FINANCING PROPOSAL

<table>
<thead>
<tr>
<th>BENEFICIARY COUNTRY/REGION</th>
<th>Somalia</th>
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<tbody>
<tr>
<td>TITLE</td>
<td>Irrigation Rehabilitation and Agricultural Diversification in the Traditional Banana Growing Areas of Southern Somalia</td>
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<tr>
<td>TOTAL COST</td>
<td>2.070.000 euro</td>
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<td>AID METHOD</td>
<td>Project approach – centralised management</td>
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<td>LEGAL BASIS</td>
<td>21 03 18</td>
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<tr>
<td>BUDGET HEADING</td>
<td>B7-8710</td>
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<td>DAC-CODE</td>
<td>311</td>
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<tr>
<td>SECTOR</td>
<td>Agriculture</td>
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1. RATIONALE

1.1 Strategic framework

Based on the “Banana Sector Study”, which concluded that sustainable improvement of competitiveness is not feasible and that focus is to be given to diversification, the Project is in line with the objectives of Council Regulation (EC) No 856/1999 which stipulates that technical and financial assistance shall be granted to (a) improve competitiveness in the banana sector (b) support diversification where improvement in competitiveness is not sustainable. The Project’s objectives are also consistent with the European Community policy and approach to rural development and sustainable natural resources management in developing countries and the European Commission Strategy for the Implementation of Special Aid to Somalia 2002 – 2007.


In the absence of a national political entity, Somalia has no detailed government policies, nor a National Development Plan or a poverty reduction strategy. The guiding principles for EC funded interventions are described in the EC Strategy, endorsed by the EDF Committee in May 2002. The intervention objective is support sustainable improvement of the livelihood of the Somali people – by
enhancing food security and economic growth – and their improved access to basic public and social services as well as the establishment of good governance. The Project will directly address two of the priority areas of the Strategy, namely the reduction of widespread vulnerability and economic growth and diversification.

Link with annual country review

In the absence of functioning institutions to sign and ratify the Cotonou Agreement, the Chief Authorising Officer (CAO) of the European Development Fund is entrusted with the authority of National Authorising Officer, “acting on behalf of the Somali people”. This arrangement, agreed to by the ACP-EC Council of Ministers in November 1992 was confirmed in December 2001. Although there is no joint review possible in the case of Somalia, the Commission applies the principles of rolling programming and flexibility as far as possible in the management of the EC programmes. It therefore conducted in early 2004 a mid-term review of the strategy. The MTR confirmed rural development and food security as one of three priority areas of intervention to which the Project directly contributes.

1.2 Lessons learnt

Due to the particular nature of the working environment in Somalia, lessons have been learned related to all aspects of development co-operation. These lessons stem to a large extent from evaluations of past EDF Programmes as well as a series of project evaluations which confirm that the strategy and approach developed by the European Commission for project implementation is well adapted and matches the particular situation of the country. Drawing on more than 8 years of experience, the EC has developed a number of operational principles, including: strict neutrality, co-ordinated approach; focus on local level, institution building, implementation by NGOs of Member States or specialised agencies of the United Nations family, Somali ownership, application of LRRD principles, and considering environmental and gender issues.

Specific lessons in regard to agricultural interventions include:

- Increased participatory approaches and use of developmental tools strengthening impact and sustainability;
- Livelihood interventions at household level successful;
- Training to be demand driven and followed up;
- Targeting is challenging but possible;
- Need to engage with institutions as opportunities arise.

1.3. Complementary actions

The Project is one element of the EC interventions that are to contribute to the sustainable improvement of the livelihood of the Somali people. Other funding sources include: the EDF Rehabilitation Programmes, Budget Lines and co-financing agreements with Member States. Interventions retained under this project will be very closely linked to the other Community and EDF funded interventions, being an integral part of the overall EC Strategy.
1.4. Donor coordination

In the absence of a recognised national government in Somalia, the international donor community established in 1994 the Somalia Aid Co-ordination Body (SACB). The SACB works on a voluntary basis with the aim of co-ordinating the efforts of the different international actors (donors, UN agencies, INGOs and increasingly, Somali institutions) in the delivery of humanitarian, rehabilitation and reconstruction assistance. Furthermore, the SACB facilitates a co-ordinated approach for dealing with and supporting of local administrations, as well as in responding to security-related incidents hampering delivery of assistance. In consultation with donors and implementing partners on the one hand, and local administrations and communities on the other, the SACB is also instrumental in developing technical sector approaches focusing on the role of the community, the level of ownership, and the need for long-term sustainability. It is in this framework that an "SACB Agricultural Strategic Framework" was developed and approved by the SACB Food Security and Rural Development Sectoral Committee in early 2002 and revised in 2004.

The Project is within the above "SACB Agricultural Strategic Framework" for Somalia and being based on the banana sector study that was extensively discussed and agreed upon in the SACB forum.

2. **Country context**

Somalia has been suffering from the absence of a functioning national administration for more than a decade, during which the country dissolved into clan-based conflicts and growing political segregation. Out of the situation, two distinct self-administered regional entities have emerged, "Somaliland" in the Northwest and "Puntland" in the Northeast, both enjoying relative stability and having local administrations that provide some basic services; the south has remained politically and militarily fragmented. The current IGAD sponsored Somalia National Reconciliation Conference SNRC conference is expected to lead to a Transitional Federal Government before the end of 2004.

2.1. **Economic and social situation**

Recent data from the World Bank / UNDP Waching Brief have confirmed that Somalia ranks among the poorest countries in the world with a per-capita income of only $ 226. Extreme poverty is considerable, with 43.2% of the population living on less than one dollar a day (53.4% in rural areas).

The countries economy traditionally depends on the exploitation of natural resources, mainly livestock and agricultural production. It continues to suffer from a lack of governance and regulatory authorities, restricting the diversification of economic activities. The primary export of livestock remains severely constrained by the continued ban on imports by Somalia's primary market, Saudi Arabia.

For 2002, the population was estimated at 6.8 million of which almost 2/3 live in the rural areas.
In the arid to semi-arid environment of Somalia, natural resources are limited and the sustainable management is critically important. Somalia was structurally food insecure before the civil war, but more than a decade of conflict has created a situation of protracted and complex emergency that has further eroded livelihoods and led to increased vulnerability to food insecurity. Today, food insecurity is largely a result of the absence of a political and economical environment and widespread poverty.

2.2. Development policy of beneficiary country

Having no functioning national administration, no national development policies exist for Somalia. Regional administrations have developed development policies for some sectors and areas. No regional or sectoral development policy exists for the area covered by this project.

However, the EC "Strategy for the Implementation of Special Aid for Somalia" and the SACB's "Agricultural Strategic Framework" do provide guidance.

2.3. Sector context

Two thirds of a population of 6.8 million live in the rural areas where livelihoods are largely dependent upon pastoralism and agriculture. The fragile, often harsh, physical environment, decades of economic and political mismanagement and civil unrest have created an environment of widespread poverty and acute vulnerability amongst the Somali people. Structural food insecurity existed before the onset of civil war but has worsened by a decade of civil unrest. Much of the country’s rural and agricultural infrastructure has been destroyed or has fallen into disrepair. Assessing the crucial issue of land tenure, the “Banana Sector Study” came to the conclusion that though the land ownership issue is not finalised, it would not be an obstacle to the planned rehabilitation. Utilisation and improvements of agricultural assets are addressed and encouraged by the peace process’s Reconciliation Committee on Land and Property Disputes. The outcome of the Somalia National Reconciliation Conference is expected to have a positive impact on the political and economical situation in Somalia. Project implementation will take due consideration of opportunities arising from a successful peace process.

The “Banana Sector Study” provides useful references on the sector (see Annex 3). In the 1980s, 113,000 of the country’s 1 million hectares of farmland were irrigated, 564,000 were under rainfed crop production, and 360,000 were fallow. The water resources of Somalia’s two permanent rivers, the Juba and the Shabelle, are of very high value as they allow for irrigated farming and specifically for the cash crop production including banana production. During the last 60 years, irrigation farming using gravity or pump fed systems developed along these two rivers, particularly in the Middle and Lower Shabelle Regions and Lower Juba Region. Irrigation farming in these three regions has been characterised by commercial farms, chiefly producing cash crops for export and small-scale farms, which mainly produce food crops. In respect of commercial farming, the production of banana and different citrus fruits were of paramount importance. Italian farmers introduced commercial banana production into
Southern Somalia during the early 1930s. In the 1970s, 10 years after independence, the industry was nationalised and later restructured, involving an Italian company in 1983. At its peak, banana plantations covered about 12,000 ha of which more than 60% were located in Lower Shabelle Region and less than 40% in Lower Juba Region. The maximum annual production was about 188,000 MT of which 65% was exported, chiefly to Italy, while 35% were consumed locally. Maximum production was achieved in the 70s, then dropped to 60,000 MT, and later increased to 115,000 MT during the late 80s.

In 1990, the last pre-war production year, 75,631 Mt of banana with a value of US $ 25.6 million were exported. As such the banana industry has been the second most important foreign exchange earner after livestock. Before the war, 30% of banana plantations were owned by the De-Naday group and managed by Somalifruit. The remaining 70% belonged to approximately 120 individual growers each owning between 50 and 60 ha. Banana plantations then employed 10,000 to 13,000 people on a permanent basis and a significant number of people as casual labourers, most of them of minority Bantu groups. These labourers settled within the banana plantations or nearby villages where they cultivate small-scale farms partly on irrigated land, which were supported and to some extent maintained (main canals) by the banana growers.

The outbreak of the civil war that led to the ousting of the Siad Barre government in 1991 also affected the banana growing regions. Agricultural infrastructure, including essential irrigation infrastructure was destroyed and lack of maintenance led to further deterioration and malfunctioning, reducing the production of food and cash crops. Virtually no bananas were exported between 1991 and 1993. The relative stability induced by the UNOSOM intervention of 1993 - 1994 prompted the rehabilitation of banana plantations using private capital. As a result, banana exports rose from 500 MT in 1993 to 27,000 MT in 1996, having an export value of almost US $ 10 million.

The severe El-Niño related floods between October 1997 and January 1998 caused widespread destruction to banana plantations and agricultural infrastructure. As a result no substantial quantities of bananas have been exported since 1998. There is a limited effort by some individual growers to rehabilitate plantations after the El-Niño disaster as the socio-political and security situation in Lower Shabelle has been fairly stable for the past years.

3. DESCRIPTION

3.1. Objectives

In line with the provisions of the SFA, this Project aims to contribute to the alleviation of poverty in the former banana growing areas of Southern Somalia through strengthened and/or diversified production systems.

As such, this Project will contribute to: Household incomes for farming families are increased through improved agricultural production.

The planned benefit is that: Targeted farmers in former banana growing areas have equitable access to and use irrigation opportunities in a productive way.
3.2. Expected results and main activities

Interventions will support the productive agricultural sector through the following results:

- Selected irrigation systems are rehabilitated and functional;
- Improved agricultural production using irrigation and diversified cropping is increasingly practised on traditional farmland;
- Relevant organisations and administrations are strengthened to fulfil their functional role.

The planned activities include:

- The rehabilitation of farmers’ irrigation schemes, including support to suitable management and operation systems;
- Improvement of the skills and knowledge of farmers, agro-pastoralists and other professionals in appropriate production systems and the sustainable use and effective management of natural resources;
- Support to sustainable market-oriented farming, targeting local and export markets;
- Horizontal and vertical diversification of agricultural production;
- Strengthening of farmer organisation or private sector based marketing and market structures, including better access to regional and international markets, and where required and possible, compliance with international trade regulations;
- Improvement of the skills and knowledge of relevant civil society organisations, including community based resource user organisations such as water users’ groups and professional associations;
- Improved access to agricultural advice and inputs, preferably through the private sector.

3.3. Stakeholders

Already before the outbreak of civil war, Somalia belonged to the poorest and least developed countries in the world. With a combined population of approximately 1.2 million people¹, the Lower Shabelle Region and the Lower Juba Region were particularly affected by the collapse of the banana industry after the El Niño Floods of 1997/98 aggravating the economic problems even further. Despite its potential, the former banana growing area of Lower Shabelle is below average in income distribution in Somalia. The World Bank Watching Brief² confirms further that 80% of Somalis in extreme poverty live in rural areas. Aiming to contribute to the alleviation of poverty while pursuing peace and stability, the Project will target the farming population with a special focus on the role of local communities and organisations. Particular emphasis will be put on disadvantaged sections of the population (e.g. small-scale farmers, farm workers and minorities) considering gender and equity issues.

¹ Based on WHO figures of 2001 the FSAU estimated the following food economy group breakdown: out of 1,220,000 people, 864,000 were involved in farming activities (figures should be taken as estimates).
It is estimated that more than 100,000 people will directly or indirectly benefit from this Project while the “Banana Sector Study” estimates that more than 35,000 families (> 175,000 people) will benefit from the combined interventions (SFAs 2002 to 2004).

3.4. Risks and assumptions

The security and socio-political environment in Somalia is volatile and has deteriorated in recent months. However, a positive outcome of the peace and reconciliation process will have a significant influence on matters. A degree of flexibility is required with any assistance scheme implemented in Somalia. To achieve the planned results, the area needs to remain accessible under the SACB code of conduct while an extreme climatic event, particularly a serious flood, would hamper implementation or damage some of the infrastructure. Fundamentalists and/or terrorists infiltration into an institutional void in Southern Somalia may put the entire programme at risk while the formation of an accepted national administration will greatly enhance sustainability.

It is assumed that the Technical Assistance project for irrigation rehabilitation is operational by mid 2005 and ECHO flight operations continue to provide the same level of service as has been in 2003.

3.5. Conditionalities

Not applicable

3.6. Crosscutting issues

There is no national policy in place. Only the interested donor community and a number of implementing partners have their respective strategies. Broad strategies have been developed within the framework of the SACB, including an agricultural strategy.

In case appropriate institutions form while the Project is operational, the capacity building / backstopping intervention will support the formulation of relevant policies, taking the lessons learned into account.

The Project will contribute to the capacity of beneficiary communities by improving their management capacities and technical skills regarding infrastructure management, service delivery and use of productive resources. Particular emphasis will be on support to relevant Somali civil society structures and once in existence and widely accepted, to relevant administrations.
4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management.

To ensure professional implementation of the SFA 2002, SFA 2003 and SFA 2004 and to improve sustainability through institutional capacity building, technical expertise in Somalia will be provided by Technical Assistance (TA) under a service contract. The actual training and rehabilitation interventions will be implemented by International Organisations and Non Governmental Organisations under grant agreements following a Call for Proposals.

The Project will be jointly implemented with the SFA 2002 and SFA 2003. A single Call for Proposals will be launched for the irrigation rehabilitation, diversification and farmers training aspect of the SFA 2002 (€ 2.75 million), SFA 2003 (€ 1.3 million) and € 2.0 million of the SFA 2004, all earmarked for implementation by NGOs and International Organisations. The service tender for the Technical Assistance, planned under the SFA 2003 will provide technical support and backstopping for implementing NGOs, administrations and other relevant institutions during implementation. The pre-qualification stage for the TA has been completed and 8 consultancies are short listed. The restricted service tender is to be launched during the last quarter of 2004.

The Chief Authorising Officer (CAO) of the European Development Fund, entrusted in November 1992 with the authority of National Authorising Officer, “acting on behalf of the Somali people” will be responsible for the overall direction of the Project. The Project will be managed by the European Commission Delegation in Nairobi. Technical Assistance will be provided through the project for institutional capacity building for relevant organisations and administrations as well as technical support and backstopping. Implementation of rehabilitation of agricultural infrastructure and training will be implemented by grant contracts awarded to NGOs or International Organisations.

A single Call for Proposals (CfP) will be launched to select the implementing partners for the irrigation rehabilitation and training component of the SFA 2002, SFA 2003 and SFA 2004 under grant contracts. The CfP has been launched with a "suspension clause" for the resources made available under the SFA 2004, and has been published on EuropeAid website on 8 September 2004.

4.2. Budget and calendar

The estimated duration of this project is 48 months.

The Financing Agreement shall be concluded by 31 December of the year following the year in which the global financial commitment is adopted. Failing this, the corresponding appropriations shall be cancelled. The end of the period of the implementation and the end of the period of execution of the Financing Agreement are hereby respectively set at 31 May 2009 and 31 May 2011. Any balance of funds remaining available under the EC grant shall be automatically
cancelled 6 months after the end of the period of execution of the Financing Agreement.

Contracts and programme estimates must be signed by both parties no later than three years from the date of the corresponding global financial commitment. This deadline cannot be extended. The above provision does not apply to contracts relating to audit and evaluation, which may be signed later.

The cost estimate is as follows:

<table>
<thead>
<tr>
<th>Activities</th>
<th>indicative Cost (€)</th>
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</thead>
<tbody>
<tr>
<td>Irrigation Rehabilitation and Agriculture Diversification</td>
<td>2.000.000</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>40.000</td>
</tr>
<tr>
<td>Contingencies</td>
<td>30.000</td>
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<tr>
<td><strong>TOTAL €</strong></td>
<td><strong>2.070.000</strong></td>
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**4.3. Procurement and award of grants procedures**


All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

**4.4. Performance monitoring**

Monitoring of the interventions will be conducted by the Commission Delegation in Nairobi, Somalia Operations (notably on the basis of field visits and regular technical and financial reports).
In-country technical supervision will be provided by the capacity building and technical support project funded from SFA 2003.

Specific monitoring assignments will be conducted by independent experts through the Monitoring system established by the Commission for external aid contracts.

4.5. Evaluation and audit

A mid-term review and a final evaluation will be conducted for the interventions by independent experts

Financial provisions for audits of Grant of Aid contracts are included in standard Grant of Aid budgets and do not have to be budgeted separately. The Commission, in accordance with article 170 of the Financial Regulations, may use this provision to organise an independent audit of expenses incurred under this Project.
FINANCING PROPOSAL

Budget line B7-8710

Special Framework of Assistance for Traditional Suppliers of Bananas

SOMALIA 2004

ANNEXES

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Annex 3:  Executive summary of *Banana Sector Study, November 2003*
Annex 4:  Map of Somalia
## ANNEX I: LOGICAL FRAMEWORK

<table>
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<tr>
<th>Intervention logic</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td><strong>Overall objectives:</strong></td>
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<tr>
<td>Household income increased for families through improved agricultural production</td>
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<tr>
<td><strong>Project purpose:</strong></td>
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<tr>
<td>Targeted farmers in the former banana growing areas have equitable access to and use irrigation opportunities in a productive way.</td>
<td>Acreage under irrigation increases from 16,500 ha to 30,000 ha under SFA 2002, SFA 2003 and SFA 2004 funding.</td>
<td>- FAO SWALIM reports; - FAO FSAU reports; - World Bank Watching Brief.</td>
<td>No inappropriate humanitarian interventions.</td>
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<tr>
<td><strong>Results:</strong></td>
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<tr>
<td>1. Selected irrigation systems are rehabilitated and functional;</td>
<td>- Key infrastructure rehabilitated, including at least 25 km of primary (main) canal and 75 km of secondary canals by 12/2008; - 80% of all water users associations in accessible area are trained in operation and management of irrigation systems by 4/2007; - more than 5,000 farmers trained by 12/2008; - Average maize yield on irrigated land by small scale farmers increased by 30% by December 2008.</td>
<td>- Project monitoring and evaluation - FAO SWALIM; - FAO FSAU; - Technical reports.</td>
<td>No major climatic shocks; No significant change in water availability, particularly for the Shabelle river.</td>
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<tr>
<td>2. Improved agricultural production using irrigation and diversified cropping is increasingly practiced on traditional farm land;</td>
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<td>3. Relevant organisations and administrations are strengthened to fulfil their functional role.</td>
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<tr>
<td><strong>Activities:</strong></td>
<td>Specification of inputs</td>
<td>Specification of costs</td>
<td></td>
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<tr>
<td>1.1. Rehabilitation of farmers' irrigation schemes;</td>
<td>- Investment funds for the rehabilitation of agricultural infrastructure and particularly of irrigation schemes; - Investment funds for development and support of relevant institutions; -Training schemes.</td>
<td>€ 2,000,000 for rehabilitation, diversification and training; € 40,000 monitoring and evaluation; € 30,000 contingencies. Total Budget € 2,070,000</td>
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<tr>
<td>1.2. Support to suitable management and operations systems;</td>
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<td>2.1. Improvement of skills and knowledge of farmers, agro-pastoralists and other professionals in appropriate production systems and the sustainable use and effective management of natural resources;</td>
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<td>2.2. Support to sustainable market-oriented farming, targeting local and export markets;</td>
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<td>2.3. Horizontal and vertical diversification of agricultural production;</td>
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<td>2.4. Strengthening of farmer organisation or private sector based marketing and market structures, including better access to regional and international markets, and where required and possible, compliance with international trade regulations;</td>
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<tr>
<td>3.1. Improvement of the skills and knowledge of relevant civil society organisations, including community based resource user organisations such as water users’ groups and professional associations;</td>
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<tr>
<td>3.2. Improved access to agricultural advice and inputs, preferably through the private sector.</td>
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Pre-condition:

No major deterioration of the security situation.
## Annex 2: Somalia SFA 2004 Implementation Timetable – Indicative

<table>
<thead>
<tr>
<th>Activities</th>
<th>Year -1</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
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<td>1 2 3 4</td>
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<tr>
<td>Interventions</td>
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<tr>
<td>- Call for Proposals and award of contracts</td>
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<tr>
<td>- Implementation by selected implementing partners</td>
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<tr>
<td>Audits</td>
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<tr>
<td>Evaluations</td>
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Annex 3: Executive Summary of Banana Sector Study, implemented by EURATA

Somalia, as an ACP member, receives support under the Special Framework of Assistance for Traditional ACP Suppliers of Banana (SFA Banana)\(^1\) special Assistance for ACP Banana suppliers. During the period February to June 2003, a Banana Sector Study was carried out in two phases, examining the possibilities of Somalia’s banana industry to return successfully to the international market. If this does seem not feasible, the study should then examine what alternative development strategy would be recommendable for the former main banana growing areas.

The prospects for the revival of an internationally competitive banana sector are extremely limited at present. The main reason therefore is the prevailing uncertainty regarding the future development of political stability, safety, socio-economic environment, infrastructure, etc. in Somalia. The rehabilitation of the banana sector requires a more sophisticated market environment, with reliable market chains for the domestic and international markets. Therefore the study team recommends to focus - for the short- and medium term – on diversification and to adopt a wider and more general policy for the irrigable banana areas. The aim will be the rehabilitation of the progressively declining irrigation system combined with the intensification of the traditional food and cash crop production, including perennial crops for domestic consumption and extension of the national food supply basis.

During Phase II of the study, the experts carefully examined the conditions under which rehabilitation could be realized in the former main banana growing areas. The field assessments by the study-team were confined to the area of Lower Shabelle, which represents about 90% of the former banana growing areas of Somalia, since the security situation and the absence of adequate logistic facilities did not allow field investigations in Middle Shabelle and Lower Juba as well.

The present report describes the rationale and the elements of the proposed Strategy for Agricultural Development and Diversification in Lower Shabelle. However, Lower Shabelle has been found representative for all Somali banana growing areas in economic, technical and social aspects relevant to future rehabilitation and development strategies. Investigations in the field and information gathered in Somalia and Nairobi did not indicate any particular fact or element that would invalidate the application of the proposed methodology in Middle Shabelle and Lower Juba areas.

The overall objective of the intervention is to increase household incomes for farming families through improved agricultural production. The benefit of the project is to provide equitable access to the use of irrigation opportunities for all farmers in the project area and enable user organisations to operate and maintain the system appropriately.

In the context of aid policy, the project intends to initiate the transition from mainly relief-oriented activities to more consistent and effective development oriented operations, resulting in sustainable and viable improvements for the rural population. After a decade of extreme centralisation during the 1980’s, there was a void of law and order. This led to an increase in conflicts and insecurity perpetuated an attitude of “wait and see” and dependency.

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\(^1\) Council Regulation (EC) No 856/1999
The main opportunity of the project consists in the high natural potential of the irrigation system, although in disrepair and progressing degradation. It is the major tool for the improvement of livelihood and growth of welfare for a great number of farming households in the region. The rehabilitation of the system aims to restore the (lowest acceptable) level of functionality, allowing the extension of irrigated crop production and to prevent further degradation.

In principle there are two basic scenarios under which the project could be implemented. The first Scenario would be to assume the prevalence of the actual Status Quo. The second one could be characterised by assuming the gradual implementation of an operational national authority with a stepwise establishing of the regional and local administration. Experiences from other countries proof that the establishing of a functional national administration and the subsequent set up of regional and local authorities might most certainly not be finished during the lifetime of the proposed project. Therefore the project approach is formulated in a way allowing for the flexible incorporation of any emerging local or regional authority and the objectives and operations of the proposed strategy are limited to those which are firmly believed to be achievable in the given social, physical and economic environment. The results, although moderate, should directly benefit the largest number of stakeholders and those stakeholders have to show firm commitment and active cooperation in the operation and maintenance of the restored structures.

The implementation of the project is conceived as an essentially stakeholder-driven process, largely independent of the assistance/participation of public authorities, but in need of massive external support in finance and technical assistance in the field.

The three core elements of the project are: rehabilitation of the irrigation structures, development of agricultural production and the enablement of stake-holder organisations to operate and maintain the restored system appropriately.

The project would be carried out during the 5-year period 2004-2009. The overall project coordination would be with the EC–Somali Unit. The technical assistance component is provided at two levels: (a) by selected international Consulting Companies for the operation of (PACSU), the special unit for project assistance, coordination, supervision and capacity building and (b) by international NGOs or UN agencies for project-implementation on the ground in collaboration with local partners and contractors.

The basic rehabilitation works comprise repair and excavations on four main barrages, the excavation and reshaping of 349 km of canals, the repair of 112 cross regulators and 1546 tertiary and direct intakes. The cost of contractual works is at USD 3.9 million.

The agricultural components of the development of the project are, in combination with the increased acreage under irrigation, to introduce better maize varieties, control of the stalk borer and the continuation of crop trials.

The projected results of the agricultural improvements are:

- As a result of rehabilitating the irrigation system the area of irrigated maize could increase from the present 11,200 ha to 32,091 ha, and the area of irrigated sesame could increase from 5,280 ha to 15,128 ha.

- Maize production could increase from the present level of 28,000 m/t, to 42,775 m/t per annum, as a result of irrigation rehabilitation, and up to 53,113 m/t with the addition of efficient maize stalk borer control.
- Sesame production could increase from 8,844 m/t to 13,276 m/t as a result of irrigation rehabilitation.

Based on the above production figures, the value of production after implementing the project is estimated to rise from USD 8.5 million at current levels, to USD 12.8 million after rehabilitation of the irrigation system and to USD 14.0 million with the additional benefits of maize stalk borer control. The potential financial benefits from all interventions would therefore be USD 5.5 million per annum.

The third pillar of the project is capacity building and training for water-users organisations and farmers. The successful completion of this component is considered the largest guarantee for the sustainability.

The economic and financial evaluation of the project effects must be kept at the level of very high aggregation. Estimates and plausibility-assessment suggest high positive margins at the level of farm households and farming communities, reflecting viability and promising sustainability of the achievements.

In this particular human and political environment in the project zone, the methodology of implementation is a crucial factor of success. The used approach relies on previous experiences in Somalia and the application of confirmed development tools used in self-help type of interventions (PRA) in development, adequate for essentially stakeholder-driven activities. This implementation strategy harbours however a dilemma, since the effective execution of physical rehabilitation works claims for a more operations-driven procedure. To find the right balance of both principles presents a major challenge for the implementing partners.

The size of the project requires the participation of more than one implementing partner. The selected agencies would work side by side in distinctive geographical zones, but operating independently with the same set of terms and tasks.

Given the prevailing conditions, the project may appear ambitious and its execution challenging for all partners involved. There must be an enforced ability and capacity to cope with unpredictable incidents and a great flexibility in eventual adjustments during the entire project cycle.

In order to establish this coping capability for the present, but also for future agricultural projects in Somalia, it is recommended to establish a small but efficient Project Assistance, Capacity Building and Supervision Unit (PACSU), located in Nairobi but prepared to be moved to Somalia, once a formal government will be in place.

PACSU would be active and responsible towards the EC Somalia Unit Nairobi in the following main areas:

1. PACSU translates development concepts and strategies into action. It evaluates project initiatives and organises the required procedures for the launch of new or the extension of existing (development) interventions in agriculture and rural areas, funded by EC.
2. PACSU will act as partner unit for the provision of advisory support and technical assistance to emerging Somali public and private institutions in the agricultural sector, once a new government is in place and takes over regulatory functions.
3. PACSU carries out all tasks of project supervision including control of progress of work and field performance of implementing partners and develops adequate indicators and procedures. PACSU analyses and follows-up major deviations in the execution of operations and prepares adequate solutions to the problems encountered; it identifies need for conceptual amendments and assists in fine-tuning of the procedures. PACSU comments on quarterly reports and carries out checks in the field.

4. PACSU will act as moderator in conflicting situations in the field in order to minimise the exposure of the individuals or the agencies engaged in project execution.

5. PACSU will facilitate capacity building, particularly in the case of the emergence of a functional administration / counterpart institution.

The project should be subject to the normal monitoring and evaluation procedures, carried out by independent institutions or individuals. A mid-term review, including the evaluation of PACSU and the implementing partners should preferably take place in the course of year 3 of the project, prior to the dates or contract renewals.
Annex 4: Map of Somalia