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**FOOD PRICE CRISIS RESPONSE TRUST FUND
EMERGENCY PROJECT PAPER
ON A PROPOSED GRANT
UNDER THE GLOBAL FOOD CRISIS RESPONSE PROGRAM
IN THE AMOUNT OF US\$ 7.0 MILLION
TO SOMALIA
FOR A PROPOSED
RAPID RESPONSE REHABILITATION OF RURAL LIVELIHOODS PROJECT**

August 25, 2008

**Sustainable Development Department
Agriculture and Rural Development Unit
Country Department
Africa Region**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective September 1, 2008)

Currency Unit = Somali Shillings

US\$1 = Shilling1,402

SDR = US\$1.57

US\$ = SDR0.64

FISCAL YEAR

July 1 - June 30

ABBREVIATIONS AND ACRONYMS

CAP	Consolidated Appeal Program
CBOs	Community-Based Organizations
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
DA	Designated Account
EC	European Community
ERL	Emergency Recovery Loan
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
ESMF	Environmental and Social Management Framework
FMFA	Financial Management Framework Agreement
FPRC TF	Food Price Crisis Response Trust Fund
FSAU	Food Security Analysis Unit
GDP	Gross Domestic Product
GFRP	Global Food Crisis Response Program
HACCP	Hazard Analysis and Critical Control Points
IA	Internal Audit
ICB	International Competitive Bidding
ICR	Implementation Completion Report
ICU	Islamic Court Union
IFRs	Interim Financial Reports
ISN	Interim Strategy Note
JNA	Joint Needs Assessment
MIS	Management Information System
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
NCB	National Competitive Bidding
NGOs	Non-Governmental Organizations
NTGS	National Transitional Government of Somalia
PAC	Project Advisory Committee
PDO	Project Development Objective
RDP	Reconstruction and Development Program for Somalia
PMP	Pest Management Plan
ROB	Regional Operations Branch of FAO
RRRRLP	Rapid Response Rehabilitation of Rural Livelihoods Project

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SOEs	Statement of Expenditures
SWALIM	Somalia Water and Land Information Management
TA	Technical Assistance
TAD	Transboundary Animal Disease
TCOM	Field Program Monitoring and Coordination Services of FAO
TF	Trust Fund
TOR	Terms of Reference
TFG	Transitional Federal Government
TFS	Trust Fund for Somalia
TNG	Transitional National Government
UN	United Nations
UNTP	United Nation Transitional Plan

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SOMALIA
RAPID RESPONSE REHABILITATION OF RURAL LIVELIHOOD PROJECT
EMERGENCY PROJECT PAPER DATA SHEET
AFRICA
AFTAR

Date: August 26, 2008		Team Leader: Berhane Manna	
Country Director: C. Sanjivi Rajasingham		Sectors: General agriculture, fishing and forestry sector (100%)	
Sector Manager/Director: Karen		Themes: Global food crisis response (P)	
McConnell Brooks/Inger Andersen		Environmental screening category: B	
Lending Instrument: Emergency Recovery Loan			
Types of Operation:			
New Operation <input checked="" type="checkbox"/> Additional Financing <input type="checkbox"/> Existing Financing (restructuring) <input type="checkbox"/>			
Financing Type: Loan <input type="checkbox"/> Credit <input type="checkbox"/> IDA Grant <input type="checkbox"/> Other <input checked="" type="checkbox"/>			
Project ID(s): P113218		Total Amount: 7 Million USD	
Proposed terms:		Expected implementation period: 2 years	
Expected effectiveness date: September 1, 2008		Expected/revised closing date: September 30, 2010	
Grant Recipient: FAO		Responsible Agency: FAO	
Development Objective: The project development objective is to increase crop and livestock production in project areas affected by the food crisis.			
<p>Short Description: The project seeks to address the immediacy of the situation by: (i) responding to the urgent need for financial assistance arising from the impact of the current food crisis identified by authorities in Somalia and by the international community and (ii) putting in place inputs and infrastructure for the short run that will serve to improve food production. The proposed project activities build on the ongoing projects in Somalia to assist in addressing the crisis with increased attention being paid to: (i) crops (component one) and (ii) livestock (component two) productivity. Both of these components pay attention to mainstreaming nutrition and gender concerns in the interventions. The FAO Emergency Operations unit for Somalia based in Nairobi will manage the grant and implement and monitor the project through partnerships with international and local NGOs (with new partners, if necessary) with a strong operational presence in project areas. The proposed grant is being undertaken under the Global Food Crisis Response Program (GFRP), which was endorsed by the Board on May 29, 2008, and will be financed out of the Food Price Crisis Response (FPCR) Trust Fund.</p>			
Financing Plan (US\$ 7.0 m.)			
Source	Local		Foreign
Borrower	0.00		0.00
Special Financing	0.00		7.00
Total:	0.00		7.00
FY	2009	2010	2011
Annual	1.00	4.00	2.00
Cumulative	1.00	5.00	7.00

Does the project depart from the CAS in content or other significant respects?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the project include any critical risks rated “substantial” or “high”?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
What safeguard policies are triggered, if any? OP/BP 4.01, OP 4.09 and OP 7.50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant, non-standard conditions, if any , for:	

A. INTRODUCTION

1. This project document seeks the approval of a grant under the Global Food Crisis Response Program (GFRP), which was endorsed by the Board on May 29, 2008, and will be financed out of and the Food Price Crisis Response (FPCR) Trust Fund (TF) in the amount of US\$7.0 million to support a Rapid Response Rehabilitation of Rural Livelihoods Project (RRRLP) in Somalia. The objectives of the proposed GFRP are to: (i) reduce the negative impact of high and volatile food prices on the lives of the poor in a timely way; (ii) support governments in the design of sustainable policies that mitigate the adverse impacts of high and more volatile food prices on poverty while minimizing the creation of long-term market distortions; and (iii) support broad-based growth in productivity and market participation in agriculture to ensure an adequate and sustainable food supply response.

The situation in Somalia warrants support from the FPCR TF because it is one of the countries most affected by the global food price crisis and has a dire humanitarian situation characterized by the UN as "worse than Darfur". According to the Food and Agriculture Organization of the United Nations (FAO) Food Security Analysis Unit (FSAU) in its report issued on May 9, 2008, the humanitarian situation in Somalia is deteriorating at an accelerated rate due to: (i) sky rocketing food prices; (ii) extreme devaluation of the Somali Shilling; (iii) deepening drought following an abnormally harsh dry season; (iv) delayed and poor start of the Gu rains (mid-April to June); and (v) prolonged civil conflict. The worsening food crisis in Somalia points to an urgent need for increased financial support and the World Bank can best assist by financing funding gaps in existing programs being implemented by international, national, and non-governmental institutions. This approach would enable rapid implementation and greatest impact.

2. The grant will be made to the FAO as the implementing agency. FAO is currently involved in numerous projects in Somalia (*Paragraphs 18 - 24*), and has an extensive knowledge of the situation on the ground and capacity to coordinate and implement in an efficient and effective manner. The proposed grant will help finance, on an urgent basis over 18 months to two years, the costs associated with increasing crop and livestock production systems.

3. Within the context of national stability, the Djibouti Process represents an ongoing attempt at reconciliation between the Transitional Federal Government (TFG) and the Alliance for the Re-Liberation of Somalia. This process opens prospects for a variety of expanded and different interventions that could build even more on the components being addressed in this project. However, it should also be noted that the implementation and success of this project is not fully dependent on the signing and implementation of such a broader agreement. This project may be implemented through the capacity and networks currently in place, as shown by current activities already underway. As an existing, pragmatic operational principle, it is always recognized that improvement of the security and governance situation will enable even greater impacts to be realized in southern and central Somalia, while the maintenance of a flexible approach to implementation promotes success in southern, central and Puntland regions.

4. The project is designed to work across a range of governance environments, ranging from the relatively stable situation in Somaliland, through the nascent stability in Puntland to the current unstable governance environment in southern and central Somalia. Clearly though, the positive impacts of the project will be markedly enhanced if the latter region's security and political situation improve.

B. STRATEGIC CONTEXT OF THE RRRRLP

5. The Reconstruction and Development Program (RDP) and Interim Strategy Note (ISN) for Somalia (World Bank, 2007), indicate that Somalia is a fragile state and high risk country. With its peculiar governance and security situation, a number of risks must be recognized and taken into account in the design of this project. These include, most particularly in southern and central regions: (i) the absence of or at best weak core state functions by the Transitional Federal Government (TFG); (ii) the lack of clear priorities in a reform agenda; (iii) the inability of institutions to have a field presence which makes monitoring and evaluation and ascertaining full compliance with fiduciary requirements very difficult; and (iv) challenges in attracting and retaining competent and experienced staff to work in a fragile state, including the possibility of abduction of foreign staff and targeting of foreigners by anti-government and/or criminal elements. The failed governance situation complicates rural area and agricultural development assistance in an even more direct way.

6. Successful interventions over the short-run are therefore dependent on a strategy that recognizes the peculiar situation in order to minimize risks. WB support should be characterized by an approach that includes: i) focus on a small number of carefully selected activities in relatively secure parts of the country; ii) support that builds on on-going activities; iii) implementation through collaborative arrangements that engage reliable and reputable intermediaries such as UN agencies and international NGOs.

C. THE CHALLENGE OF THE CRISIS: COUNTRY CONTEXT, RECOVERY STRATEGY, AND RATIONALE FOR THE PROPOSED GFRP TF

C-1 COUNTRY CONTEXT

7. In 1989 Somalia was a sparsely populated country with about 6 million people. In 2006 the population was estimated to be 7.7 million. Somalia's population is predominantly rural, with over 50 percent of the population traditionally linked to the nomadic pastoral food economy and about half that figure associated with sedentary agro-pastoral/riverine livelihoods. While the absence of hard demographic data makes it impossible to gauge the extent of the phenomenon, it is clear that the rural-urban population profile is in the process of radical change.

8. Since 1991 Somalia has not functioned as a unitary state. The state has effectively fragmented into three distinct regional blocks, loosely reflecting the territorial distribution of the major clans, which remain the dominant force in the country's social, political, and economic affairs. The country remains one of the poorest countries in the world. On an income measure of poverty, 43 percent of the population is extremely poor (less than \$1 per day). The incidence of general poverty (less than US\$2 per day) is 73 percent, of which 61 percent are urban and 80 percent rural. The poverty gap which indicates the depth of poverty stands at 18.3 percent.

9. The structure of the economy remains similar to the pre-1991 period and is predominantly agricultural. In 1991 agriculture production was 64 percent of total Gross Domestic Product (GDP). About half of this was generated by the livestock sub-sector. It is anticipated that given the growth of the private sector, especially livestock, its contribution to GDP is even larger. Crops and fruits production account for 37 percent of GDP. The most prominent sub-sectors in services are trade, hotels, transport, and communications. Diaspora contributions have also played a central role in Somalia's economy and it is estimated that one third of these contributions is for household survival, and the rest has been destined to private investments. Remittances of about US\$1 billion (€0.8 billion) per year have assisted private

sector resilience, which, despite 15 years of civil war, has seen a growth in trade and communications and strong livestock exports. The private sector has, to a significant extent, mitigated the impact of state collapse and war on the Somali people.

10. Livestock remains the most important production sector of Somalia. Despite continuing livestock bans, approximately 2 million animals are exported each year, which create about 60 percent of Somalia's job opportunities and generate about 40 percent of Somalia's GDP and 80 percent of its foreign currency earnings. Taxation of livestock trade and export is one of the major revenue sources for the local administration in North Eastern (Puntland) and North Western Somalia (Somaliland).

C-2 SOMALIA RECOVERY STRATEGY

11. In 2005 a process was initiated to prepare post conflict joint needs assessment (JNA) for Somalia that would identify key development areas and financial needs for a five-year period. The teams, international experts including experts from the diaspora and local Somali experts, consulted extensively with a wide range of stakeholders in Somalia. This process resulted in the preparation of a Reconstruction and Development Program (RDP) for Somalia (2006). The RDP recognizes the different stages of development in the country and has separate regional assessments that have been validated through a consultative process. The regional volumes take account of the Somaliland and Puntland Strategic Plans and reflect the consultations undertaken in January 2007.

12. The RDP is the agreed framework for support to Somalia for the next five years and builds on three pillars:

- Deepening peace, improving security, and establishing good-governance;
- Strengthening essential basic services and social protection; and
- Creating an enabling environment for private sector-led growth to expand employment and reduce poverty.

The second and third pillars are of immediate relevance to this FPCR TF project.

C-3 RATIONALE FOR THE PROPOSED BANK FPCR TF PROJECT

13. The current crisis situation in Somalia can be characterized as follows:

- **High food prices and dependence of Somalia on food imports.** The Somalia economy is heavily dependent on trade, including food imports, which account for about 60 percent of cereal consumption. Oils, fats, and dairy products are the other significant category of food imports. The urban areas, particularly in central and northern Somalia, usually prefer imported wheat and rice. As import prices increased, people turned to local cereals such as maize and sorghum, which were negatively affected by the poor Gu rains. As a result, current prices increased 200-300 percent over last year's prices. This extremely high inflation, exacerbated by a contemporaneous collapse of the Somali Shilling, has reduced the purchasing power of Somali households, making them even more food insecure.
- **Remittances, central to Somalia's economy and the survival of its households, are likely to decrease.** The global economic challenges, especially the increase in prices of commodities and services, have a negative impact on the well-being of Somali diaspora households. This will preclude any increase in remittances to Somalia and will most likely result in a decrease.

- **Deterioration of irrigation, flood control infrastructure, and agricultural services.**
Only about 15 percent of the land that used to be irrigated prior to the civil war can currently be irrigated, and the slightest rise in the level of the Shabelle and Juba rivers result in floods due to the deterioration of flood control embankments and relief channels. Some irrigation rehabilitation initiatives are funded by the European Union (EU) and are implemented by FAO in collaboration with NGOs. However, these initiatives are not sufficient to meet the needs of Somalia. Agricultural services, with the exception of a few initiatives being implemented by FAO and in collaboration with NGOs, are also absent for most agricultural, agro-pastoral, and pastoral communities.

D. BANK RESPONSE: THE PROJECT

D-1 BRIEF DESCRIPTION OF THE BANK'S STRATEGY OF EMERGENCY SUPPORT

14. The response focuses on measures to address the short term implication of the global food crisis for Somalia, which is fully consistent with the Bank's Global Food Crisis Response Program (GFRP) and is in line with OP 8.00. The objective of GFRP are to: (i) respond to the urgent need for financial assistance arising from the impact of the current food crisis identified by authorities in Somalia and by the international community and (ii) put in place inputs and infrastructure for the short run that will serve to improve food production.

15. The GFRP includes support for interventions in the following areas: (i) increased food production through distribution of improved inputs; (ii) increased food production through rehabilitation and improvement of crop production infrastructure; and (iii) Strategies for using livestock resources to address the current food crisis

D-2 PROJECT DEVELOPMENT OBJECTIVE

16. The project development objective (PDO) is to increase crop and livestock production in areas affected by the food crisis.

Project Components

17. There are two frameworks for identifying needs in Somalia: the Reconstruction and Development Program (RDP) for medium-longer term interventions and the Consolidated Appeal Program (CAP) for emergency response. Within the RDP there are three Pillars, with Pillar 3 being "Establishing an Environment for Rapid Poverty Reducing Development".

18. The UN Country Team has developed and initiated a US\$409 million UN Transition Plan (UNTP), which is in effect a subset of the RDP wherein the UN has a comparative advantage. One of UNTP's five Priority Outcomes - "Vulnerable and marginalized groups have improved, sustainable food security and economic opportunities" (UNTP-O5) - is clearly within the ambit of the RDP Pillar 3. UNTP-O5 is costed at US\$104.8 million over two years. As of July 2008, UNTP-O5 is 40% funded over the two year needs.

19. The CAP 2008 mid-year funding status for emergency needs as of July 2008, was 42% funded, if all pledges are met, of a total revised need of US\$637.3 million. Within the CAP 2008, the 'Agriculture and Livelihoods' Cluster is 21% funded - US\$14.7 million received out of a need of US\$71.1 million.

20. In terms of the existing FAO Somalia multi-year portfolio (which currently stands at US\$44 million, running through February 2010), an approximate breakdown of sectors of implementation would be 35% crops (rainfed and irrigation), 20% livestock, 35% information systems, and 10% other. Geographically, FAO Somalia activities are split with 55% allocated for Southern and Central Somalia, 24% to Puntland, and 21% to Somaliland. This geographic breakdown is in general agreement with both the RDP and the UNTP.

21. The above figures serve to illustrate that the World Bank funding is not filling up gaps to the level of the specific targets set by the RDP, UNTP or CAP, given that the remaining needs are much greater than the proposed WB funding. Rather, the resources will be used in concert with the existing and planned FAO Somalia Program in order to achieve increased impact through a consolidated approach.

22. The proposed project activities build on the ongoing projects in Somalia to assist in addressing the crisis with increased attention being paid to: (i) crops (component one) and (ii) livestock (component two) productivity. Both of these components pay attention to mainstreaming nutrition and gender concerns in the interventions.

Component I: Improving Food Production Capacity (US\$ 3.7 million)

Sub-component 1.1: Increased food production through distribution of improved inputs (US\$ 1.96 million)

23. A key feature of the project proposal to address the food crisis is the inclusion of a sub-component to support resumption of agricultural production and increased household food security by removing the main production constraints. The project will support provision of seeds of maize and sorghum, which have proved to be highly productive in similar environmental conditions. Seeds will be procured from the local markets and distributed through existing NGOs or NGO-initiated community organizations. Complementary inputs such as tools/implements and fertilizer (mainly urea) will also be made available.

24. This sub-component will rely greatly on established distribution networks consisting of both local and international NGO partners at regional and district levels. Inputs (such as seeds) will be procured from suppliers and distributed through contract arrangements with these NGOs, and if necessary with new partners. FAO will provide logistical arrangements, coordination and monitoring for the distribution of these inputs. The specific activities under this sub-component are:

- Distribution of technology packages (seeds, fertilizer, and farm implements) to farmers in Shebelle valley (maize) and in the Sorghum belt (sorghum).
- Training of farmers—mainly women growing food crops—in improved agronomic and nutritional practices. This will include training in using the new technology, including seed quality management, and nutritional utilization of the increased food grains and livestock products.
- Evaluation of use and impact of technology packages. This will include post distribution review evaluation exercises carried out to inform/improve future assistance.

Sub-component 1.2: Increased food production through rehabilitation and improvement of crop production infrastructure (US\$ 1.7 million)

25. Expanding acreages of agricultural crops can be used to address the current food crisis through rehabilitation of water infrastructure. The long absence of stability and consequent lack of institutions have led to the collapse of basic infrastructure that serves the agricultural sector in the most productive areas of Somalia. The project will support rehabilitation of canals (150 km); river embankments (40 km); sluice gates (20); water catchments (65) and feeder roads (110 km). Currently, FAO is working closely with Somalia Water and Land Information Management (SWALIM) and this collaboration will carry-over to enable appropriate project implementation of infrastructure rehabilitation activities.

26. This sub-component will be implemented in Somaliland and Puntland (water catchment) and in Central-South Somalia (irrigation). The specific activities are:

- Carrying out of profile surveys for all canals, embankments, and roads that need to be rehabilitated.
- Rehabilitation of infrastructure through a combination of private sector contracts and labor sourced from the community (with explicit commitment to employment of women).

Component II: Support Strategies for Using Livestock Resources to Address the Current Food Crisis (US\$ 2.2 million)

27. The current food crisis is exacerbated by constraints in production, animal health, and marketing, which are compounded by animal diseases and repeated trade bans by major trading partners in the Middle East. About 55% of Somalis are directly engaged in livestock production, which provides 55% of calorie intake at household level. Milk production is critical to subsistence consumption and 33 % of off-take is consumed by producers. The constraints affect the population particularly in Somaliland and Puntland, which have been the major livestock producers and traders. Livestock trade is crucial and of direct importance for family household food security.

28. The current food crisis in Somalia can be addressed through providing more animal protein (and thus address malnutrition and enhance food security) and increasing availability (and thus increasing the ability of affected communities to access food). The specific activities under this component are:

Sub-component 2.1: Support to fodder production and marketing (US\$ 1.1 million)

29. Fodder production and marketing can be used to address the current food crisis by securing livestock assets. Feed is a scarce resource in most parts of Somalia almost every year. In some locations where feed is occasionally adequate in quantity it is almost always deficient in quality, mainly low levels of protein and energy. This situation seriously limits livestock growth and production. In the drier pastoral areas, the quality and amount (quantity) of forage available is almost always insufficient for the number of animals attempting to feed off it. In the mixed farming areas along dry river beds and flood plains, natural pastures are being taken over for subsistence cropping and production of fodder. In the mixed production systems, crop residues and by-products are important in the livestock diet but are usually low in nutrients and often wasted or used inefficiently due to inadequate knowledge and the capacity to process and conserve them as livestock feed.

30. This sub-component will increase access to fodder, “guarantee” better returns to producers and traders, and promote supply response. It will be implemented in Somaliland and Puntland. The interventions being proposed will include:

- Increasing livestock production and productivity through the provision of high quality fodder.
- Reducing seasonal feed shortfalls by improving fodder harvesting (introduce better tools), storage (baling), and conservation (silage fodder with added feed additives including molasses and nitrogen sources). The shortfalls will also be addressed through the fortification of maize stover with molasses (energy source) and ammonium (nitrogen source).
- Enhancing fodder market access through improved quality and shelf-life by baling.
- Creating employment by training youth to be manual balers to provide services for a fee.
- Training of farmers/pastoralists in preparation of silage and in appropriate range rehabilitation techniques.
- Improving fodder production and productivity by using selected lines of improved local grasses and sorghum (i.e. support the development of seed and planting materials at selected sites).
- Increasing the area under fodder production by stabilizing rivers and irrigation canals with grasses, while creating awareness on the need to improve range and water harvest.

Sub-component 2.2: Improving slaughter houses with value addition services (US\$ 1.2 million)

31. In Somalia, meat and meat products, slaughterhouses and related infrastructure, including butcheries, meat transport and delivery practices, and retail businesses (meat markets), are undeveloped and the associated human health risks impact household incomes and livelihoods. The proposed range of infrastructural intervention aims at the rehabilitation of slaughter-related basic infrastructures at community level, and will be implemented as integral components of the already on-going FAO-Somalia projects to ensure that all the required components of training as part of the capacity building, support to local management, provision of equipment and tools, and regulatory aspects will benefit from the FAO technical back-stopping. The specific activities under this sub-component are:

- Rehabilitation of slaughter facilities (one in Somaliland and one in Puntland).
- Training of laborers working in the slaughter facilities in clean meat production; this will include identifying and maximizing of quality cuts, protecting products through clean and sanitary methods, and minimizing damage to by-products.
- Improving hides and skins collection and preparation, including drying.
- Harvesting and processing by-products alongside hides and skins (blood, bones, and manure) with ready market in the region.
- Promotion of by-product use for improved nutrition and increased incomes, including consumption of what might be considered inferior products and use of manure for agricultural purposes.
- Support for the production and sale of local traditional processed meat
- Improving recovery, sale and consumption of offals.

32. This sub-component will be implemented in Somaliland and Puntland.

Project Management and Implementation Arrangements

33. The proposed project will not create new implementing units at the country level. The FAO Emergency Operations unit for Somalia based in Nairobi will manage the grant and implement and monitor the project through partnerships with international and local NGOs (and with new partners, if necessary) with a strong operational presence in project areas.

34. The agreement between FAO and participating NGOs will spell out the conditions under which these participating agencies will work under the project. The project will be implemented within a period of two years from date of project approval.

35. However, given the need for effective coordination of the implementation of the various project components and the challenges presented by the limited capacity within ministries and departments, a full-time Project Manager, who will be responsible for the day-to-day management of the project, will be recruited on a competitiveness basis (following FAO recruitment procedures). The Project Manager will be technically supported by the FAO sectoral units based in Nairobi and by the relevant technical divisions at FAO headquarters level.

36. At the operational level, a Project Advisory Committee (PAC) chaired by the Project Manager, with membership of senior technical personnel of the concerned departments (in Government and with other donors) will provide lead coordination and ensure that results meet the project targets.

37. FAO's specific responsibilities for project implementation include: (i) monitoring and ensuring full implementation of the program agreed under the project; (ii) submitting quarterly progress reports to IDA; (iii) developing an Operational Plan to guarantee sustainability after closing date; (iv) conducting a Mid-Term Review of project progress within three months from the close of the first project year; (v) implementation of the Environmental and Social Management Framework (ESMF) and Pest Management Plan (PMP); and (vi) preparing an Implementation Completion Report (ICR).

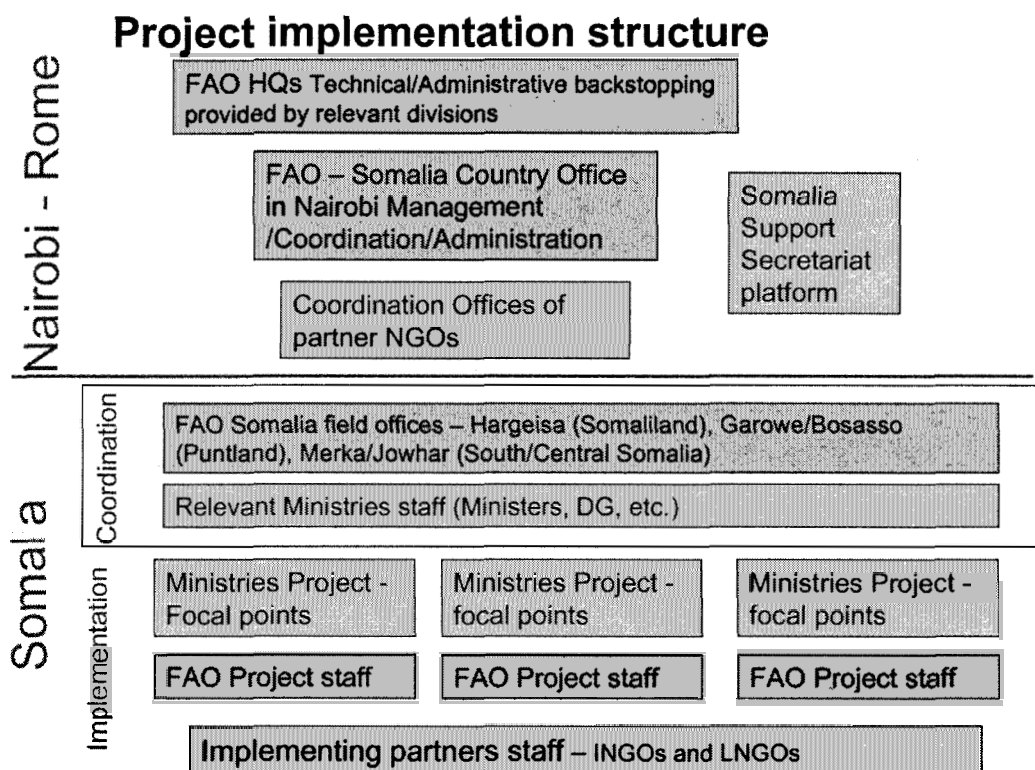
Monitoring and Evaluation Plan

38. Table 1.1 in *Annex 1* Result Framework, summarizes the Project Development Objectives (PDO) to be achieved, project outcomes indicators, and intermediate outcomes indicators. Table 1.2 in the same *Annex 1* summarizes the data collection and reporting, frequency of reporting, and instruments for data collection. This information will be used to track progress towards the PDO and make changes as needed during implementation.

39. FAO will have the primary responsibility for monitoring and evaluation (M&E); it will monitor progress against agreed performance monitoring indicators and submit progress reports. Monitoring of projects in FAO is carried out at three levels: (i) Field Program Monitoring and Coordination Services (TCOM); the Regional Operations Branch (ROB); and the Budget Holder (FAO Representative). TCOM manages the field program management information system which can be accessed from any location. The system provides pre-programmed access to project information and aggregate data at the country level. Project evaluation and audits are carried out by an independent mission comprising a team of specialists external to the project, constituted by the parties specifically for this purpose, with specific TOR.

40. The project will build on the existing M&E system of the FAO, including the Management Information System (MIS). M&E will focus on project implementation, project performance and project impact. Monitoring will consist of continuous and periodic review of activities with respect to the implementation of the work plan. It will also include monitoring of environmental indicators. The project will be subject to evaluation at least once (terminal stage) and this will be funded by the project. FAO will gather socio-economic data at the community level during the project start-up phase. This will be used to assess the project's impact and sustainability.

41. A chart showing the project implementation structure is presented below. Additional details on project implementation arrangement are presented in Annex 6.



Consistency with the Somalia Interim Strategy

42. The second objective of the ISN focuses on community driven development and decentralized service delivery in Somaliland and Puntland. RRRRL will respond to the emerging high global food crisis by addressing production constraints, rebuilding social capital, and strengthening local level institutions to improve the livelihood of agricultural and pastoral communities in south-central Somalia, Somaliland, and Puntland. The project is implemented by FAO Somalia using existing non-state capacity, such as international and local NGOs. FAO is already involved in ongoing initiatives to enhance food production.

D-3 EXPECTED OUTCOMES

43. The expected outcomes of the project are increased food security and improved livelihood systems directly associated with creating greater capacity of community organizations and service providers. These outcomes will be realized through increases in productivity for both livestock and agricultural products, reductions in post-harvest losses for mainly food products, improved nutrition for families, and greater empowerment of women. The latter outcome is achieved through the creation of employment for women and increasing their nutritional knowledge and organizational skills. The project component description in Annex 1 elaborates further on the process, and Annex 2 presents outcome indicators.

E. APPRAISAL OF PROJECT ACTIVITIES

E-1 ECONOMIC

44. The nature of a rapid response rehabilitation of livelihoods project targeted at poor beneficiaries in an unstable political and economic environment does not lend itself to financial or economic analysis. Yet, even in the absence of these dire conditions it is always difficult to measure the economic impact of humanitarian and technical assistance, and capacity building projects. However, despite the country situation and methodological challenges, it can still be argued that a number of positive economic outcomes can be expected. For instance, the project is directed wholly at rehabilitating and improving the infrastructure, inputs and human capacities that underpin agriculture and livestock production performance, two areas of economic activity that directly determine the outcomes of the food and livelihood systems of the majority of the people of Somalia. Further, the project will strengthen the community and local administrative capacity to manage private and social capital and this would directly increase economic welfare of project stakeholders and have positive spin-offs for their communities.

E-2 TECHNICAL

45. The proposed project builds on previous and ongoing assistance by numerous technical organizations working multilaterally and bilaterally in Somalia over a long period of time. Most importantly in this regard is the technical capacity and experience of FAO, which will be the main implementing agency of this project. FAO has a Somalia country office which has established agriculture, livestock, nutrition and women's empowerment projects that are working very well, transferring technical and organizational capacity, and improving food security and incomes of small producers in Somalia. This project and its partnership with FAO will enable wider distribution of these technologies and facilitate the capacity of communities to use them successfully.

E-3 SOCIAL

46. This project mainstreams nutrition and gender concerns as a part of its integrated technical and economic approach. The project activity directed at improving agricultural and food production capacity promotes inclusion of women and income targets that will ensure that they gain financially. Further, as a part of the support to nutrition, farm inputs will be targeted at women through the establishment of kitchen gardens. Similarly, it is recognized that women, being by far the majority of the participants on the meat value chain, will benefit from the livestock sector activities of the project. Through these and other interventions it is clear that important explicit outcomes of the project will result in positive social impacts.

E-4 FIDUCIARY

47. Due to the extended conflict situation in the country, the Bank has not carried out a Country Financial Accountability Assessment (CFAA) in Somalia. Both physical and human infrastructures were destroyed by the war among different warlords, including an exodus of skilled personnel. The civil war also contributed to the loss of public procurement policies, practices, procedures, as well as the skills of practitioners and institutions.

48. Fiduciary risks for this project are mitigated by the fact that FAO will be in charge of financial management and procurement. The Financial Arrangements for this project will be based on the World Bank-United Nations Financial Management Framework Agreement (FMFA), to which FAO is a signatory. FAO will handle all the financial management aspects using its own procedures set out in the FAO Financial Regulations. The funds will therefore be channeled through FAO, which will act as both the direct recipient and the Project Implementing Agency. FAO shall have overall fiduciary responsibility over the project.

49. As per the FMFA, the Bank's audit requirements are met through the normal biennium audit of FAO, and separate audited financial statements and audit reports from FAO for the project are not required. FAO will prepare and submit un-audited semi-annual or interim financial reports (IFR) to the Bank within a period of 45 days after the end of the relevant semi-annual period ending June 30 and December 31, in form and content satisfactory to the Bank. The IFR will consist of a statement of sources and uses of funds (by main expenditure classifications), opening and closing balances of the funds from the Bank, and actual and budgeted expenditures by component and/or activity within component and explanations of any variances, for the semi-annual period and cumulatively for the project.

50. In the implementation of all activities, the FAO procurement procedures will be applicable in place of the Bank Procurement and Consultant Guidelines and the Bank will not exercise its regular procurement oversight through post and prior review. To mitigate any risks, the Bank will conduct intensified supervision of the outcomes and results of the project. In addition, the Grant Agreement between the Bank and FAO will contain alternative provisions to the Bank standard clauses regarding audit, fraud and corruption consistent with provisions in similar legal agreements between the Bank and other UN agencies.

E-5 ENVIRONMENTAL

51. The proposed project has triggered OP 4.01 Environmental Assessment; OP 4.09 Pest Management; and OP 7.50 Projects on International Waterways. The environmental category of the project is B, and the safeguards category is S2.

52. The potential adverse environmental impacts (i.e. loss of vegetation, soil and water pollution, soil erosion, increased malaria once the irrigation canals have been rehabilitated, waste generation at the slaughterhouses) of the proposed operation are expected to be limited. Nevertheless, it will be of critical importance to ensure (i) safe management of pesticides and veterinary drugs; (ii) sustainable use of the rehabilitated water and transport infrastructures; and (iii) environmentally and socially sustainable construction and operation of slaughterhouses. Towards this end, the borrower, with assistance from FAO, is preparing an Environmental and Social Management Framework (ESMF) for future sub-projects and, as an attachment to the ESMF, a Pest Management Plan (PMP). The ESMF, with the PMP as an attachment, will be disclosed in Somalia – with assistance from FAO - in publicly accessible places, and at the Bank's Infoshop by October 31, 2008.

53. Consistent with the requirements of OP 4.01, the ESMF will outline an environmental and social screening process of sub-projects, with a particular emphasis on (i) screening of investments for potential adverse environmental and social impacts at the planning stage; (ii) the assignment of environmental categories to sub-projects based on the screening results; (iii) carrying out of the appropriate environmental work; (iv) review and clearance of the screening results and separate (Environmental Assessment) EA reports; (v) public consultations; (vi) monitoring and reporting; (vii) environmental monitoring indicators; and (viii) the Bank's safeguard policies. The PMP, consistent with OP 4.09, is designed to address issues related to pest management in agricultural production, and the use of veterinary drugs to improve the health of livestock.

54. Since the project will rehabilitate irrigation canals, river embankments, sluice gates, and water catchments on the Juba and Shebelle rivers, it has triggered OP 7.50 Projects on International Waters. The project essentially involves the rehabilitation of existing canals, and does not involve works and activities that would exceed the original scheme, change its nature, or alter and expand its scope and extent to make it appear a new or different scheme. Consequently, the project team has determined that given the nature of the rehabilitation works envisaged under the project, the project falls under the exception set forth in paragraph 7 (a) of OP 7.50 as (a) it will not adversely affect the quality or quantity of water flows to the other riparians; and (b) it will not be adversely affected by other riparians' water use. A memorandum to this effect has been approved by the Regional Vice President.

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)	X		
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)	X		
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: B

F. IMPLEMENTATION ARRANGEMENTS AND FINANCING PLAN

55. **Implementation Arrangements:** Details of the proposed arrangement are in paragraphs 40-46 and *Annex 6*.

G. PROJECT RISKS AND MITIGATING FACTORS

Risk	Description of Risk	Risk Rating	Risk Mitigation Measures incorporated into the Project Design	Conditions of Negotiations, Board or Effectiveness (Yes or No)
1. Country Level Risks				
Absence of government functions	Different authorities administer different areas of the country; no single recognized government authority.	H	International involvement to strengthen government institutions. The chances of success in South-Central could also improve once the UN mediated Djibouti peace agreement is formalized and implemented.	N
Limited capacity	Weak capacity of regional authorities to effectively participate in the implementation of the project.	H	International agencies (FAO, etc.), private sector and NGO engagement in service delivery.	N
Inability to have field presence	Security situation in South-Central and recently in Puntland, does not reliably permit to locate international staff on long-term basis in country. This in turn could have negative impact on implementation, supervision and M&E.	H	Employment of qualified nationals and the anticipated improvement of security resulting from the ongoing peace initiatives could improve security and result in improved implementation and supervision of project activities.	N
Challenges in attracting and retaining competent staff	Inability of international community to retain staff in South-Central and Puntland due to recent killings and kidnapping.	MH	Anticipated improvement in peace and hiring of Somali Diaspora, who are willing to be located in country.	N
Territorial dispute between Somaliland and Puntland	Claim by both Somaliland and Puntland on Sool and Sanaag regions could result in armed conflict between the two authorities.	MH	Continued involvement of community elders from the two regions has so far reduced the level of armed conflict and is likely to continue.	M
Project Level Risks				
Weak fiduciary management system		H	Appointment of TAs (FAO) to handle procurement and financial management aspects.	N

Financial Management	Weak or nonexistent FM structures, low FM capacity as a result of the prolonged insecurity and instability as a result of the conflict	H	Reliance on FAO's FM arrangement in line with the WB/UN FMFA. FAO has enormous experience of managing projects in Somalia	N
Project implementation	Proposed project will begin implementation under a highly risk-prone political environment.	H	Participation of beneficiaries through demand driven implementation arrangements would ensure adoption and sustainability of program activities.	N
Flooding and inefficient irrigation system	Due to the prolonged absence of public services, the irrigation and flood control infrastructures along the Shabelle and Juba rivers have deteriorated. This resulted in reduction in the irrigated area and the efficiency of irrigation and frequent flooding during high level river flow season.	H	Some ongoing activities by FAO and with help from the donor community is addressing this risk through the monitoring of the river flow and the rehabilitation of the irrigation and flood control infrastructure. In addition, some of the proposed activities and the project are foreseen to contribute to the mitigation of this risk.	N
Outbreak of animal and plant pests and diseases	Lack of public sector technical and financial support has resulted in weak plant protection and veterinary services.	MH	A few ongoing activities are foreseen to reduce this risk; restructuring of the project to address potential emergencies	N
Unreliable rainfall	Unreliable rainfall and inadequate soil and water conservation in most parts of the country result in failure of crops the loss of livestock.	MH	Improvement in soil and water conservation measures and improved irrigation would reduce the risk of vulnerability	N

H: high, MH: marginally high

H. TERMS AND CONDITIONS OF PROJECT FINANCING

56. The proposed grant is being undertaken under the Global Food Crisis Response Program (GFRP), which was endorsed by the Board on May 29, 2008, and will be financed out of the Food Price Crisis Response (FPCR) Trust Fund. The overall aim of the FPCR TF is to minimize the threat posed by high food prices and sharply rising agricultural production and marketing costs to the livelihoods of poor urban and rural residents in developing countries. Grant funding, capped at US\$10 million for each country, is targeted to the most fragile, poor and heavily impacted countries and territories with little access to immediate funding. Somalia qualifies for these funds and the current project is budgeted at US\$7.0 million.

57. There are no project-specific conditions of effectiveness of the financing agreement. Actions that will be taken by negotiation are preparation by FAO and agreement with the World Bank on: (i) annual work plan and budget; and (ii) annual procurement plan. FAO will submit a second work plan and budget, and the applicable procurement plan at least one month before the end of the first year of financing.

58. Within the first three months after project approval, FAO as implementing agency will arrange, as a part of project operations, the preparation and submission to the World Bank of an Environmental and Social Management Framework (ESMF) consistent with OP 4.01 Environmental Assessment; and a Pest Management Plan (PMP) consistent with OP 4.09 Pest Management.

Annex 1: Results Framework and Monitoring

Table 1.1: Results Framework

1. PDO	Project Outcome Indicators	Use of Project Outcomes Information
The project development objective is to increase crop and livestock production in areas affected by the food crisis	<ul style="list-style-type: none"> • Percent increase in crop production in project areas affected by the food crisis; • Percent increase in meat production in project areas, that meets standard 	<ul style="list-style-type: none"> • Verification of implementation performance and impact of the project.
2. Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
I. : Improving Food Production Capacity <ul style="list-style-type: none"> • Distribution of improved inputs/minikits • Rehabilitation and improvement of irrigation infrastructures 	<ul style="list-style-type: none"> • Number of farmers using improved inputs/technology; • Percent increase in crop yield • Percent increase in area (ha) under irrigation 	<ul style="list-style-type: none"> • To demonstrate that progress has been achieved in strengthened Livestock production system
II. : Support Strategies for Using Livestock Resources to Address Current Food Crisis <ul style="list-style-type: none"> • Improved livestock production through more effective and efficient feeding systems, including fodder and crop residues ; • Increased food safety, use and market of livestock products through rehabilitation of slaughter houses and processing units 	<ul style="list-style-type: none"> • Number of hides/skins processed and marketed per year; • Total (kg) of dry meat processed/marketed per year; • Percent increase in quantity (tons) of offal processed and consumed per year; 	<ul style="list-style-type: none"> • To demonstrate that progress has been achieved in strengthened Livestock production system

Table 1.2: Monitoring and Evaluation Plan

Project Outcome Indicators	Data Collection and Reporting					Responsibility for Data Collection
	Baseline	YR1	YR2	Frequency and Reports	Data Collection Instruments	
Percent increase in crop production in project areas affected by the food crisis	FSAU Data		15	Annual	Household survey	FSAU
Percent increase in meat production in project areas, that meet minimum standard	FSAU Data		15	Annual	Household survey	FSAU
Intermediate Project Outcome Indicators	Data Collection and Reporting					Responsibility for Data Collection
Percent reduction in post-harvest losses	Baseline	YR1	YR2	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
	FSAU Data		30	Annual	Documents produced	FSAU
Percent increase in crop yield	FSAU Data		30	Seasonal	Survey	FSAU
Percent increase in area (ha) under irrigation	TORs for baseline initiated			Seasonal	Progress report	FAO
Number of hides/skins processed and marketed per year	FSAU Data		20	Biannually	Progress report	FAO/Livestock unit
Percent increase in total (kg) of dry meat processed and marketed per year	FSAU Data		20	Biannually	Progress report	FAO/Livestock unit
Percent increase in quantity (tons) of offal processed and consumed per year	FSAU Data		35	Biannually	Progress report	FAO/Livestock unit
Increase in number of project activities managed and implemented by CBOs, local NGOs and community groups	FSAU Data		15	Annually	Progress report	FAO
Percent reduction of pollutants from rehabilitated slaughter houses.	TORs for baseline to be developed			End of project	Assessment report	FAO/Environmental /unit

FSAU: Food Security Analysis Unit

Annex 2: Detailed Description on Project Components

Component I: Improving Food Production Capacity

Sub-component 1.1: Increasing production through distribution of improved inputs

1. A key feature of the project proposal is the inclusion of a component to support resumption of agricultural production and increased household food security by removing the main production constraints. The project will support provision of seeds of maize and sorghum which have proved to be highly productive in similar environmental conditions, tools/implements, and fertilizer (mainly urea). Seeds will be procured from the local market and distributed through existing NGOs or NGO initiated communities. The project also aims at distributing hand tools for the agricultural operation. In addition, the project will allocate resources for portable equipment for seed testing and sampling. Training would also be provided on sampling and testing procedures.
2. Selection of the beneficiaries will be through participatory community-based mechanism implemented by NGOs operating in the area. Given the capacity constraints, the project will implement these activities through contracting NGOs and the private sector, partnering with FAO.
3. Monitoring of the targeted population to assess changes in dietary diversity as a result of the improved inputs will be conducted bi annually, through assessment of dietary diversity scores as a component of the routine nutrition surveys. A pilot study would be conducted targeting vulnerable communities as identified from the nutrition surveys. The activity would focus on producing community based gardens and/or school gardens, using a variety of seeds to promote a healthy balanced diet. Parallel nutrition education sessions would be conducted to inform the population of the importance of a diversified diet. Efforts to promote nutritious locally available foods would be included. Special efforts would be placed to educate women's groups on appropriate complimentary feeding practices.
4. Each targeted household (15,000) in South Central will receive on the average of 15 kg of seeds, 1 set of tools and 50 kg of urea. There will be a post review exercise on distribution of inputs and capacity building.

Sub-component 1.2: Increasing food production through rehabilitation and improvement of crop production infrastructure

5. Currently FAO through SWALIM disseminates appropriate information related to water use, flooding among other responsibilities. SWALIM will make available and share relevant data to ensure appropriate project implementation.
6. The project would support rehabilitation of canals (150 km); river embankments (40 km); sluise gates (20); water catchments (65) and feeder roads (110 km). The following activities will be implemented by the project:
 - (a) The project will undertake (where *not yet available at FAO*) an appraisal of the condition of the river off-take structures and of control structures within the irrigation system for the purpose of determining their structural state and requirements for rehabilitation or repair. This will examine technical and economic aspects of increasing the period over which primary canals can be used by redesigning the off-takes, relocating off-takes upstream and by pumping water into the primary canals.

- (b) Survey to determine the extent of required rehabilitation or necessary redesign or design will be carried out in the selected areas. Profile surveys will be conducted for all canals, embankment and roads that will have to be rehabilitated to establish the required excavation cut and fill required on the canal or road sections. The topographic and profile surveys will be conducted within 5 months. The tendering process will be determined on a case by case basis. Skilled labor will be sourced by the community and contracted by the project. Women will be targeted for employment. Active involvement of females will particularly be sought in all consultative forums, workshops, meetings and events. Due to the sex segregation of Somali society in all three regions, involvement of females will be ensured by working with female resource persons at field level to mobilize and facilitate female uninhibited participation. A 15-25% recruitment target is set for females to ensure their inclusion as beneficiaries in infrastructure rehabilitation. This target will apply depending on regional dynamics of female participation in intensive labor. The attainment of this target will largely depend on community entry strategies that are inclusive of negotiating beneficiary identification to include women.

7. Supervision of work, works measurement, preparation of volume-of-works declaration forms will be undertaken by the project. The actual rehabilitation will be done through contractors or where possible through cash for work activities.

Distribution of activities by administrative entities

Administrative entities	Km of canals	River embankments	Sluice gates	Water catchments	Km of feeder roads
Somaliland	0	0	0	10	10
Puntland	0	0	0	35	0
Central-south	150	40	20	20	100

This sub-component will complement on-going FAO - Somalia project/activities

Component II - Support Strategies for Using Livestock Resources to Address the Current Food Crisis

8. Somalia is primarily a livestock country with animal production and marketing being the major source of food, income and employment for most of the population. Local regional and export livestock trade are crucial and of direct importance for family household incomes and food security. Production, animal health, marketing and infrastructural constraints are compounded by repeated trade bans by major trading partners in the Middle East adversely impacting on food security and household incomes and livelihoods, particularly in Somaliland and Puntland which have been the major export market outlets.

9. The present proposal builds on on-going work by FAO –Somalia supported by the European Community (EC) and other donors such as the League of the Arab States, Norwegian, Swedish and Italian Governments and includes as critical areas: (i) reorganization of slaughter activities to increase the numbers of animals slaughtered while improving the quality of meat in the local and export markets, (ii) improve recovery and processing of hides and skins and other by-products, (iii) strengthening systems and procedures in community-

based organizations (CBOs), local NGOs, community groups and local and central authorities targeting the livestock sector, and (iv) general enhancement of disease surveillance and livestock emergency response capacity of the public and private animal health services providers.

10. **Complementing these activities will be the on-going support to local and export slaughterhouses and the various actors by FAO Somalia.** There is also a need to make provision to rebuild livestock assets of the pastoralists after severe shocks to prevent poor livestock keepers to become completely destitute. The proposed project will provide added impetus to the on-going programs to create employment and stimulate the local economy. To complement FAO Somalia activities the local authorities propose to support service providers around the livestock markets and slaughterhouses to improve service provision.

Sub-component 2.1 Support to fodder production and marketing

11. **Feed is one scarce resource in most parts of Somalia and whenever it is adequate in quantity in some parts of the country, it is low in protein and energy seriously limiting livestock growth and production.** In the drier pastoral areas the quality and amount (quantity) of forage available is insufficient for the number of animals attempting to feed off it. In the mixed farming areas along dry river beds and flood plains natural pastures are being taken over for subsistence cropping and production of fodder. Residues and by-products are important in the livestock diet but are usually low in nutrients and often wasted or used inefficiently due to inadequate knowledge and capacity to process and conserve them.

12. **Therefore there is an urgent need to improve the productivity of fodder, and profitability of the rangelands and flood plains as a basis for sustainable alleviation of poverty and improved household incomes.** Lessons will be drawn from existing FAO Somalia programs in Somalia, and hence the project would:

- Support the development of seed and planting materials at the selected sides
- Facilitate the treatment of effluent before being used for irrigation while the stock seed and planting materials will be obtained locally for bulking at the farm after a thorough health inspection and quality assurance.
- Support slaughterhouses and farms to compost solid waste and manure from the holding pens and yards; the compost manure will then be spread on farms / areas selected for fodder production.
- Provide farms/areas selected for fodder production with farm equipment and tools and assisted to prepare the land for fodder production.
- Support groups to harvest and store water for irrigation and produce seeds of selected perennial grasses to rehabilitate range.
- Train farmers and pastoralists in fodder production, preparation of silage and in appropriate range rehabilitation techniques

Distribution of activities by administrative entities

Administrative entities	Surface planted (Ha) as per output	Surface allocated to seed production
Somaliland	300	5
Puntland	200	5
Central-south	0	0

Sub-component 2.2: Improving slaughter houses with value addition

13. Local slaughter facilities, where available are run down, dilapidated and in urgent need of repairs. Those that function, employ veterinarians as meat inspectors who provide very limited health and meat inspection services. These services do not meet even the local standards (See Somaliland and Puntland Meat Control Act just developed with assistance provided by FAO Somalia). The current crop of veterinarians and meat inspection technicians have some experience in quarantine and inspection procedures, but are nonetheless insufficiently updated on recent developments in international meat processing and hygiene standards and have inadequate skills to carry out meat hygiene assessments, quality auditing, hazard analysis and critical control points (HACCP) assessment, microbiological testing and residues monitoring.

14. While significant work has been done by the private and public operators with support of FAO Somalia on upgrading the operational procedures in the export and local slaughterhouses, the local slaughterhouses remain one of the most crucial sub-sectors to upgrade. The local slaughter facilities and meat markets in the Country fall far short of the international and local standards and standards contained in the draft Somaliland and Puntland Meat Control Act and Public Health Policies already developed through the FAO Somalia assistance. The amount of water provided per animal is generally way below the standard requirements (50 l. per sheep or goat, 150 l. per camel and 120 l. per head of cattle). The personnel in all areas of operation from slaughter to the sale of meat have recently been provided with appropriate working tools and protective clothing and trained in clean meat production by the FAO Somalia projects. The work environment, however, is still in dire need of repairs/rehabilitation.

15. The slaughter and marketing facilities, which are located in residential and commercial areas of the towns, have poor waste management and are in need of repairs/construction to continue operating safely. UN-Habitat is currently constructing slaughter facilities in two municipalities (Gabiley in Somaliland and Garowe in Puntland). UN-Habitat is also planning to construct/rehabilitate markets, including meat stalls in the same municipalities and Hargeisa in Somaliland. These developments provide an opportune time to institute environmental, occupational and clean meat production plans and to rehabilitate the remaining slaughterhouses in the some of the major towns of the two administrations (Somaliland and Puntland).

16. The proposed range of intervention aims at the rehabilitation of slaughter related basic infrastructures at community and municipality level. The interventions will be implemented as integral components of the already on-going FAO Somalia projects to ensure that all the required components of training as part of the capacity building, support to local management, provision of equipment and tools, regulatory aspects will benefit from the FAO technical back-stopping which will be provided during the infrastructures development phase to secure sustainability. FAO-Somalia proposes to support and / or facilitate the construction / rehabilitation of slaughter facilities to better employ the youth and women currently being used to slaughter in homes and open fields.

17. The construction of two slaughter facilities (one in Somaliland and one in Puntland) and reorganization of activities will be instrumental in ensuring that the majority of the animals originated from the catchments areas are slaughtered in the facilities. In addition this activity will:

- Train slaughterhouse operators using the existing slaughter facilities and livestock and meat markets (butchers, meat vendors, slaughter facility supervisors, veterinarians, laboratory technicians, and the quality assurance personnel) to achieve high quality levels and reduce contamination.
- Work with Ministries responsible for livestock and the local authorities to assert themselves at the livestock markets, slaughter facilities and meat markets to ensure animal welfare and production and marketing of wholesome meat. FAO-Somalia will support public-private sector partnership in creating awareness on the existing policy and legal frameworks and the roles of the various players in the livestock industry.
- Assist the implementation of a quality assurance system (HACCP) and occupational health plan throughout the chain, including environmental management plans at the slaughter facilities and meat markets.
- Promote use of slaughterhouse waste products into compost for use in fodder production.

18. This component of the project also has food security goals which it aims to achieve through:

- Production of quality meat that will lead to lower wastage (estimated at 10-30%) which will result in lower meat prices at local level.
- Recovery of offals which can be popularized and marketed by a local NGO/CBO at low market cost
- Improvement in the recovery of hides and skins and thus expand the sources of income to the butchers and meat trades (as currently all the profit is generated from meat only thus rising its price).
- Expanding the type of animal parts which can be processed and sold (e.g. offals) together with a boosting effect on the processing and market capacity of hides and skins this would result in lower meat prices.
- Improvement of meat processing, as current processing has high wastage thus rising up the price of processed meat, will improve production efficiency and reduce prices.

19. There is a specific target in terms of reducing the high malnutrition levels related to micronutrient deficiencies, especially anaemia. Levels of anaemia from the only available study for Somaliland have been identified at 59.9% of children between 6-59 months, with 18.3% classified as mild anaemia, 33.2% moderate anaemia and 8% severe anaemia. Offals, with their high haem-iron and protein content, could be ideally used to combat anaemia in the population. Despite this, they are not a preferred food in Somaliland, often go to waste. The proposed project will include a knowledge, attitudes and practice analysis to find out the prevailing attitudes towards offals and the reasons underlying their distaste for the food. This would feed into communication strategies aimed at changing the behaviours, attitudes and practices on the family level, especially targeting women and children who are the most vulnerable to anaemia. Partnering with women's organizations, CBOs and NGOs such as the Red Crescent Foundation and to provide education would aim to change attitudes towards increased consumption of the available offals from the slaughterhouses.

Distribution of activities by administrative entities

Administrative entities	No of slaughter houses	Capacity building	Study on offal consumption	Nutrition education
Somaliland	1	6	1	24
Puntland	1	6	1	24
Central-south	0	0	0	0

Annex 3: Summary of Estimated Project Cost

1	Human resources	971,200
2	Contracts	1,930,000
3	Training	1,010,000
4	Equipment	1,949,000
5	Technical and operating expenses	503,436
6	Project support costs	636,364
	Total	7,000,000

Annex 4: Financial Management (FM) Report

Introduction

1. The Bank's Financial Management team conducted a Financial Management (FM) Assessment for the Somalia Support under the Global Food Response Program (GFRP) Project. The International Development Association (IDA) of the World Bank intends to make a Grant of US\$7 million to Somalia as emergency aid in alleviating the current Global food crisis. The Project will be implemented by the Food and Agriculture Organization of the United Nations (FAO) over a period of 2 years. FAO is already involved in administration of food aid projects to Somalia through NGOs and the target communities. The Bank will focus on using the GFRP TF to meet short term needs, including livelihood support, inputs to enhance food production, support for cash for work programs that are being carried out by some NGOs directed at enhancing productivity, such as irrigation and flood control rehabilitation. A medium term response aimed at supporting food production could also be initiated.
2. The objective of the assessment was to determine whether the implementing entity has acceptable financial management arrangements, which will ensure: (i) the funds are used only for the intended purposes in an efficient and economical way; (ii) the preparation of accurate, reliable, and timely periodic financial reports; and (iii) safeguard the entity's assets.
3. The financial assessment was conducted adopting the Bank's modified procedures for FM assessments when an UN agency is the direct implementing entity, and taking into account the Financial Management Framework Agreement between the World Bank (WB) and the United Nations (UN) dated March 10, 2006.

Executive Summary

4. **Financial Arrangements:** The Financial Arrangements for this Project will be based on the World Bank/ United Nations Financial Management Framework Agreement (FMFA), to which FAO is a signatory. FAO will prepare its annual work program and budget and agree this with the Bank. FAO will handle all the financial management aspects using its own procedures set out in the FAO Financial Regulations. The funds will therefore be channeled through FAO which will act as both the direct Recipient and the Project Implementing Agency. FAO shall have overall fiduciary responsibility over the Project. FAO will maintain a separate ledger account for recording the transactions relating to this Project.
5. **Budget Arrangements:** FAO will prepare annual work plans and budget for the Project and send to the Bank for review within one month from effectiveness and thereafter by no later than December 15, each year. The annual project budget will be based on agreed annual work program that will be closely monitored and reviewed during implementation.
6. **Financial Reporting and Audit Arrangements:** As per the FMFA, the Bank's audit requirements are met through the normal biennium audit of FAO, and separate audited financial statements and audit reports from FAO for the Project are not required. FAO will prepare and submit un-audited semi-annual financial reports (IFR) to the Bank within a period of 45 days after the end of the relevant semi-annual period ending June 30 and December 31, in form and content satisfactory to the Bank. The IFR will consist of a statement of sources and uses of funds (by main expenditure classifications), opening and closing balances of the funds from the Bank; and actual and budgeted expenditures by component and/or activity within component and explanations of any variances, for the said semi-annual period and

cumulatively for the project. It will also contain forecasts for the next 9 months. The format of these reports has been agreed between the Bank and FAO.

7. **Disbursement Arrangements:** Advances will be made to an existing FAO commercial bank account. Expenditure reporting for advance disbursements from the Grant Account shall be made on the basis of the IFR. Upon effectiveness, funds will be advanced to FAO as Recipient based on 9 months forecasts to be submitted by FAO. Replenishment of the advances shall be based on Semester IFRs which would also contain forecasts for the next 9 months. FAO will maintain separate accounting for advances and expenditures related to the project.

8. **Financial Management Risk Assessment:** Given the instability prevailing in the Country and the lack of effective FM and administrative systems, the overall FM Risk Rating for the Project is assessed as “substantial.”

Country Accountability Issues

9. Somalia does not have a functioning central government and there are no reliable country FM structures. Due to the extended conflict situation in the country which led to earlier disengagement, the Bank has not carried out a Country Financial Accountability Assessment (CFAA) or similar Financial Management (FM) related Economic and Sector Work (ESW) in Somalia.

10. Below are the risk analysis and mitigation measures taking into account FAO systems.

Table 1: Summary of Risk Analysis

Inherent Risk	Risk Rating	Risk Mitigation Measure	Residual Risk rating
Country Level			
Lack of effective system due to war conditions and general instability.	H		H
Entity Level			
FAO is a UN body with adequate capacity and strong FM and operational systems and has been involved in managing this kind of emergency aid project over several year	L		L
Project Level:			
Project will be implemented through NGOs and target communities and these lack capacity in terms of qualified staff and resources. The conflict conditions and the high state of insecurity will compromise FM arrangements and create	H		H

challenges in project implementation			
Overall Inherent Risks:	H		S
Control Risk:			
<i>Budgeting</i>			
FAO will prepare annual budgets and work plans	L		L
<i>Fund Flows</i>			
Project design simple with few components. FAO acts as both Recipient and Implementing Agency. However, flow of funds within the Country may create challenges.	S	Use of report-based IFR method of disbursement will further enhance the flow of funds by having 9 months advance and replenishment every 6 months.	M
<i>Accounting</i>			
FAO's accounting systems will be used. However, accounting for the Project at Country level may be adversely affected by prevailing Country conditions. For example it may be difficult to get timely, accurate and complete accounting records from the field	S		S
<i>Financial Reporting</i>			
FAO is deemed to have robust systems that will support effective financial reporting. Financial reporting by way of half yearly IFR. However, delays in getting returns from the field could affect the timeliness and completeness	S	FAO to conduct capacity building training for NGO's and selected communities on simplified accounting reports. Format of IFR agreed between the Bank and FAO	M
<i>Internal Controls (including Internal Audit):</i>			
FAO's internal control systems and procedures will be used. FAO's internal audit function will be used to audit the project. However, their scope may be limited due to prevailing Country conditions	S		S
<i>External Audit</i>			

As per the FMFA, the Bank's audit requirements will be met through the normal biennium audit of FAO. We have reviewed the biennial audited financial statements for FAO for the years 2002/03 and the report was unqualified, but pointed out some weaknesses.	L		L
Overall Control Risk	S		M
Overall FM Risk	S		M

Strengths and Weaknesses

Strengths: FAO is a UN body and has developed adequate capacity to effectively implement the Project. It has robust systems and is engaged in similar such initiatives as its core business.

Weaknesses: Similar to other conflict countries, the general overall fiduciary environment in Somalia is very weak. The FM structures are weak or nonexistent and the general insecurity and instability in the country may disrupt project implementation.

Annex 5: Procurement Arrangements

A. General

1. For the Food Price Crisis Response Trust Fund (Under GFRP), procurement of goods and works and selection of consultants would be carried out in accordance with the procurement procedures of FAO, and the provisions stipulated in the Grant Financing Agreement.
2. In the implementation of all activities, the FAO procurement procedures will be applicable in place of the Bank Procurement and Consultant Guidelines and the Bank will not exercise its regular procurement oversight through post and prior review. To mitigate any risks, the Bank will conduct intensified supervision of the outcome and results of the project. In addition, the Grant Agreement between the Bank and FAO will contain alternative provisions to the Bank standard clauses regarding audit, fraud and corruption consistent with provisions in similar legal agreements between the Bank and other UN agencies.
3. The various items under different expenditure categories to be financed are described below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and schedule are agreed between FAO and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual program implementation needs and improvements in institutional capacity.
4. **Procurement of Works:** Works expected to be procured under the program may include small infrastructure at community level including feeder roads, water reservoirs, slaughterhouses and auxiliary facilities, rehabilitation of irrigation canals, etc. Procurement will be done using simplified bidding documents, standard Request for quotations or Direct Procurement in accordance with the provisions of the FAO Procurement Manual.
5. **Procurement of Goods:** Goods procured under the program would include (i) hand tools, materials, protective clothing, etc under the employment generation strategies that would lead to provision of services that have public value, (ii) seeds, fertilizers, tools, spraying equipment, harvesting equipment, simple storage facilities, etc. The proceeds of the GFRP TF may be for procurement inputs to activities relating to improvement of child nutrition levels.
6. **Selection of Consultants:** Consultancy services include the technical assistance and training services that could be provided to support local authority institutions, and income generation activities under Grant to communities. It will also include the hiring of individual consultants to provide TA and training, NGOs to manage the implementation processes on the ground, and firms to provide necessary inputs. For all contracts, selection of consultants will be carried out in accordance with the applicable FAO rules.
7. **Rapid response procedures.** In response to the new Framework for Rapid Response to Crisis and Emergencies, and to facilitate program implementation and quick delivery of results, the authority to approve and sign contracts will be delegated to FAO Somalia country office and its local offices, where appropriate, to the application of the following:
 - For Works: Using rapid procurement methods (direct procurement or simple quotations) for engaging the services of qualified Agencies or civil works contractors

already mobilized and working in emergency area; Using lists of pre-qualified contractors with good track record to whom periodic invitations are issued. The pre-qualification document may use a simplified format; extending contracts issued under existing programs for similar activities by increasing their corresponding contract amounts.

- For Goods: Using rapid procurement methods (direct and emergency procurement or simple quotations) for engaging the services of qualified Agencies (including UN's)/programs and/or suppliers of goods; using lists of pre-qualified suppliers with good track record to whom periodic invitations are issued. The pre-qualification document may use a simplified format; Extending contracts issued under existing programs for similar activities by increasing their corresponding contract amounts.
- For Consultants: The use of a "pool of experts" or a list of "pre-selected" consulting firms and/or individuals may, therefore, be an appropriate method for supporting program implementation. Such a method will remain consistent with FAO Procurement Manual. Firms already working in the area and which have a proven track record in similar assignments may be the most suitable.

8. **Training and Workshops:** Training will be carried out on the basis of approved yearly programs. The programs will identify the general framework of training and similar activities for the year, including the nature and objectives of training and workshops as they relate to the program objectives.

9. **Operation Costs:** In addition, the program will finance program implementation-related expenditures such as in-country travel, per diem, office supplies, office rentals, utilities, maintenance, consumables, communication costs, etc. These will be procured in accordance with FAO applicable rules.

B. Assessment of the FAO Capacity to Implement Procurement

10. The implementing Agency for GFRP TF is FAO with the overall responsibility (a) assuring steady progress of the procurement in accordance with an implementation schedule reviewed and approved by the World Bank; and (b) ensuring satisfactory implementation of procurement activities included in all contracts.

11. This Agency was selected because of its extensive experience in and support to food productivity under emergency circumstances and under normal situations. FAO Somalia Country Office and its technical staff are based in Nairobi. It has also local offices and staff that are charged with the responsibilities of discharging and supervising ongoing activities in Somaliland and Puntland.

12. In the implementation of the entire program, the FAO procurement procedures will be applicable and the Bank will not exercise its regular procurement oversight through post and prior review. However, the Bank will conduct intensified supervision of the outcome and results of the program. In addition, the Grant Agreement between the Bank and FAO will contain alternative provisions to the standard ones regarding audit, fraud and corruption consistent with provisions in similar legal agreements between the Bank and FAO.

13. **Procurement Plan:** As part of the preparation of the first year Work plan of GFRP TF, FAO will prepare and, before loan negotiations, furnish to the Bank for its approval, a Procurement Plan setting forth: (a) the particular contracts for the goods, works, and/or services required to carry out the program during the initial period of at least 18 months; (b) the proposed methods for procurement.

14. **Procurement Implementation Reports:** Not later than three months after the end of each semester, FAO will submit to the Bank a procurement implementation progress report. The report would cover, including but not limited to, physical completion of procurement activities as well status of contracts under implementation and related actual expenditures on a contract-by-contract basis. The format and content of Procurement Implementation Reports will be agreed between the Bank and FAO within one month of effectiveness.

15. **Fraud and Corruption:** All procuring as well as bidders and service providers, i.e. suppliers, contractors and consultants shall observe the highest standard of ethics during the procurement and execution of contracts financed.

Annex 6: Implementation Arrangements

1. This Global Food Response Program (GFRP) Trust Fund (TF) is to address the food crisis in Somalia by supporting intervention directed at improving food security, rural income and livelihoods. The IDA team worked closely with FAO Somalia staff on the preliminary drafts of the project document.
2. FAO Somalia has a long-standing relationship with several donors and NGOs (both international and local) in Somalia. FAO through its Nairobi-based office will assume other implementation and coordination of the project in partnership with NGOs. Potential implementing partners active in the project area include: Water for Life, Agrosphere, CARE, CEFA, CONCERN, COOPI, VSF-S, VSF-G, the University of Nairobi and several LNGOs (Candelight, Penha, Saredo, Somali veterinarian association, SAGRA, SATG, AWFAQI and others).
3. FAO will rely on existing logistics, coordination and monitoring mechanisms and systems. It has in place for the implementation of the program. FAO has Offices in Hargeisa, Bosasso, Garowe, Jowhar and joint office with WFP in Merka in the Lower Shabeelle region. The FAO Emergency Operations for Somalia will manage the grant and supervise and monitor the project through partnership with international and local NGOs with a strong operational presence in project areas. FAO will also partner with existing, proven and, if necessary, new partners to implement the project.
4. The agreement between FAO and participating NGOs will spell out the conditions under which these participating agencies receive transfer of funds, including suspension clause. This would include, amongst others, obligations for FAO to make available M & E reviews, annual reports, audit reports. The project will be implemented within a period of two years from date of approval.
5. The proposed project will not create new implementing units at the country level. However, given the need for effective coordination of the implementation of the various components of the project and the challenges presented by the limited capacity within ministries and departments, a full-time Project Coordinator (PC) will be recruited on a competitiveness basis (following FAO recruitment procedures) to be responsible for the day-to-day management of the project. The project manager will be technically supported by the FAO sectoral units based in Nairobi and by the relevant technical divisions at HQ level.
6. FAO's specific responsibilities for the project implementation include: (i) monitoring and ensuring full implementation of the program agreed under the project; (ii) submitting quarterly progress reports to IDA; (iii) developing an Operational Plan to guarantee sustainability after closing date; (iv) conducting a Mid-Term Review of project progress within 3 months from the close of the first project year; (v) implementing the ESMF and PMP; and (vi) preparing an Implementation Completion Report (ICR).
7. The role of the PC will be: (i) to release funds against agreed work plans; (ii) ensure that the institutions utilizing project funds set up proper accounting system and maintain proper accounts, and promptly claim reimbursements from FAO; (iii) coordinate project activities; (iv) monitor and evaluate the project as a whole to ensure effective implementation; and (v) periodically hold meetings at selected places in the project area to review the progress made and problems encountered in the implementation of the project and

to agree with implementing agencies on a work plan. He will also mobilize technical assistance and assist with procurement where needed.

8. **Monitoring and Evaluation.** Monitoring and Evaluation activities will be designed to document project outcomes and intermediary results and to provide information for assessing the outcomes and impacts of the project as shown in the result framework. FAO will have the primary responsibility for the project's M&E and will monitor progress against agreed upon performance monitoring indicators, and submit semi-annual reports on such progress. The project Manager will review reports and prepare a comprehensive report for the project on a quarterly basis. The Nutrition Surveillance Project within FAO's Food Security Analysis Unit will play an important role in monitoring and assessing the success of interventions carried out under the proposed project.

9. Socio-economic data will be gathered at the community level during the project start-up phase and towards the end of the project.

10. **Reporting.** Based on the M&E system, FAO will produce semi-annual and annual reports on project implementation. Annual progress reports (including financial and procurement status reports) will be established on the basis of the project implementation plan. FAO will inform IDA on semi-annual basis on activity implementation progress and use of funds, with all relevant documents. Successful implementation of the project will require joint and regular supervision of activities by IDA and FAO.

11. **Sustainability.** Sustainability of the project components supported by the proposed project will be through capacity building of the beneficiaries. By design, the project will be implemented through the beneficiaries who will be trained and facilitated to continue with the activities after the end of the project.

12. Sustainability will also be achieved through: (i) focusing on capacity building of local resource services and producers; (ii) recognizing and capitalizing on the crucial role of local producer and community organizations to organize, promote, monitor and assess implementation; and (iii) utilizing existing institutional structures to implement project activities and deliver outputs. Additionally, the project will fund community-based sub-projects, including some community infrastructure.

Annex 7: The Challenge of the Crisis

Country Context

1. Since 1991 Somalia has not functioned as a unitary state. The northern areas controlled by Somaliland and Puntland are relatively peaceful and more secure, however, the dispute between the two respective authorities over the control and take-over of the Sool and Eastern Sanaag Regions remains a source of instability. Both authorities claim that they have the loyalty of the population in the two regions, a fact that can only be verified by a referendum, which would not be feasible if the conflict continues and reconciliation is not achieved. Recent efforts at restoring political and economic stability have recognized that progress is closely tied to acknowledging and understanding the regional contexts of Somalia..
2. The north-western region of Somaliland, a former British protectorate which had opted for unification with Italian Somaliland in 1960, unilaterally declared its independence from Somalia in 1991. It comprises five of the eighteen administrative regions of Somalia. A bicameral legislature, made up of an elected House of Representatives (HoR) and a traditional, clan-based Council of Elders (Guurti) incorporated into the governance structure as the upper house, oversees an executive headed by an elected President. Largely under its own steam, Somaliland has made considerable progress towards stabilization and democratization.
3. The north-eastern region followed Somaliland's example in 1998 with the creation of the semi-autonomous "Puntland State of Somalia". It comprises three of the eighteen regions of Somalia. Puntland does not seek international recognition as an independent state, but advocates a federal Somalia in which it would exist as an autonomous entity. The region also boasts its own constitution, political institutions and armed forces, and conducts its own foreign and trade policies. The South/Central region is the most unstable currently. Historically, it is rural areas have been among the most agriculturally productive given the bountiful supply of water and good soils. However, it is the region where implementation of the project will most likely have the greatest challenges. In south-central Somalia there is no effective central government level public sector finance management.
4. Given the instability and the lack of a central government it is no surprise that macro economic data post 1990 is very sparse and all data should be treated with caution. The health and nutrition condition is considered among the best indicators of human development in Somalia and the statistics are not encouraging. The structure of the economy remains similar to pre-1991. Agriculture production contributed some 64 percent of GDP in 1991. The private sector has, to a significant extent, mitigated the impact of state collapse and war on the Somali people. Diaspora contributions have played a central role in Somalia's economy and it is estimated that one third of these contributions is for household survival, with the rest has been destined to private investments.
5. Remittances of about \$1 billion (€0.8 billion) per year have assisted private sector resilience, which, despite 15 years of civil war, has seen a growth in trade and communications and strong livestock exports. The private sector has thus partially filled the gap in infrastructure provision left by conflict and lack of government, and has been involved in the management of various infrastructure facilities such as roads, airstrips, ports, water supply and sanitation and power generation and supply. Public finances are extremely weak, even in Puntland and Somaliland. The underlying strengths in the economy are thus the continuing strong livestock sector, supported by external financial flows and a strong telecommunications sector.

6. The economic infrastructure comprises some 22,000 km of roads, four major ports and 15 air fields, four of which have paved runways. Since the late 1980s, there has been little investment or maintenance in the roads network which is now in a poor condition, with the situation slightly better in the Northern regions where some limited maintenance has commenced under the Somaliland Road Authority and the Puntland Highway Authority. There is no national electricity grid or a legal and regulatory framework in place; most energy is provided by the private sector from privately owned generators at a relatively local level. Urban infrastructure also remains in poor condition. However, some private suppliers of foodstuff, construction materials are active, albeit operating in an unregulated framework.

7. As part of the Recovery Strategy, the RDF recognizes the different stages of development in the country and has separate Regional Volumes that have been validated through a consultative process. The Regional Volumes take account of the Somaliland and Puntland Strategic Plans and reflect the consultations undertaken in January 2007.

8. The RDF supports a multilayered approach to development with institutions at regional and sub regional levels to be developed and strengthened. At the same time local community initiatives that fully involve all elements of civil society will be encouraged and supported. It is elaborated more fully as follows:

- Investing in people through improved social services (especially education, health, water and sanitation) to raise human skills, and actions to address the needs of specific vulnerable groups such as IDPs; and
- Establishing a sustainable enabling environment for rapid poverty-reducing development, to expand employment and reduce poverty. This includes investment in socio economic infrastructure and maintenance, policies and actions to overcome constraints facing the livestock and agriculture sectors and to ensure protection of the environment and sustainable use of natural resources.

Annex 8: Project Preparation and Appraisal Team Members

Name	Title	Unit
Berhane Manna	Sr. Agriculturist – Project TTL	AFTAR
David Freese	Sr. Finance Officer	LOAFC
Dahir Warsame	Sr. Procurement Specialist	AFTPC
Henry Amena Amuguni	Financial Management Specialist	AFTFM
Evarist Baimu	Counsel	LEGAf
Edeltraut Gilgan-Hunt	Sr. Environmental Specialist	AFTEN
Ronald Isaacson	Sr. Social Scientist	AFTCS
Mohamood Noor	Agricultural Consultant	AFTAR
J.R. Deep Ford	Sr. Economist	FAO/IC
Graham Farmer	FAO Officer in-Charge for Somalia	FAO/Nairobi
Sergio Innocente	Agricultural Officer	FAO/TCES
Massimo Castiello	Livestock Project Coordinator for Somalia	FAO/TCES
Renato Marai	ARDOPIS Project Coordinator for Somalia	FAO/TCES
Grainne Moloney	Nutrition Project Manager	FAO/FSAU
Almaz Teklesenbet	Program Assistant	AFTAR

Annex 9: Food Price Crisis Response (FPCR) Trust Fund (TF)

1. International prices of rice and wheat have doubled in the past 6 months, contributing to higher prices for staple foods in many developing country markets and causing severe consumer hardships. The price of inputs to food production such as fuel and fertilizers have tripled since January 2007, aggravating the balance sheet of smallholder producers who make up the vast majority of developing country grain producers and of the poor overall. Countries need to pay the extra cost up front without necessarily reaping commensurate output price benefits on their small amounts of marketed surplus. There is an urgent need for rapid action to alleviate the plight of the poor in accessing food, to assist clients with food policies to meet new global conditions, and to facilitate a sustainable response of developing country agriculture to the opportunity of high prices in an inclusive manner.
2. A trust fund was established using an initial allocation of \$50 million in net IBRD income for the most vulnerable countries, to restructuring of existing operations and new operations. The objectives of the FPCR TF are thus to: (i) reduce the negative impact of high food prices on the lives of the poor in a timely way, (ii) support governments in the design of sustainable policies that mitigate the adverse impacts of more volatile food prices on poverty, (iii) provide a global financing mechanism for inclusive medium term growth in productivity and market participation in agriculture to ensure an adequate supply response for sustained improvement in food security.
3. The initial approach is to facilitate a rapid Bank response with all available tools as soon as possible, while supporting the evolving coordination role of the United Nations Task Force on the Global Food Crisis established recently in Berne.

Annex 10: FAO Ongoing Projects

A. Emergency Interventions

1. The projects included under this section are mainly funded in the framework of the UN Consolidated Appeal (CAP) for Somalia 2007 and 2008. Briefly they include the following:
Rural livelihoods support in the Shabeelle Valley (donor: Norway CAP 2007)

2. The project's objective is to provide support to sustainable livelihoods development in the highly populated riverine flood plains of the Shabeelle river. It aims at enhancing the capacity of a private-public partnership to deliver veterinary services (surveillance, investigation, treatment, vaccination) and initiate market-driven interventions that intensify integration of cropping and livestock production, improve utilisation of the riverine fisheries resource, improve livestock production and animal health and mitigate the impact of future shocks.

Strengthen emergency coordination mechanisms and information and provision of emergency livelihood services (donor: Sweden CAP 2007)

3. The Swedish Government responded to the 2007 UN Consolidated Appeal for Somalia and funded this project, primarily focused on food security, nutrition and information related activities in Somalia. The project is also aimed at strengthening emergency coordination mechanisms and provision of emergency livelihood services.

Rehabilitation of Rural Infrastructure and Support for Populations in Food Security Crisis in Lower Shabeelle Region of Southern Somalia (donor: Sweden CAP 2007)

4. This project is aimed at protecting the livelihoods of households in a state of Humanitarian Emergency or Acute Food and Livelihoods Crisis in the Lower Shabeelle region of southern Somalia through rehabilitation of important rural production infrastructure (irrigation canals, water catchments and rural feeder roads) on a cash for work basis, to facilitate recovery for rural populations during the 2008 "Gu" cropping season, and provide support during the subsequent dry season through an increased capacity for water storage.

Support to Pastoral Communities on Livelihood Risk Reduction (donor: Italy CAP 2007)

5. In order to strengthen the capacity of pastoral and agro-pastoral communities to cope with shocks affecting their livelihoods, the project is increasing the availability of water points for livestock, augmenting the availability of good quality veterinary drugs and increasing the capacity of a private-public partnership to deliver veterinary services (surveillance, investigation, treatment, vaccination, improved animal health and inspection) in order to mitigate the impact of future shocks and enhance livestock and public health protection.

Support to Pastoral Communities on Livelihood Risk Reduction (donor: Italy CAP 2008)

6. Phase II of the on-going project has just been approved by the Italian Government and the content of the project is being defined.

Support to the Consolidated Appeal for Somalia (donor: Sweden CAP 2008)

7. Over US\$ 2.5 million have just been allocated by the Swedish Government in support of the CAP 2008. The content of the project, covering various CAP profiles, is being defined.

Livelihood and food security support for most vulnerable households in Southern Somalia (donor: EC-ECHO)

8. The main objective of this project is to increase household income and contribute to improve the food security of secondary displaced IDPs in Southern Somalia through the provision of agricultural inputs (seeds and tools), animals, boats and fishing. The target beneficiaries are destitute IDPs displaced by the conflict in Mogadishu and returning to the areas of origin in the areas of Mudug, Galgaduud and Hiran, whose livelihood is based on agriculture, livestock and fisheries.

Protection, reintegration and resettlement of IDPs in Bosaso (donor: Japan through UNHSTF)

9. This is a joint UN program, implemented by UNDP, UN-Habitat, UNHCR and UNICEF, that aims to improve human security and living standards and provide durable solutions for reintegration and resettlement of IDPs and returnees in Bosaso. FAO has the overall leadership among UN agencies for livelihoods recovery in Puntland. Through its partnership with the Danish Refugee Council (DRC), FAO's activities will focus on livelihood support and skills development.

B. Livestock

Support to pastoral livelihood development in northern and central Somalia (donor: EC)

10. This project aims at improving the livelihoods of the pastoral communities by strengthening the meat sector and promotes the introduction of Somali meat products, compliant with regional sanitary and food safety standards, to domestic and regional wholesale markets. It is implemented in partnership with the NGO VSF-Germany, meat processors/exporters and associated industry operators and public institutions. The following results are expected:

- Legal, regulatory and institutional framework for meat safety and quality developed, adopted and enforced;
- Public sector institutions to effectively address market access and consumer safety of Somali domestic and export livestock products;
- Internationally recognized food safety and quality assurance practices applied and monitored at all levels of the production and export chain;
- Somali meat and meat products better positioned in the international market.

Support to the Somali Meat Export (donor: League of Arab States through UNDP)

11. The project, implemented in partnership with UNDP and AOAD (Arab Organization for Agricultural Development) is complementary to the EC-funded one and has the same objective to promote Somali meat trade, through setting up a Quality Assurance system according to international standards and upgrade the skills of the export meat operators to ensure safety and quality of the Somali meat. The project, implemented in partnership with UNDP and AOAD (Arab Organization for Agricultural Development) is complementary to the EC.

Somali Animal Health Services project (SAHSP Phase 2) (donor: EC)

12. This project aims to strengthen the capacity of the Somali communities, public and private sector institutions to better manage risks associated with trade limiting animal diseases of a transboundary nature. The main activities include the provision of training, technical and

financial support to enable Somali communities and institutions to undertake surveillance, disease reporting and early warning and the establishment of preparedness and response systems to outbreaks of some priority animal diseases. The project, under the leading role of Terra Nuova, is implemented in partnership with COOPI, UNA, and VSF-G.

4 - Irrigation and crop diversification

Agricultural rehabilitation and diversification of high potential irrigation schemes in southern Somalia (ARDOPIS) in Merka and Qoryooley districts and in Jamama, Afgoi and Balad districts (donor: EC)

13. These two projects are funded by the European Commission within the SFA - Special Framework of Assistance for traditional ACP (Africa, Caribbean and Pacific) countries. They aim at rehabilitating irrigation systems in Merka and Qoreyooley districts along the Shabelle River and in selected areas of Jamama, Afgoi and Balad districts within the Juba and lower Shabelle river basins, through farmer organisations and development of sustainable, market oriented farming. Market and flood warning information is shared with farmers to ensure that appropriate action is taken. Capacities of local organizations are developed for input supply, marketing and other support services. An innovative aspect of this and the following project is the role played by the NGO implementing partners who will take the lead in implementation of field activities.

Support to the sustainable management of the Shabelle and Juba Rivers in southern Somalia (donor: EC)

14. Complementary to the activities of the ongoing SWALIM project and the irrigation projects in the Shabelle and Juba river basins, this EC-funded project intends to collect, analyze and spread essential baseline data for river management as well as to repair crucial gates at seven barrages and provide training to communities on their proper use and maintenance. This is expected to lead to implementation of an operational flood warning and forecasting system. Finally, the project will create greater awareness among key stakeholders of requirements for effective river basin management. Because of the close links with the SWALIM activities, this project is managed by the same team as the SWALIM project.

Irrigation, consolidation and development of better farming systems in the middle and lower catchments of the Dur-Dur Watershed, Awdal region, Somaliland (donor: EC)

15. The intervention provides support to communities engaged in irrigated horticulture, through infrastructure rehabilitation and construction, training on improved farming activities and enhancement of marketing to contribute to strengthen and diversify livelihoods at household level. With focus on increasing rural-based incomes through improved agricultural production, a strong capacity building component is incorporated to improve the technical and management capacities of local authorities, communities and farmers organisations. The project is implemented by FAO in partnership with the Danish Refugee Council (DRC), and Cooperazione Italiana (COOPI).

C. Farmer Assistance and Private Enterprise Development

Consolidation of integrated pest management initiative in Somalia (donor: EC)

16. The objective of this project – implemented in partnership with the NGO UNA-Consortium - is to increase household production and income through increased crop yield

and reduction of post-harvest losses by the introduction of integrated pest management (IPM). The project is developing relevant training packages for knowledge transfer to staff of NGOs and Institutions active in the sector. It is continuing the work done during the previous phases of the UNA Integrated Pest Management Project in Somalia (phases 1 and 2), particularly at farmer level, with extensive further training focusing mainly on smallholder farmers.

Improvement and sustainable use of seeds and plant genetic resources program (donor: EC)

17. This project aims at strengthening livelihoods at household level, improving food security and income level by increasing the household production. It is supporting the seed sector in Somalia and is implemented by FAO in partnership with the NGOs Agrosphere and CINS and in close collaboration with community leaders and local institutions. The objective is to increase seed security and allow farming households to access adequate quantities of quality seeds and planting materials of adapted crop varieties for each and every growing season in a timely manner, within an acceptable distance, at affordable prices and in rapid response to natural or man-made calamities. Therefore, it aims also at improving the market system and storage quality by increasing the qualification of producers and at enhancing the qualification of emerging local authorities through training and links with farmers/traders.

Assistance to private enterprise development in Somalia (donor: Denmark)

18. FAO is closely working with ILO in this three-year program that will provide inputs to enable an immediate and positive response to the prevailing crisis of the private sector by improving infrastructure, livelihoods and employment. The program will initially focus on Somaliland and Puntland, where relative peace and stability have prevailed for a decade, thereby providing the conditions to support sustainable relief-development transitional interventions.

19. In addition to creating short to medium-term employment opportunities and injecting cash into fragile local economies, while providing infrastructure and services, the program will stimulate local markets and lay foundations for economic recovery by contributing to the creation of permanent employment and livelihood opportunities in diversified and growing value chains and related service enterprises. The program will support capacity building at all levels to enable the process of local ownership and implementation of projects. This will include inputs for developing public-private partnerships and strengthening government and community capacities to facilitate sound economic recovery and development planning and coordination.

Annex 11: List of Project File/Supporting Documents

1. World Bank, 2006. Somalia Country Economic Memorandum. January 11, 2006. Report No. 34356-SO.
2. Somali – JNA Documents and Data Resource Centre. About 400 Reports:
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Annex 12: Somalia at a Glance

9/28/07

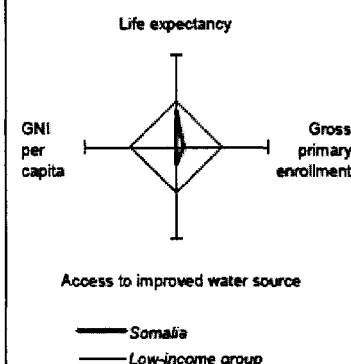
POVERTY and SOCIAL

	Somalia	Sub-Saharan Africa	Low-income
2006			
Population, mid-year (millions)	8.5	770	2,403
GNI per capita (Atlas method, US\$)	..	842	850
GNI (Atlas method, US\$ billions)	..	648	1,562
Average annual growth, 2000-06			
Population (%)	3.2	2.4	1.9
Labor force (%)	3.1	2.6	2.3
Most recent estimate (latest year available, 2000-06)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	36	36	30
Life expectancy at birth (years)	48	47	50
Infant mortality (per 1,000 live births)	133	96	75
Child malnutrition (% of children under 5)	33	30	..
Access to an improved water source (% of population)	29	56	75
Literacy (% of population age 15+)	..	59	61
Gross primary enrollment (% of school-age population)	17	92	102
Male	..	98	108
Female	..	86	96

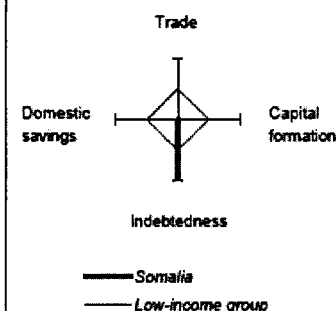
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1986	1996	2005	2006
GDP (US\$ billions)	0.93	..	..	..
Gross capital formation/GDP	26.2	..	..	..
Exports of goods and services/GDP	7.0	..	..	..
Gross domestic savings/GDP	2.8	..	..	..
Gross national savings/GDP	15.1	..	..	..
Current account balance/GDP	-13.5	..	..	..
Interest payments/GDP	0.4	..	..	..
Total debt/GDP	193.5	..	..	..
Total debt service/exports	53.2	..	..	..
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
(average annual growth)	1986-96	1996-06	2005	2006
GDP	..	..	..	..
GDP per capita	..	..	..	..
Exports of goods and services	..	..	..	..

Development diamond*



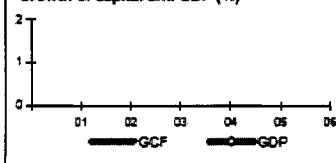
Economic ratios*



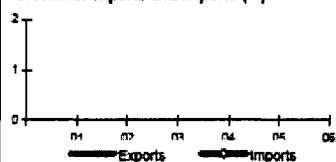
STRUCTURE of the ECONOMY

	1986	1996	2005	2006
(% of GDP)				
Agriculture	62.4	..	..	..
Industry	10.1	..	..	..
Manufacturing	5.5	..	..	..
Services	27.5	..	..	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Imports of goods and services	29.4	..	..	..
(average annual growth)	1986-96	1996-06	2005	2006
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..

Growth of capital and GDP (%)



Growth of exports and imports (%)



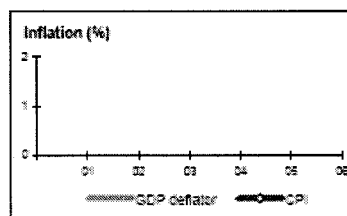
Note: 2006 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

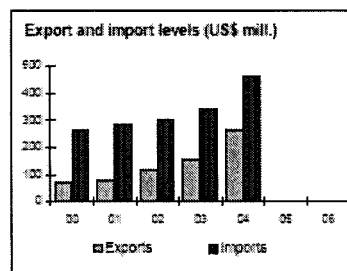
PRICES and GOVERNMENT FINANCE

	1986	1996	2005	2006
Domestic prices				
(% change)				
Consumer prices	..	..	..	..
Implicit GDP deflator	33.5	..	..	..
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	..	..	..
Current budget balance	..	..	..	..
Overall surplus/deficit	..	..	..	..



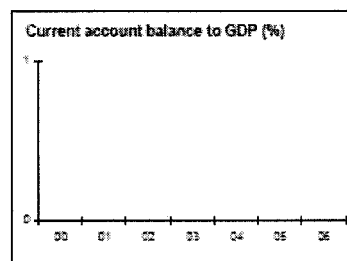
TRADE

	1986	1996	2005	2006
(US\$ millions)				
Total exports (fob)	95	..	..	..
Commodity 1	82	..	..	..
Commodity 2	17	..	..	..
Manufactures	..	..	..	..
Total imports (cif)	393	..	..	..
Food	114	..	..	..
Fuel and energy	18	..	..	..
Capital goods	253	..	..	..
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



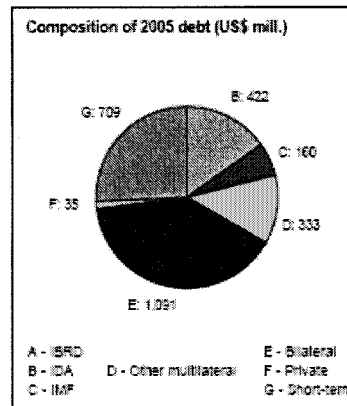
BALANCE of PAYMENTS

	1986	1996	2005	2006
(US\$ millions)				
Exports of goods and services	117	..	..	..
Imports of goods and services	493	..	..	..
Resource balance	-376	..	..	..
Net income	-80	..	..	..
Net current transfers	310	..	..	..
Current account balance	-126	..	..	..
Financing items (net)	102	..	..	..
Changes in net reserves	24	..	..	..
Memo:				
Reserves including gold (US\$ millions)	20	..	..	..
Conversion rate (DEC, local/US\$)	129.6	..	..	..



EXTERNAL DEBT and RESOURCE FLOWS

	1986	1996	2005	2006
(US\$ millions)				
Total debt outstanding and disbursed	1,800	2,643	2,750	..
IBRD	0	0	0	0
IDA	239	422	422	435
Total debt service	62	3	0	..
IBRD	0	0	0	0
IDA	2	0	0	0
Composition of net resource flows				
Official grants	256	60	220	..
Official creditors	103	0	0	..
Private creditors	0	0	0	..
Foreign direct investment (net inflows)	3	1	24	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	69	0	0	0
Disbursements	47	0	0	0
Principal repayments	1	0	0	0
Net flows	47	0	0	0
Interest payments	2	0	0	0
Net transfers	45	0	0	0



Map section

SOMALIA

- | | | | |
|---|---------------------------|-----|--------------------------|
| ○ | SELECTED CITIES AND TOWNS | — | MAIN ROADS |
| ⊙ | REGION CAPITALS | — | RAILROADS |
| ⊕ | NATIONAL CAPITAL | — | REGION BOUNDARIES |
| — | RIVERS | --- | INTERNATIONAL BOUNDARIES |

