that the PVO prepare an Initial Environmental Examination (IEE) for the proposed grant to determine if there are significant adverse impacts to be expected from any development activity. The IEE should outline the activities intended and explain how any negative impacts from these activities will be minimized using USAID approved design guidelines. These guidelines are available in the USAID Mission Library for rural roads; rural electrification; small-scale rural water supply and sanitation; small-scale irrigation and on-farm water management; small-scale rural industry; small-scale energy projects; and small-scale forestry projects. The USAID Environmental Officer will forward the IEE to the AID Regional Environmental Officer (REO) in Nairobi for review. The REO's recommendations must be incorporated into the grant either before or during implementation.

Environmental Assessments

Large-scale grant activities which involve significant changes in natural resources or which procure or use pesticides require an Environmental Assessment (EA). An EA is definitely required for any of the following project activities:

- River basin development
- Large-scale irrigation or water management projects, including large dams and impoundments
- Agricultural land levelling (mechanized)
- Large-scale drainage projects
- Large-scale agricultural mechanization
- New land development
- Extensive road building or extensive road improvement projects
- Use of pesticides

Table 2: ACTIVITIES REQUIRING AN ENVIRONMENTAL STATEMENT

Better Production Methods

- cultivation practices
- storage
- water management
- land improvement

Delivery Marketing Systems

- farm to market roads

Science and Technology

- food processing
- water distribution
- food storage
- agricultural production

Urban Poor Income

Activities which increase employment by:

- public works programs
- increasing profitability of small entrepreneur activities

If the Mission Environmental Officer decides that your grant proposal requires an EA, you must: (1) prepare a Scoping Statement, the terms of reference and scope of work for those who will prepare the EA; and 2) insure that your grant budget includes sufficient funds to cover the expenses of such an assessment. Usually an EA is carried out by a technician with professional expertise in some specific field, generally engineering, and often the expenses incurred by one or several such technicians can be significant. The Scoping Statement must be prepared early enough in the proposed design so that it can be reviewed by USAID. When the Scoping Statement has been reviewed and approved by the AID Regional Environmental Officer, the EA is then prepared and submitted to USAID/Somalia for REO clearance prior to implementation of grant activities.

Scale of Activities and Exceptions

The scale of activities within any grant has an effect on the degree of environmental review needed. It is difficult to set limits of scale to all possible developmental activities, but generally, small-scale rural activities are those concerned with small plots, limited to appropriate technology, and involving limited natural resources. Thus, an irrigation activity that will serve plots of 0.5-5.0 hectare and will have a flow capacity of no greater than 0.5 cumec is considered a small-scale activity and will require only an IEE, not an EA.

Monitoring and Evaluation

In addition to determining whether an IEE or EA is necessary, the Impact Matrix can be used to monitor various environmental impacts of ongoing activities. Thus, the process of completing a matrix is repeated during grant implementation and included in all periodic grant evaluations. If significant impacts are foreseen, grant design should be modified accordingly. Your grant proposal must state exactly when and how the Impact Matrix will be redone during the course of the grant and how it fits in with the grant evaluation plan.

References Available in USAID Library

- Environmental Design Considerations for Rural Development Projects, prepared by Harza Engineering Company for USAID, 1980.
Environmentally Sound Small-scale Water Projects, CODEL/VITA Publication, avail. from VITA, 1815 North Lynn St., Suite 200, Arlington, VA 22209.
Environmentally Sound Small-scale Forestry Projects, op cit.
Environmentally Sound Small-scale Energy Projects, ibid.

Table 3: ACTION PLAN

<u>Grant Proposal</u>	<u>PVO Action</u>	<u>USAID Review</u>	<u>Decision</u>	<u>PVO Action</u>	<u>USAID Action</u>	<u>PVO Final Action</u>
1. Any activity listed in Table 1	Statement of Categorical Exclusion	MEO	Concurrence*	None	None	None
2. Under \$50,000 listed in Table 2 (or not listed in either Table 1 or 2)	Environmental statement included in proposal	MEO	1)Categorical Exclusion	1) None 2) Writes IEE	1) None 2) REO Reviews IEE	1) None 2) REO recommendations incorporated in grant <u>during</u> implementation
3. Over \$50,000 and listed in Table 2 (or not listed Table 1 or 2)	Impact Matrix completed and included in proposal	MEO	1)Categorical Exclusion or 2) IEE or 3) EA	3) Writes Scoping Statement EA and budget for EA team	3) REO Reviews	3) REO recommendations must be incorporated <u>before</u> grant implementation

-54-

MEO - USAID Mission Environmental Officer
 REO - AID Regional Environmental Officer
 CE - Categorical Exclusion
 IEE - Initial Environmental Examination
 EA - Environmental Assessment

* If no concurrence, proposal is then assigned to 2 or 3.

Chapter VII: THE GRANT AGREEMENT

When a proposal has been approved, a Grant Agreement will be prepared by the MUST in consultation with the MOI, PVO and USAID. Expected time for draft and approval of this grant is four weeks.

All PVO/local group sub-projects will be funded through Operational Program Grants. OPGs provide PVOs with maximum independence in implementation and reduce the USAID and GSDR management burden. The OPG mechanism also reduces USAID and GSDR control over sub-project implementation.

The OPG consists of three parts:

The Grant: Establishes the terms of the Grant, the level of funding, the level of involvement of the parties and identifies the authorized representatives of the Grant.

Annex I: The Project Description - This section is derived from the approved project proposal, often through discussion among all parties. The project description consists of a description of the goals, objectives, implementation activities, reporting requirements and budget. It is particularly important that you, the PVO, be satisfied with this description. The end result is the description of the tasks which you are expected to undertake. Your project description identifies the quantifiable outputs you have set to measure project success and the indicators by which this progress will be evaluated.

Annex II: Grant Standard Provisions - Grant Standard Provisions are attached to and included as part of each OPG. PVO field staff are expected to be thoroughly familiar with this section, as it describes regulations covering all aspects of project implementation; e.g., procurement, sub-contracting, transportation. You are expected to be thoroughly familiar with these provisions. Should you have questions regarding their intent or application, address them to the MUST at the outset of your activity.

GRANT FINANCING

I. USAID CONTRIBUTION

The USAID contribution to your grant covers all U.S. dollar costs specified in your OPG or CAG Grant Financial Plan found in Annex I of your grant. An example follows:

<u>FINANCIAL PLAN</u> (U.S. Dollars)					
<u>Cost Element</u>	<u>A.I.D. Grant Contribution</u>	<u>PVO</u>	<u>GSDR</u>	<u>Other</u>	<u>Total</u>
I. Personnel	187,500	38,500	67,500	130,000	423,500
II. Travel & Allowances	80,000	-	7,000	-	87,000
III. Equipment	111,000	10,000	25,000	5,000	151,000
IV. Construction	82,500	-	1,500	6,000	90,000
V. Training	10,500	2,000	11,500	-	24,000
VI. Other Direct Costs	54,000	-	-	-	54,000
<u>Total:</u>	<u>525,500</u>	<u>50,500</u>	<u>112,500</u>	<u>141,000</u>	<u>829,500</u>

This plan is derived from the detailed budget presented in your grant proposal. Note that this plan is limited to six cost elements. This is done so it corresponds with the standard grant reporting document, SF-269. However, this plan can, at the discretion of USAID/Somalia, include as many cost elements as necessary to adequately describe grant financial activity. The Grant Financial Plan is the primary document for financial planning and reporting on your grant. Your detailed proposal budgets, however, will be used by USAID in monitoring and evaluating the grant.

A. Adjustments and Amendments to the Financial Plan

Adjustments among cost elements in the grant Financial Plan are permitted. Adjustment which raise or lower the amount of any given U.S. dollar line item less than 15% are permitted without prior approval of USAID. However, prior written notification of such a change is required and should be routed through the MUST.

Adjustments among cost elements in the Grant Financial Plan which alter any given element by 15% or more require prior approval by USAID. To obtain this approval, submit a written request for adjustment and justification of the need for such a change.

Taking the illustrative Financial Plan as an example, if you wanted to shift \$8,250 from Cost Element V, Construction, to Cost Element VI, Training, you could not do so. Though the sum is only 10% of the Construction element, it would raise the Training element by almost 80%. You could shift the equivalent amount of funds from Construction to Equipment (without USAID approval), as this is not more than 15% of either line item.

At no time will a grant be amended which combines Cost Elements. Again, using the illustrative Financial Plan as an example, you cannot create a Cost Element, "Construction and Equipment", from the separate elements of Construction and Equipment. Consider this factor when you are negotiating the terms of your Grant.

B. Method of Payment

There are three possible methods of payment to grantees. The choice of which method of payment is appropriate for a given grant is made by the USAID Controller in consultation with the USAID Project Manager.

The three possible methods are:

1. Letter of Credit - Formerly known as a Federal Reserve Letter of Credit (FRLC), this is the most widely used method of payment for grants with AID registered PVOs who have significant level of U.S. dollar funding. This method of payment will be used for all OPGs and CAGs unless it is determined by the USAID Controller that it is inappropriate for the level of funding or will delay implementation. NB: Upon signature of the Grant Agreement, USAID notifies AID/W to amend the PVO's letter of credit. Follow this up to ensure prompt notification.
2. Periodic Advance - Grants to PVOs which do not already have a significant level of AID funding, or CAGs where, due to the size or duration of the activity funding, would best be funded through a local USAID-disbursed advance. In such cases, the USAID Controller, upon assurance of the PVO's capability to manage and account for funds, authorizes an initial advance for a period of 3 months. The PVO is issued subsequent advances upon presentation to the USAID Controller of documentation specified in the Grant Agreement.
3. Direct Reimbursement - Under this method, the PVO provides the USAID Controller documentation, as specified in the grant, for reimbursement of prior expenditures. This is not a preferred method of payment.

C. Financial Reports

Grant reporting is the responsibility of all PVO implementing partners. PVOs are expected to maintain a complete record of primary documentation of financial transactions (e.g., invoices, receipts, vouchers for U.S. dollar and Somali Shilling expenditures incurred by its local office) and to meet the reporting requirements described in the grant agreement. The requirements will vary somewhat with the size of the grant, the nature of the activity and the method of payment.

Financial Status Report (SF-269): For grants funded by Letter of Credits, a completed copy of the Financial Status Report (SF-269) is required to be submitted to AID/Washington, Office of Financial Management, no later than 15 days after the end of a reporting period. A copy will also be submitted to USAID/Somalia within 30 days of the end of a reporting period. Usually, this is carried out by a PVO's home office. USAID/Somalia expects the PVO local office to ensure that this requirement is met.

The USAID Project Manager compares the completed SF-269 with the operational reports of the grantee to justify administrative approval of grant funding. A sample SF-269 is in the Appendix. Note that the columns correspond exactly with the Cost Elements of the Grant Financial Plan. USAID/Somalia will not administratively approve a grant for funding unless this form is filled in correctly and completely.

Field Office Reports: USAID/Somalia expects to receive the most recent financial reporting statement which a PVO grantee has submitted to its Home Office, not later than 15 days after the end of a reporting period. The report will be maintained by the USAID Project Office and utilized for grant monitoring and evaluation purposes.

Periodic Advance Reporting: Required documentation for funds periodically advanced by USAID/Somalia will be specified in the Grant Agreement. At a minimum, a PVO is required to demonstrate prior to receiving its first advance that field office financial and accounting capabilities are in place to adequately account for these funds. Expenditure reports, vouchers and other required documentation will be identified by the USAID Controller in the PVO grant and must be submitted to USAID for approval prior to the receipt of subsequent advances.

II. GSDR CONTRIBUTION

Most grants contain a sizeable contribution from the Somali Government. These funds, called counterpart funds, are derived from the sale of commodities under the PL-480, Title I Commodity Import Program. They are provided by the GSDR through the Ministry of Finance (MOF). All such contributions must first be approved by a joint MOF/USAID committee, the Generated Shilling Proceeds Committee (GSP), which meets on a regular basis to review requests for funding.

When a PVO Grant is signed, the PVO is responsible for initiating the process of transferring the GSDR contribution to its own account.

The CIPL Unit of the Ministry of Finance is responsible for the disbursement, monitoring, auditing, reporting and evaluation of counterpart funds; however, the PVO does not deal directly with the CIPL Unit.

PVO requests for funds, reports, and other documents described in this section are submitted to the Development Partners Project manager at the Ministry of Interior. The MOI Project Manager reviews and co-ordinates all requests before forwarding them to the CIPL Unit.

The following sections provide guidelines for applying for funds and reporting.

A. Applying for Funds

1. Grant Agreement signed. PVO/USAID/MOI.
2. Open bank account for counterpart funds.

CIPL Unit regulations require that each PVO maintain a separate bank account to handle counterpart funds. The account shall be registered in the name of the PVO and the Project. (Note: If the PVO is operating another project with counterpart funds, a new bank account for this grant agreement will still have to be opened. NO MONIES OTHER THAN COUNTERPART FUNDS DESIGNATED FOR THIS PROJECT SHOULD FLOW THROUGH THIS ACCOUNT). Requests for assignment of bank accounts should go to the MOI, Coordinating Unit. Where a project requires a branch account for logistical purposes, more than one account may be opened. All monies shall be transferred to the prime account and from there to the branch.

3. Provide the CIPL Unit with:
 - a) Copy of the Grant Agreement
 - b) Project Budget (Annual)
 - c) Bank Account Number
4. Submit the first request for quarterly funds to the MOI which will present a consolidated request to the CIPL Unit.
5. The MOI request is reviewed by the CIPL Unit; the GSP Committee grants approval for disbursement of funds; after approval by the MOF and USAID, the MOF sends a transfer authorization letter to the Central Bank. Your money is deposited directly into your account. CIPL Unit will notify the MOI and the PVO.

The process normally takes 3-4 weeks from the Grant signing to the transfer of funds to your CIPL bank account. Regular contact with the MOI is advised during this period, as a number of things can delay the process. The CIPL Unit can only verify its activities through the point of authorizing bank transfers. It cannot influence procedures with the Central Bank.

CIPL funds are requested on the calendar year quarter. The procedure is essentially the same as the initial request, except that approval for all disbursements is contingent upon compliance with reporting requirements.

B. Reporting Requirements

Regular reporting on your use of CIPL funds is required. Delays or inaccuracies in reporting will cause delays in the processing of requests for funds from the Unit. It is your responsibility to comply with the reporting requirement.

1. Quarterly

Provide the MOI with

- a) Quarterly Financial Report
- b) Disbursement Journals (one for each month in the quarter)
- c) Bank Reconciliations (one for each bank account for each of 3 months)

2. Semi-annually

Provide the MOI with a copy of your Project Progress Report.

3. Annually

Provide CIPL with:

- a) Annual Budget
- b) Confirmation statement verifying your budget is in accord with the original Grant Agreement

The CIPL Unit will provide reporting forms to the MOI for use by individual projects.

C. Evaluation and Audit

CIPL will review project budgets and records to ensure that counterpart funds are being used in accordance with regulations prevailing in the agreement between the U.S. and Somali Governments. While the CIPL Unit will not maintain a file on each individual PVO's Financial Report, etc., it does reserve the right to audit the MOI and any particular project. For this purpose the CIPL Unit reserves the right to have access to all project records and conduct on-site visits as needed.

GRANT ENTITLEMENTS AND RESTRICTIONS

Duty-Free Privileges

Grantees are entitled to duty-free privileges for commodities in support of project activities. (See Somalia Development Partners Grant Agreement). This includes personal effects and commodities for non-Somali personnel. Somali customs laws prohibit the importation of duty-free personal effects for Somali national employees.

Diplomatic Pouch Service

PVO staff are entitled to receive mail through the U.S. Embassy pouch service subject to the following restrictions:

1. Receipt of enveloped mail only is authorized.
2. The maximum weight of enveloped official documents is two pounds. The maximum weight for personal "enveloped mail" is one pound.
3. No one other than U.S. Citizens are entitled to use of the Diplomatic Pouch. (Resident Alien Green Card holders are also authorized use of the pouch).
4. Pouch facilities for receipt of merchandise parcels, magazines, newspapers, or other commercial printed matter is NOT authorized.
5. The following address is to be used for all incoming mail and return addresses on outgoing mail:

Name
Organization
Mogadishu (I.D.)
Department of State
Washington, D.C. 20523

This service is subject to the approval of the U.S. Ambassador to Somalia and can be withdrawn at any time.

Grantees are not entitled to:

- Use of U.S. Embassy Medical Facilities
- Membership in the Recreational and Welfare Association (through expatriate staff may apply for Associate membership)
- R.W.A. Commissary privileges

Chapter VIII: COMMODITY PROCUREMENT

Grantees are required to follow standard business practices with AID contributed funds. Methods for estimating costs, bidding for materials and services, and financial management must meet general accounting procedures. The home offices of U.S. PVOs are familiar with these procedures. Field office representatives are equally responsible to know the rules concerning procurement.

There are restrictions on certain commodities, and source and origin requirements on others. The Grant Standard Provisions spell out these requirements. This section introduces some of these requirements.

Source and Origin

Definitions: Source: the country from which a commodity is shipped to the cooperating country (in this case Somalia);

Origin: the country in which the commodity is mined, grown or produced (1).

Potential countries of source and origin are grouped by Geographic Code. (See Table 1.)

AID regulations regarding source and origin of goods purchased under the grant vary according to the dollar value of the purchase. They can be found in Grant Standard Provision Articles 10(a) and 10(b).

Ineligible Goods and Services

Under no circumstances shall the Grantee procure any of the following under this grant:

- 1) military equipment
- 2) surveillance equipment
- 3) commodities and services for support of police or other law enforcement activities

(1) "Produced" - a commodity is produced when, through manufacturing, processing or a major assemblage of components, a commercially recognized new commodity results from the original commodity.

Table 1: PRINCIPAL GEOGRAPHIC CODES

Code 000	<u>The United States:</u> Including areas of U.S. -associated sovereignty.
Code 899	<u>Free World:</u> Any area or country in the Free World, excluding the cooperating country. The Free World excludes the following countries: Albania, Bulgaria, Cambodia, Cuba, Czechoslovakia, Hungary, North Korea, Mongolia, Poland, Romania, USSR, and Vietnam, Laos, German Democratic Republic, Peoples Republic of China.
Code 935	<u>Special Free World:</u> Any area or country in the Free World, including the cooperating country itself.
Code 941	<u>Selected Free World:</u> Any independent country in the Free World, except the cooperating country itself and the following:

<u>Europe</u>		<u>Other</u>	
Andorra	Luxembourg	Afghanistan	Kuwait
Austria	Malta	Angola	Libya
Belgium	Monaco	Australia	Mozambique
Denmark	Netherlands	Bahrain	New Zealand
Finland	Norway	Canada	Qatar
France	Portugal	Cyprus	Saudi Arabia
Germany, Federal	San Marino	Gabon	Singapore
Republic of	Spain	Hong Kong	South Africa
(including	Sweden	Iran	Syria
West Berlin)	Switzerland	Iraq	United Arab
Greece	United Kingdom	Japan	Emirates
Ireland	Vatican City		Yement Arab
Italy	Yugoslavia		Republic
Iceland			
Liechtenstein			

AID Grants normally specify that the source and origin of goods and services be the United States, Code 000, except that grants to the Relatively Least Developed Countries (RLDCs) specify Code 941 and the cooperating country as the authorized source and origin for goods and services.

Source: Handbook 18, Appendix D, AID Geographic Codes, and Handbook 11.

- 4) abortion equipment and services
- 5) luxury goods and gambling equipment
- 6) weather modification equipment

If AID determines that the Grantee has procured any of the ineligible goods and services specified above under this grant and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

Restricted Goods and Services

The Grantee shall not procure any of the following goods or services without the prior written authorization of the Grant Officer:

- 1) agricultural commodities
- 2) motor vehicles
- 3) pharmaceuticals
- 4) pesticides
- 5) rubber compounding chemicals and plasticizers
- 6) used equipment
- 7) U.S. Government-owned excess property
- 9) fertilizer

If AID determines that the Grantee has procured any of the specified restricted goods under this grant without prior written authorization of the Grant Officer and has received reimbursement for such purpose, the Grantee agrees to refund to USAID the entire amount of the reimbursement.

Major grant purchases of commodities are reviewed and approved by USAID and the GSDR during the proposal review process. However, as the project develops, needs may change. Should project adjustments necessitate changes in procurement needs, USAID must be informed. USAID must authorize all procurement of Restricted Items, prior to purchase.

For example, in the course of project implementation, should you discover that four motorcycles would suit the needs of your extension component more than two 4-wheel drive vehicles, you must receive authorization from USAID to purchase these vehicles.

Vehicles

Only United States origin (000) vehicles can be purchased with USAID funds. Take this into account when planning project procurement. More lead time is needed to purchase a vehicle from the United States. Carefully consider spare parts needs in your initial purchase. Spare parts for vehicles are not available off the shelf in Somalia, so order an adequate supply of all spare parts.

There are no restrictions on a PVO purchasing a non-U.S. source or origin vehicle with its own funds. A PVO should consider vehicle purchase as part of its contribution to grant financing, if it desires non-U.S. vehicles.

Local Cost Financing

Local cost financing is the use of U.S. dollars to obtain local currency for the procurement of goods and services in the Cooperating Country. In most cases, such financing will not be authorized, as local costs are generally met through GSDR/CIPL contributions. Authorization of local cost financing makes Somalia, in addition to the United States, an eligible source for the purchase of goods and services.

Goods and services purchased under local cost financing must be located in Somalia at the time they are purchased; they cannot be imported specifically for your project. The supplier must be located in Somalia and meet the eligibility requirements for suppliers found in Grant Standard Provision X(d). Regulations on restricted and ineligible goods also apply for local cost financing purchases.

In order for goods to be eligible for procurement, goods must be indigenous to Somalia, or, if imported, must be normally imported and kept in stock in the form in which they were imported for general sale. Such imported items are known as "shelf items".

Shelf items whose origin is a Code 941 country may be purchased for any amount up to the maximum authorized under the grant. Shelf items from Code 899 countries, but not in 941, are eligible if the price of one unit does not exceed \$5,000. The total cost of items purchased from 899 countries, but not in 941, is \$25,000 or 10% of the grant authorized maximum, whichever is higher, but it cannot exceed \$250,000 without a specific waiver.

Examples of Applying Source and Origin Regulations

A supply store in Mogadishu has in stock 100 wheelbarrows, valued at \$25 per wheelbarrow, imported from India for general sale.

Q: Can you purchase them under local cost financing?

A: No. You must solicit quotations from more than one source.

Italian pumps can be purchased through a Mogadishu supplier and be delivered from Italy in less than three weeks. Though the dealer does not stock them, he is an authorized dealer, brings them in for other projects and has a catalog and price list in the store.

Q: Do you purchase these pump?

A: No. If the item is not brought in for general sale and stocked in Somalia, it is an ineligible item.

Garden tools are available from a Hungarian firm with a local office in Mogadishu. The goods are procured in Kenya and stocked for general sale in Mogadishu.

Q: Can you purchase these tools?

A: No. The supplier does not meet the eligibility requirements for suppliers in the Grant Standard Provision X-B.4.

A local merchant has purchased from abroad a large quantity of generators broken down into 5 or 6 component parts. He sets up a small shop to assemble the parts and sells them to the general public as "made in Somalia".

Q: Can you purchase this item?

A: No. The item is not considered produced in Somalia if it is simply assembled locally.

Receiving Commodities

Goods shipped to PVOs in Somalia are usually received at the Mogadishu Port. Goods arriving both by sea and by air are stored in warehouses at the Port. The following recommended steps will help clear your commodities.

First, a few tips:

1. Open a file with the Customs Office, Ministry of Finance. To open a file, provide the Customs Office with: (1) a copy of sections of your agreement which identify your duty free privileges; (2) a letter from the Ministry with which you work; and, (3) an introductory letter from your agency. NB: This can be done when your goods arrive, but it will add extra time to the clearing process.
2. Instruct your suppliers to provide clear and detailed invoices and Bills of Lading.
3. Have patience! Expect to wait 3 to 6 months for goods to arrive from Kenya or Europe and 9 months to a year from the U.S.A. Remember this in your implementation plan.
4. Hire an expeditor. Picking up freight is a time consuming process even for the initiated, and Somali language and a knowledge of the port are invaluable assets.

Clearing Sea Freight

- Step 1 When notified that your goods have arrived (e.g. Bill of Lading or Invoice arrives), take the Bill of Lading to the Ministry with which you are working and pick up a "Duty Free" form. Most ministries have a Port Clearance office where these forms are available. The Ministry must sign and stamp this form.
- Step 2 Take this form to the Customs Office, MOF, for review and signature.
- Step 3 Bring the signed form and Bill of Lading to the Import and Export Office where you receive a "Free Duty" form. The General Director reviews and signs this form. A staff person completes part of the form. There is a nominal fee for services.
- Step 4 Take the Bill of Lading and both forms to the Port Office in the Mogadishu Port. Go to the Branch Office of the Somali Shipping Agency where your Bill of Lading is reviewed against the ship manifest (if it has arrived). They take one copy of your Bill of Lading; you pay a processing fee.
- Step 5 Locate your goods. There are three warehouses which store sea freight. Enquire in the small office near the Port entrance as to where your goods are located.
- Step 6 Go to the warehouse and identify your goods.
- Step 7 Return to the Port Office and go to "Tooxinta" (follow-up). Your goods are verified against their copy of the manifest, and you receive a note saying that your documents have been checked.
- Step 8 Proceed to the Treasury Office (same building) and present your documents; there is a small fee.
- Step 9 In the same building is the Customs Office. Present all documents. Your "Free Duty" form is filled in and you are assigned a registration number. This number is important. A control officer goes with you to check your goods against the manifest and, upon inspection, you sign the "Free Duty" form.
- Step 10 Return to the warehouse. Pick up your goods. You will receive two copies of a gate pass; one is returned to the warehouse attendant, and the second is presented at the gate as you leave the Port.

Air Freight

The procedure for picking up air freight is similar to that for sea freight. When you receive your Airway Bill, go to the Somali Airlines, Air Freight Office at the main terminal of the Mogadishu Airport to verify that your goods have arrived.

Air freight is stored in a hangar on the north side of the parking lot at the Mogadishu Port. Follow these steps to clear your goods:

Steps 1-5 See Clearing Sea Freight.

Step 6 Proceed to the storage hangar to find your freight.

Step 7 An officer verifies your goods and fills in your "Free Duty" form at the Import & Export Office.

Steps 8-9 See Clearing Sea Freight.

Step 10 Return to the hangar where your goods are registered and sign a form to leave. Gate passes are not issued for taking air freight from the Port.

Chapter IX: GRANT REPORTING AND EVALUATION

GRANT REPORTING

Reporting on grant operational progress and financial activity is required of all Grantees. Specific reporting requirements are included in your Grant. Financial reporting is fully described in Chapter VII.

A. Progress Reports

Progress reports are required for all grants funded under the project. These reports will assist the PVO, USAID and the MOI to track progress, assess impact, identify problems, and direct planning. The lessons learned are of value to all parties. All reports are sent to the MUST for distribution to USAID and the MOI.

The timing of progress reports will be stipulated in the grant agreement. Each report briefly presents the following information in outline form:

Project Description: A brief description of activities and accomplishments since the previous report. Comment on adherence to implementation plan and achievement of targets.

Problems/Delays: Identify problem areas or constraints which have or may inhibit the attainment of sub-project activities or the implementation schedule.

Problem Resolution Strategy: Describe methods of dealing with identified problems and identify which party is expected to take action.

Major Actions Next Period: Identify major activities for the coming reporting period by project component.

Special Comments or Benefits: Note any significant project development or projection which might not fit above.

B. Special Reports

PVO Grants will require an "Interim Problem Identification Report" when any event occurs between reporting periods which will have significant effect on project implementation, e.g., major loss of material or unexpected key staff departure. Reports will identify the problem, describe actions taken and proposed to resolve the problem, and include any request for USAID or GSDR assistance.

C. Midway and Final Performance Reports

A midway and a final performance report will be submitted within 30 days after reaching the project midpoint and completion date, respectively. These reports will be submitted in place of reports otherwise due at this time.

These reports will include:

1. A description of activities and accomplishments since project inception, and how implementation stands in relation to the proposed implementation schedule.
2. A description of constraints or problem areas which have inhibited or are inhibiting project activity and a statement of the method chosen to deal with the problem area or constraint, along with an analysis of this method's effectiveness.
3. An analysis, to the extent feasible, of the overall development impact of the project, taking into account proposed project objectives and outputs.
4. For the midway performance report, implementation plans for the remainder of the project, including major procurement, sub-contracts, redirections or revisions in implementation strategies.

If a PVO Evaluation Plan includes self-evaluations or a series of evaluations which, in the opinion of USAID and the GSDR, fulfill grant midway and final reporting requirement, these reports can be waived.

EVALUATION

The success of the Development Partners Project depends on how well we learn from experience and how well we apply that learning. Project evaluation is necessary to:

Track the progress of individual activities that are funded by the Project.

Collect data on activity benefits and costs, by sub-project, PVO, sector, geography, etc.

Assess the impact of activities on participants and communities.

Record and share lessons learned by grant holders, donors, and others interested in Somalia's development.

Keep track of individual grant and overall Project progress toward objectives.

Assess and guide individual grant and overall Project management and administration.

Enhance the chances of sustaining long-term Somali development, in line with the objectives for which the Project is being created.

Evaluation is an integral part of the development process. It provides on-going feedback and guidance, as well as relative and absolute assessments of project progress towards achievement of objectives.

Planning for an Evaluation

PVO Grant proposals are required to contain a detailed evaluation plan. The design of this plan depends on the type of project, its duration, and the availability of personnel. Your grant agreement specifies the number and types of evaluation and identifies the resources included to undertake the evaluation.

The project design is the starting point for evaluation. The Grant Proposal establishes the intent, the plan, the means for measuring progress, and the assumptions which effect the project. Project evaluation considers each of these elements to assess progress. When planning an evaluation, take into consideration the following:

How many evaluations will you have?

Relate this decision to: project events; management needs; availability of people and cost.

When will they be scheduled?

Relate this decision to: decision-making needs and major project phases.

What will be evaluated?

(The following are examples of considerations for evaluation:)

Early evaluation: Is design O.K.? Are inputs adequate?

Intermediate Evaluation: Are inputs on schedule? What unforeseen circumstances have arisen? Are the expected results probable?

Later Evaluation: Is the output to purpose level being achieved? Is the target group benefiting as expected?

What method should be used to obtain data? Record Search, Interviews, Inspections, Surveys, Case studies

Who will evaluate? Insiders? Outsiders? Collaborative Style?

Baseline Data

For OPGs, the PVO grantee will ensure that baseline data is collected for each assisted activity. As part of sub-project startup, appropriate

surveys will be conducted so that before-after observations are possible as activities move forward. Socio-economic data should be disaggregated by sex, formal education, family size, economic activity, site, etc.

Case Studies

To facilitate evaluation for OPGs, PVOs will identify selected cases for in-depth study. These may focus on individual sub-project participants, families, communities, firms, etc., as appropriate to the work assisted. Baseline studies will be conducted for these cases as well. These case studies should be included in evaluations.

Evaluation Format

The following list of topics to be covered in a project evaluation is derived from the AID Project Evaluation Summary. Each section is not to run more than 200 words. It should be written so that a wide audience can benefit from the results. Not included in this summary is the attention that your evaluation gives to the case studies which you identified early in the life of the project and followed during project implementation. Prepare a separate section to focus on these individual cases and offer comparative analyses of each case study over the course time.

Summary: Summarize the current project situation, mentioning progress in relation to design, prospects of achieving purpose and goal, major problems encountered, etc.

Evaluation Methodology: What was the reason for the evaluation; e.g., clarify project design, measure progress, improve implementation? Where appropriate, relate to the Evaluation Plan in your proposal. Describe the methods used for this evaluation, including the study design, cost, techniques of data collection, analysis and data sources. Identify participants in the evaluation.

External Factors: Identify and discuss major changes in project setting, including socio-economic conditions and government policies, which have an impact on the project. Examine the continuing validity of assumptions.

Inputs: Are there any problems with commodities, technical services, training or other inputs as to quality, quantity, etc.? Any changes needed in the type or amount of inputs to produce outputs?

Outputs: Measure actual progress against projected output targets in current project design or implementation plan. Use tabular format, if desired. Comment on significant management

experiences. If outputs are not on target, discuss causes (problems with inputs, implementation assumptions). Are any changes needed in the outputs to achieve purpose?

Purpose: Quote the project purpose. Cite progress toward each expected result of the project. When can achievement be expected? Are the expected results still considered a good description of what will exist when the purpose is achieved? Discuss the causes of any shortfalls in terms of the causal linkage between outputs and purpose or external factors.

Goal/Subgoal: Quote goal and subgoals of Project to which the project contributes. Describe status, stating evidence available to date from specified indicators. To what extent can progress toward goal/subgoal be attributed to achievement of purpose, to other projects, to other causal factors? If progress is less than satisfactory, explore the reasons.

Beneficiaries: Identify the direct and indirect beneficiaries of this project. Summarize data on the nature of benefits and the identity and number of those benefitting.

Unplanned Effects: Has the project had any unexpected results or impact, such as changes in social structure, environment, health, technical or economic situation? Are these effects advantageous or not? Do they require any change in project design or execution?

Lessons Learned: What advice can you give a colleague about how to tackle a similar development problem or to manage a similar project in another setting? What can be suggested for follow-on activities? Do you have any suggestions about evaluation methodology?

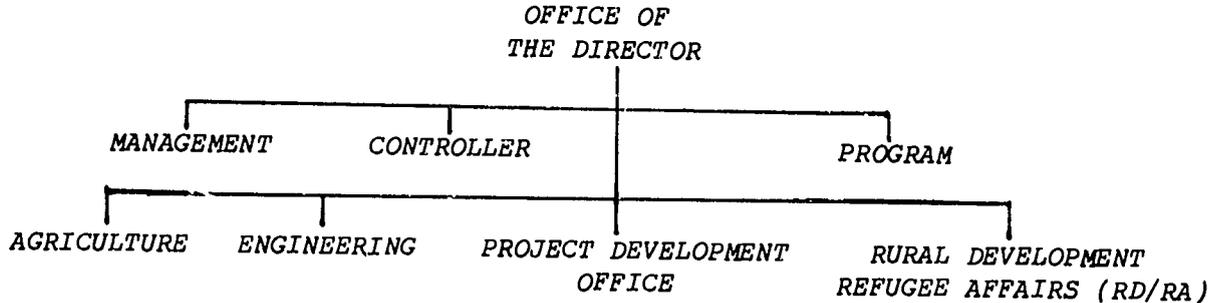
Recommendations: Summarize the recommended actions for the remainder of the project and who is responsible for those actions. State whether these actions can fit into the existing project design or whether amendments to the grant are recommended. Will additional inputs be required? If so, identify potential sources of inputs. Be sure to identify any alterations in the expected results of the project if course change is recommended.

Your evaluations will be shared with USAID and the Ministry of Interior to determine the future direction of your sub-project. Collectively, the sub-project evaluations will provide much of the information needed to assess the success of the Development Partners Project. USAID will not consider any amendments to a grant without having received an evaluation of project activities. Such an evaluation should indicate the reasons that the PVO seeks to adjust the grant.

A P P E N D I X

APPENDIX A

RELATIONSHIP OF USAID/SOMALIA STAFF TO THE DEVELOPMENT PARTNERS PROJECT



PROJECT DEVELOPMENT OFFICE

PVO Liaison
Development Partners Project Manager
Member of Proposal Review Group (PRG)
Chairman USAID Project Review Committee

AGRICULTURE, ENGINEERING, RD/RA

USAID Project Review Committee Members
Monitor OPGs, as requested
Engineering: Environmental Officer reviews grant environmental analysis
RD/RA: Women in Development Officer is a member of USAID Project Review Committee

CONTROLLER

Member of USAID Project Review Committee
Monitors grant financial status
Notifies AID/Washington of grant approval
Reviews all grant agreements and amendments

MANAGEMENT

Contracting Officer reviews all grant agreements

PROGRAM

USAID Liaison with the MOF/CIPL Unit and the GSP Committee
Program Economist and Social Science Advisor review proposals.

OFFICE OF THE DIRECTOR

Establishes USAID policy and priorities for the Project
Periodically meets with the PVO Advisory Board
Authorizes all grants, implementation arrangements and grant amendments on behalf of the U.S. Government

APPENDIX B

Social Soundness Analysis: Bibliographic References for Data Matrix

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A Case Study On The Use of The Guidelines For Projects
With Monetary Benefits

A. Introduction

The Badhan Vegetable Production Project is designed to assist 375 farmers in the Sannaq Region improve and increase production of potatoes. The farmers, with average land holding of approximately 1 hectare each, currently engage in the growing of potatoes as their primary economic activity. Yields of potatoes currently average around 7 tons per hectare; farmers grow two crops per year. These yields are considered to be low due to several key constraints, including lack of adequate production inputs (improved seeds, fertilizers, and insecticides) and a lack of technical know-how. The supplies of potatoes are sold in markets in Hargeisa and Berbera.

The project has two objectives: (1) to help farmers increase their yields from 7 to 15 tons per hectare by the use of improved inputs and by providing technical assistance in the use of these inputs and (2) to improve the marketing of potatoes by working with the farmers association and by providing improved storage facilities.

The interest rate used will be 15% which is the rate charged by the Somali Commercial Bank to cooperatives and small scale, farmers and by The Development Bank for medium-term loans to industry and mining and long-term loans to agriculture and handicraft. The exchange rate is So.Sh.105 = \$1, which was the free market rate for much of the last half of 1985.

B. Marketing Study

Potatoes are currently sold by farmers directly to the Central Farming Association. The association then transports them by truck to Hargeisa and Berbera where they are sold to wholesalers. The wholesalers in turn sell the potatoes to merchants operating in the central market of each town, who then sell them to consumers. The price structure for potatoes is given in Table 1*.

Several problems regularly cause delays in the transport of the potatoes. The farmers association has been unable to purchase sufficient supplies of gasoline for the trucks; five government roadblocks exist between Badhan and Hargeisa. The trucks are searched at these check points and drivers are often asked to unload all of the potatoes resulting in losses and delays. The roads have many potholes, causing flat tires and recently, a broken axle.

Merchants claim that they could sell more potatoes than are being supplied. Currently, about half of all potatoes sold in the two cities are imported from abroad; however some wholesalers say they prefer buying

*Referenced Tables follow case study text

from local sources, indicating that there probably is a market for additional supply.

C. Project Costs

There are two types of costs for this project: those incurred by the local producers, e.g., fertilizer and labor and those incurred by the donors (project funding).

1. Increased Production Costs to Farmers: Prior to the project, farmers did not use fertilizer, insecticides, or improved varieties of seeds. Total traditional production costs are approximately So.Sh.40,950 per hectare as shown in Table 2A. This figure is also placed in Table 2C, Line 1. Under the traditional system, all labor is provided by the family. The value given to this labor, So.Sh.100 per man-day, is the cost of hiring a farm laborer for one day in the region.

With the project, purchases of fertilizer, insecticides, and improved seeds will be added to the per hectare costs. Approximately 20 additional man-days will be required to apply the fertilizer and insecticides. The farm family will hire local workers to provide this additional labor. In addition, more water will be necessary to make full use of the new inputs, increasing irrigation labor by two days and the irrigation charge by five days. Labor requirements for weeding and harvesting will double. This labor will also be hired. With the project, total costs of production will increase to So.Sh.67,300, as shown in Table 2B. This figure is also placed in Table 2C, Line 2.

The difference in production costs between traditional production techniques and improved techniques is So.Sh.26,350 per hectare increased. Since the farmers will be double cropping, the annual costs per hectare will be So.Sh.52,700 (26,350 x 2). Farmers will only be using land that is already cultivated (375 hectares). Therefore, total extra cost per year is $\text{So.Sh.}52,700 \times 375 = \text{So.Sh.}19,762,500$. This is shown on Table 2C. Farmers will not begin using the new techniques until two years after the donors begin the program (i.e., the farmers will not begin incurring additional costs in years-0 and 1. They will start in year 2. Show this in Table 4. Note: At an interest rate of 15%, the present value of costs in year 2 = $\text{So.Sh.}19,762,500 \div (1.15)^2 = \text{So.Sh.}14,943,288$.

N.B. Production costs may be less or more at the beginning than in succeeding years.

2. Donor Funding Costs: Since you will have to produce an annual budget and a total budget for the project, you will already have this information elsewhere in the project proposal.

Total project funding is placed in Table 4, given by year. Note that total cost for each year after the initial year is divided by $(1+\text{interest rate})^N$, with N = the number of years in the future. If, as is generally the case, the donor funding is given in dollars, these will need to be connected to local currency at the appropriate interest rate.

D. Benefits

With the project, approximately one-half of the potatoes will be sold between June and February at a price of 7.5 per kilo. The other half, which will be stored in the facilities to be built with the project, will be sold between March and May. However, to be conservative, we will assume that a per unit price of So.Sh. 7.5 per kilo of potatoes will be received by farmers in the project area.

The farmers will be using only the land that is presently being cultivated. Monetary benefits will come from the increased production resulting from the use of improved inputs. Yields of potatoes with the project will double from 7 tons per hectare to 15 tons per hectare. Assuming that the additional output of 8 tons will be sold at So.Sh.7.5 per kilo or So.Sh.7,500 per ton, the increased income with the project will amount to So.Sh.60,000 per hectare or an annual return of So.Sh.120,000, assuming double cropping. This is the increased income per farm family per year. Since 375 hectares will be cultivated with the new inputs, total annual project benefits will be So.Sh.45,000,000.

E. Discounting

Note on Table 4, all Shilling costs after the initial year are divided by $(1+i)^N$, where i = the interest rate chosen (15% in this case) and N = number of years in the future.

F. Calculation of Total Costs and Total Benefits

Sum the discounted value of total costs from year 0 to the last year included in your chart. This is the discounted or present value of total project costs. Do the same for benefits. You can see this done on Table 4. Compare present value of costs and benefits.

This project will become profitable four years after benefits begin accruing or six years after the initial funds are spent.

Points to remember:

1. In calculating benefits, we picked the lower sales price (So.Sh.7.5/kg) rather than an average of the two. If the less conservative price had been picked, the project benefits would have been greater and the project would have become profitable sooner.
2. In determining benefits, we assumed that doubling output would not result in a lower market price. This is valid if the project area produces a small percentage of the total quantity consumed. It will not be the case if the project area produces a larger percentage of the total. This is something that should be considered in your market study.
3. Although the "case study" project is profitable within a reasonable time period, you should still consider whether a different project design could yield the same benefits with less cost.

Table 1: Price Structure for Potatoes: Producers to Consumers
(So. Sh./Kg)

	<u>June-February</u>	<u>March-May</u>
(1) Price received by producers*	7.5	20.5
(2) Transport and handling costs	2.5	2.5
(3) Price paid to wholesalers	10.0	23.0
(3) = (1) + (2)		
(4) Cost to wholesalers	3.0	4.0
(5) Price paid to merchants	13.0	27.0
(5) = (3) + (4)		
(6) Cost to merchant	2.0	3.0
(7) Price paid by consumer	15.0	30.0
(7) = (5) + (6)		

*In all cases, prices and costs will include estimates of the individual's profit.

Table 2A: Production Costs per Hectare of Potatoes:
Traditional Technology

(Somali Shillings)

<u>Inputs</u>	<u>Quantity per Hectare</u> (1)	<u>Unit Cost of Input</u> (2)	<u>Total Cost of Inputs per Hectare</u> (3) = (1)x(2)
<u>Raw Materials</u>			
Seeds	1 ton	25,000/ton	So.Sh.25,000
Plow-rental	1 day	800/day	800
<u>Labor</u>			
Irrigation	2 man-days	100/man-day	200
Plowing	3 man-days	100/man-day	300
Planting	12 man-days	100/man-day	1,200
Weeding	4 man-days	100/man-day	400
Harvesting	10 man-days	100/man-day	1,000
Soil preparation	15 man-days	100/man-day	1,500
<u>Operation/Maintenance</u>			
Irrigation charge	15 days	600/day	9,000
Maintenance of equipment		1,500	1,500
<u>Land Tax</u>	1	50	<u>50</u>
<u>Total Production Costs per Hectare</u> (Old method)			So.Sh.40,950

Table 2B: Production Costs per Hectare of Potatoes:
Improved Technology

(Somali Shillings)

<u>Inputs</u>	<u>Quantity per Hectare</u> (1)	<u>Unit Cost of Input</u> (2)	<u>Total Costs of Inputs</u> (3) = (1)x(2)
<u>Raw Materials</u>			
Seeds	1 ton	35,000/ton	So.Sh.35,000
Fertilizer	1 ton	9,000/ton	9,000
Insecticides	20 lbs.	37.5/lb.	750
Plow-rental	1 day	800/day	800
<u>Labor</u>			
Irrigation	4 man-days	100/man-day	400
Plowing	3 man-days	100/man-day	300
Fertilizer	10 man-days	100/man-day	1,000
Insecticides	10 man-days	100/man-day	1,000
Planting	12 man-days	100/man-day	1,200
Weeding	8 man-days	100/man-day	800
Harvesting	20 man-days	100/man-day	2,000
Soil preparation	15 man-days	100/man-day	1,500
<u>Operation/Maintenance</u>			
Irrigation charge	20 days	600/day	12,000
Maintenance of		1,500	1,500
Equipment			
<u>Land Tax</u>		50	<u>50</u>
<u>Total Production Costs per Hectare</u> (New method)			So.Sh.67,300

Table 2C: Increased Production Costs (So.Sh.)

1. Total Production Costs per Hectare (Traditional Method) From Table 2A	40,950
2. Total Production Cost per Hectare (New Method) From Table 2B	<u>67,300</u>
3. Increased Production Cost per Hectare (Line 2 minus Line 1)	<u>26,350</u>
4. Number of Crops per Year	2
5. Increased Production Cost per Year per Hectare	52,700
6. Total Number of Hectares	375
7. Total Increased Production Costs	<u>19,762,500</u>

Year in which new production methods begin Year 2
 (Note this is the third year after the project begins)

Place figure in line 7 in Table 4 line A2a beginning with Year 2 and for each succeeding year.

Table 3: Yearly Project Benefits (So.Sh.)

1. Per Hectare Production Under New Method (tons)	15
2. Per Hectare Production Under Old Methods (tons)	<u>7</u>
3. Increased Production per Hectare (tons)	8
4. Price per Ton to Producer	7,500
5. Increased Income per Hectare per Crop Season (per ton)	<u>60,000</u>
6. Number of Crops per Year	2
7. Increased Income per Hectare per Year (= increased income per farm family per year)	120,000
8. Number of Hectares	375
9. Total Project Benefits per Year	<u>45,000,000</u>

Year in which Benefits being Occurring Year 2
 (Remember initial year is called Year-0)

Place figure in Line 9 on Table 4, line B1 beginning with Year 2 and for each succeeding year. Don't forget to discount all benefits after Year 0 by $(1 + \text{interest rate})^N$.

Table 4 - Costs and Benefits

Interest Rate 15%

Applicable Exchange Rate So.Sh.105 = \$1

A. COSTS

1. Project Funding

(U.S.\$)	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
USAID	100,000	100,000	90,000				
PVO	20,000	40,000	50,000				
Other Donors	<u>80,000</u>	<u>80,000</u>	<u>100,000</u>				
Total:	200,000	220,000	240,000				

Present Value in U.S. Dollars	200,000	191,304	181,474				
Present Value in Shillings	21,000,000	20,086,955	19,054,819				

2. Increased Costs to Farmers (So.Sh.)

a) Total	-0-	-0-	19,762,500	19,762,500	19,762,500	19,762,500	
b) Present Value			=14,943,288	12,994,163	11,299,272	9,825,454	

3. <u>Total Donor and Producer Costs per year</u>	21,000,000	20,086,955	33,998,107	12,944,163	11,299,272	9,825,454	<u>109,153,950</u>
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B. BENEFITS

1. Total per year			45,000,000	45,000,000	45,000,000	45,000,000	
2. Present Value per year			=34,026,464	29,588,229	25,728,894	22,372,951	<u>111,716,530</u>

*(Present values are obtained by dividing annual totals by $(1+i)^N$, e.g., project funding costs Year 1 are \$220 : 1.15 = 191,304; for Year 2 present value is \$240,000 ÷ (1.15)² = 181,474.
(The initial year, Year 0, does not need to be discounted.)

FINANCIAL STATUS REPORT

(Follow instructions on the back)

1. FEDERAL AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH REPORT IS SUBMITTED		2. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER		OMB Approved No. 80-RO180	PAGE OF
3. RECIPIENT ORGANIZATION (Name and complete address, including ZIP code)		4. EMPLOYMENT IDENTIFICATION NUMBER	5. RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER	6. FINAL REPORT <input type="checkbox"/> YES <input type="checkbox"/> NO	7. BASIS <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL
8. PROJECT/GRANT PERIOD (See instructions) FROM (Month, day, year) TO (Month, day, year)			9. PERIOD COVERED BY THIS REPORT FROM (Month, day, year) TO (Month, day, year)		

10. STATUS OF FUNDS							
PROGRAMS/FUNCTIONS/ACTIVITIES	(a)	(b)	(c)	(d)	(e)	(f)	TOTAL (g)
a. Net outlays previously reported	\$	\$	\$	\$	\$	\$	\$
b. Total outlays this report period							
c. Less: Program income credits							
d. Net outlays this report period (Line b minus line c)							
e. Net outlays to date (Line a plus line d)							
f. Less: Non-Federal share of outlays							
g. Total Federal share of outlays (Line e minus line f)							
h. Total unliquidated obligations							
i. Less: Non-Federal share of unliquidated obligations shown on line h							
j. Federal share of unliquidated obligations							
k. Total Federal share of outlays and unliquidated obligations							
l. Total cumulative amount of Federal funds authorized							
m. Unobligated balance of Federal funds							

11. INDIRECT EXPENSE	a. TYPE OF RATE (Place "X" in approximate box) <input type="checkbox"/> PROVISIONAL <input type="checkbox"/> PREDETERMINED <input type="checkbox"/> FINAL <input type="checkbox"/> FIXED				13. CERTIFICATION I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.	SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	DATE REPORT SUBMITTED
	b. RATE	c. BASE	d. TOTAL AMOUNT	e. FEDERAL SHARE			

12. REMARKS: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.

D.1

APPENDIX E

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