Project Completion Review

Title: Promoting Inclusive Markets in Somalia (PIMS)		
Final Programme Value £15m of which £14.3M spent (DFID Contribution £12.3 and DANIDA £2M)	**Review Date: October 2019**	
Programme Code: 204157	**Start Date: April 2015**	**Revised End Date: July 2019**

Summary of Programme Performance

Year	2015	2016	2017	2018	**2019**
Programme Score	B	A	A+	A	**A**
Risk Rating	Medium	Major	Major	Major	**Major**

DevTracker Link to Business Case:	https://devtracker.dfid.gov.uk/projects/GB-1-204157/documents
DevTracker Link to Log frame:	https://devtracker.dfid.gov.uk/projects/GB-1-204157/documents

A. Summary and Overview

Description of programme

1. The Promoting Inclusive Markets in Somalia (PIMS) programme was approved by the Secretary of State in June 2014. PIMS formed a small, but important part, of DFID's work to lay the foundations for inclusive growth in Somalia. It complemented DFID's Support to the Economic Recovery of Somalia (SERS) programme 2017-2020 aimed at delivering political/ economic reform and, DFID's policy work to normalise Somalia's relationships with the International Financial Institutions, become eligible for concessional finance, and benefit from debt relief (currently underway).

2. DFID allocated a total of £13 million to PIMS, of which £2m was set aside for Monitoring and Evaluation (M&E). A private contractor, Development Alternative Initiative (DAI) Europe Limited, was contracted by DFID in April 2015 to manage and implement the programme initially for three years (April 2015 – April 2018); although this was later extended to just over four years (details provided in section F). The Danish Development Agency, DANIDA, also provided £2 million to the programme over its lifetime, increasing the overall contribution and creating efficiencies of scale and of coordination.

3. PIMS aimed to contribute to private sector development and food security, by improving productivity, livelihoods and job creation in three key sectors/value-chains in Somalia: livestock production (primarily dairy), fisheries, and sesame. These were chosen as preferred sectors on the basis of detailed value chain and political economy analysis which concluded that: Livestock production – had high poverty reduction and food security potential due to the sector providing 60% of all employment including of vulnerable groups such as nomadic pastoralists and, had high economic growth potential due to the sector's limited diversification; Fisheries – had high economic growth potential again due to the high numbers employed, high export potential and increases in productivity especially in improved post-harvest handling, and high social development potential due to the increasing number of women in the sub-sector; Sesame – had high economic growth potential due to the extremely basic production techniques and technology used and potential for processing, particularly by women. PIMS interventions extended across South Central Somalia, Puntland and Somaliland.

4. The programme was developed from *Market Systems Development (MSD)*[1] underpinnings, financing investment in 26 businesses (known as lead firms). This leveraged significant matching investment from companies/ other private sources; improved outreach to small producers providing better inputs, production practices, and market linkages; rehabilitated local infrastructure, and; created jobs. Ultimately, the PIMS programme culminated in increased incomes for many poor Somali producers and entrepreneurs.

Summary of supporting narrative for the overall score in this review

5. Overall, the programme scores an A as it delivered as expected against the January 2018 logframe. Three out of four output indicators met expectations, and one exceeded (more information is provided in Section B below); and underdelivered on one outcome indicator, delivered as expected on two and exceeded expectations on the fourth outcome. The programme achieved the following key results against its target outcomes:

   - Generating net attributable income (NAIC) of £26.2m for poor producers and entrepreneurs - 8% short of the £28.6m target;
   - Increasing the income of surveyed firms by 60% - 20% above target;
   - Leveraging £13.1m in additional private sector investment – 5% above target;
   - Creating 11,637 full time equivalent jobs (43% for women) and 402,074 employment days – 11% above the jobs target (although 7% below target number for women) and 1% above employment days target respectively.

Challenges

6. The main challenge encountered by the programme was the drought in 2016-17. Other issues that impacted upon the programme included the following (these are detailed in section E):

- The constrained security conditions of Somalia.
- An unstable political landscape.
- Absence of water management infrastructure and systems.
- Inclusion at the operational and delivery levels
- Delayed programme start and tight delivery timeframes
- Staff recruitment and retention

Recommendations for any future programmes

7. These are detailed in the relevant sections below, but the headline recommendations for future private sector development (PSD) programming in Somalia are to incorporate the issues below. Many of these lessons are also highly relevant to wider resilience programming, for example DFID's Building Resilience in Communities in Somalia (BRICS) and its 'Durable Solutions' programme, both of which are working to support sustainable livelihoods.

- **A systematic approach to building in climate resilience from the outset** that: builds climate resilience concerns into the theory of change and log-frame, explicitly addresses climate resilience in programme design and, incorporates climate resilience at both the systematic and operational levels of implementation. **Water resource management** merits particular focus in programming in Somalia.

- **Greater MSD** thinking to include:

   - **A strong articulation of what systemic change would look like in this context** and an incorporation of the pathways to achieving the desired change.

[1] A Market Systems Development Approach incorporates 5 basic principles: 1) the overall goal of reducing poverty through transforming market systems so that they function more effectively for the poor; 2) seeking to ensure behaviour change based on the genuine incentives and capabilities of permanent players, not engaging in 'impulsive' interventions even though they may have dramatic effects; 3) recognising markets are complex systems with multiple actors and incentives, which means engaging with a range of stakeholders including those who construct the rules and norms; 4) identifying and tackling the underlying causes of market dysfunction; 5) emphasizing the importance of increased impact through replication and 'crowding in' i.e. extending the impact beyond those directly involved in the intervention. Ripley and Nippard, 2014

    - **Greater scope for policy/regulatory engagement**, particularly on standards, from the outset. Alongside a stronger communication and dissemination function to catalyse sector-wide replication.
    - **A facilitative approach to overcoming, key constraints such as access to finance for business**.
    - **Greater resources for sector coordination if not collaboration**, MSD approach awareness raising and communicating the practical implications of lessons learned for those seeking to work in the sector.
    - Investment in **strong, mainstreamed monitoring and evidence based learning**, developing skills, tools and processes adapted to the high-risk environment and, fostering an organisational culture of ongoing analysis.

- **Greater understanding of the impact of programme activities on reducing or exacerbating the drivers of conflict** within communities, and of **how PSD programming can create the stable conditions required for the growth of Somalia's private sector**. Future programming should seek to develop the evidence around these, taking the 'do no harm' paradigm as it's starting point.

PCR methodology

8. This piece was undertaken by DFID's Private Sector Development Adviser and Economic Development Programme Management Team. It was based on a review of key programme documentation, discussions that took place at the presentation of the findings of the PIMS independent review in May 2019 and select follow up conversations.

B: DETAILED OUTPUT SCORING

Output Title	*Improved market information flow and industry practices paving the way for private sector investments in the target value chains.*		
Output number per LF	1	**Output Score**	***A***
Impact weighting (%)?	**25%**	Impact weighting % revised since last AR?	N

Indicator(s)	**Milestones**	**Progress**
1.1 Number of investment promotion events and/or negotiations initiated between business and private sector investors or financial service providers as a result of PIMS profiled investment opportunities and improved business practices	15	**Score: B** 13
I1.2 Number of regulations specific to PIMS value chains reviewed/revised and/or drafted against the principles of good regulations	4	**Score: A** 4
1.3 Number of lead firms, businesses and business associations assisted to improve their business management practices	25	**Score: A** 26

Provide supporting narrative for the score

Overall, PIMS missed one target indicator and met two output indicator targets:

Indicator 1.1

9. Over the life of the programme PIMS facilitated 13 investment promotion events, most notably The Investor Forum organised in Hargeisa (2017), which attracted over 300 business participants. Other investment events to which PIMS contributed included; Dubai Sea Food Expo and SEAFEX; VIV Turkey Poultry Trade Fair, and; the Somalia Fisheries Forum in Puntland / the Sustainable Blue Economy conference. Private sector partners participated in these at their own cost and reported that they had benefitted from the network of contacts and exposure to new potential clients, markets and investors. Through event attendance companies were able to: (i) meet potential customers and build partnerships, (ii) generate interest in Somali products particularly in international markets, and (c) gain valuable understanding of international markets. For example, the Hargeisa Investor Forum led to the successful creation of linkages between multiple businesses at the national and international levels. Three PIMS firms - CAFCO, Barfisco and Sundus - were linked up to external suppliers, which led to increases in their net incomes, and in their ability to invest in their businesses and hire new staff. A further firm Yutsan, reported that the Hargeisa Forum led to additional investment deals and improved understanding of the issue of certification – which they followed up with their own investment in a facility for certification.

10. Despite some success as outlined above, as the 2016/17 drought increasingly affected lead firms, the decision was taken to shift its focus to more immediate support these firms to cope with the challenges of the drought. As sesame and dairy sectors were hit hardest by the drought, PIMS focused its work on these sectors. This support worked with firms to manage low productivity and

other drought related challenges. Some work on fisheries continued, but no further events were held in the sesame and dairy. The logframe target was revised down slightly at the time, but not sufficiently to match the required shift in emphasis and change in activities given the severity of the drought. This underlines the challenge of balancing support to specific sectors with bespoke activities in the context of recurrent shocks and the need for a suitably flexible programme model.

Indicator 1.2

13. PIMS supported reviews/revisions to the following policy/regulations:
    - The Irrigation Policy - PIMS assisted the Ministry of Agriculture of the Federal Government of Somalia (FGS) to draft an Irrigation Policy. This is paving the way for a new blue-print for water resource development and management in the country;
    - The Seed Production, Import and Export policy;
    - The National Fisheries Development policy;
    - A fisheries good handling standards policy

11. With the support of the Ministry of Fisheries, PIMS drafted a policy on national fisheries development and some guidelines on Fish Inspection and Quality Assurance (FIQA) (crucial for Somalia-based companies to access international export markets). PIMS engaged with the SGS (General Society of Surveillance) office in Kenya to explore the possibility of them setting up quality certification centres in Somalia. SGS is an internationally reputable agency and their certification is respected in most markets. Their services include the inspection and verification of the quantity, weight and quality of traded goods, testing of product quality and performance against various health, safety and regulatory standards in major international markets. Negotiations with SGS continues under USAID's Growth, Enterprise, Employment and Livelihoods (GEEL) programme.

Indicator 1.3

12. Over the life of the programme, PIMS built the capacity of 26 small and medium-sized enterprises (SMEs) to improve their business and financial management practices such as improving their book keeping capabilities and general document recording standards. PIMS assessed business progress in this area through the application of a Business and organizational Capacity Assessment Tool. PIMS' outcome review, and a 2019 independent review of this activity showed that most beneficiary companies reported improvements as a result of the partnership with PIMS in areas to include strengthening their reputations and ability to procure finances through informal networks.

Lessons learned

13. Commercial farmers have an incentive to enhance the productivity of small suppliers when there are possibilities for wider efficiency gains through aggregation of inputs. PIMS has demonstrated that **linkages between lead firms and producers/smallholders can be mutually beneficial**. In the dairy sector the increase in supply of products enabled lead firms to move progressively into, for example, the processing of milk. Commercial livestock farmers, with support from PIMS, benefitted by opening their unutilised capacity in fodder production and water storage to small farmers on a cost sharing basis. Aggregation of farm holdings also produced economies of scale in adopting mechanised farming practices.

14. Despite identifying an underlying need for greater coordination, PIMS was originally designed to sit largely outside government systems, predominantly focussing on private sector actors. As the programme evolved it became clear that in order to effect change it had to balance providing support directly to the private sector with supporting the underpinning policy and regulatory environment. In partnership with other DFID programmes aimed at improving the enabling environment, PIMS was well placed to drive forward change in its focal sectors. In its last year or so of operation PIMS played a pivotal role in this space working with business and government (see paragraphs 21 and 22). The absence of (i) policy and institutions for quality assurance and certification, (ii) health and safety standards, and (iii) branding has significantly restricted the ability of Somali businesses to access international markets. Consequently, Somali produce such as dry lemon, fish and marine products, sesame and banana were being procured by large traders in the Gulf who then applied their own brands and quality certification and re-exported, pocketing a disproportionately large share of the

profits in the process. PIMS responded by working with the government and businesses to address these challenges with a view to establishing functional quality assurance standards policies and institutions, so that this value add could be captured in Somalia.

15. Experience of PIMS in policy engagement suggests that management of shifting political priorities is important in ensuring timely and effective implementation. Progress on some policy work under the PIMS programme was delayed by the country's election cycle. For example, in 2017 PIMS started the process of drafting the Seed Production Policy which had to be put on the back burner following a change of leadership at the Ministry of Agriculture.

Recommendations for future programmes

16. Future programmes should build in **policy/regulatory work from the outset**. A greater focus on this area is in line with an MSD approach to sector/industry development, reaping rewards for firms over and above those directly benefitting. The early incorporation of this element, alongside a focus on developing a range of partners (for example, industry bodies) and a solid communications and dissemination function would increase the opportunities for sector-wide replication.

Output Title	*Improved access of producers, traders and consumers to market opportunities in target value chains*		
Output number per LF	2	**Output Score**	***A***
Impact weighting (%)?	**25%**	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
2.1 Number of business linkages facilitated between small scale producers/entrepreneurs and input suppliers and/or buyers	45	**Score: A** 46
2.2 Number of processors/exporters assisted to meet requirements of end market buyers	40	**Score: A** 41
2.3 Percentage of small scale producers/entrepreneurs and processors/exporters who perceive PIMS support to be appropriate and effective	80%	**Score: A** 87%

Provide supporting narrative for the score

17. PIMS marginally exceeded all targets under this output. Specific highlights include:

Indicator 2.1

18. The investment promotion fora organised by PIMS resulted in the establishment of 46 business linkages between commodity suppliers and buyers in both the domestic and international markets. Examples include: Yustan, a PIMS lead firm and fish exporting company that established business linkages with five small companies in Puntland leading to increased export volumes to Ethiopia, from 5Mt to 42Mt per month; Al-Ashraf, a Mogadishu based sesame exporter that was linked to Mandar (buyer), a sesame oil processing firm based in Somaliland. Al-Ashraf managed to sell over 50Mt of raw sesame to Mandar leading to local value addition and additional job creation; CAFCO, a fish exporting firm in Puntland was able to establish a business partnership with KA YUE. CAFCO sold fish worth $60,800 to the Chinese company.

Indicator 2.2

19. PIMS provided knowledge and technical expertise relating to international health and safety standards to 41 businesses. Based on this, beneficiary companies established systems to enhance their compliance with the Hazard Analysis and Critical Control Point (HACCP) international food and safety standards. For example, Yustan invested over $1.4 million in establishing a HACCP compliant facility to enable the company to export sea fish to high-value international markets. At the same time, the company conducted training on cleaning and storage for its suppliers. This contributed to a reduction in fish spoilage rates from 25% to 4%.

20. PIMS also conducted three days training for Somalia government institutions, including officials from the body for Fish Inspection and Quality Assurance (FIQA) and Somalia Bureau of Standards (SoBS). As a result, Somali officials were able – for the first time - to process the relevant export and certification documentation for the shipment of fish exported for the Sustainable Blue Economy Conference. In the future, the FIQA team will be instrumental in providing the requisite export certification and quality standards for Somalia's fishery sector.

Indicator 2.3

21. Over time, a significant number of smallholder producers and SMEs engaging with PIMS have embraced and adopted the production practices and technologies promoted by the programme. 87%

of beneficiaries perceived PIMS interventions to be appropriate to their needs. For example, a farmer from Balcad reported that through rehabilitation of irrigation canals, the provision of seeds and training and access to markets through PIMS lead firms he increased his production volumes from 5bags to 9bags and his sales from USD0.7 per kg to USD1 per kg. Uptake of improved practices varied considerably across the value chains, with dairy being the least successful (only 41% stated they would continue with new techniques), to 79% in sesame. This potentially raises questions about the sustainability of some interventions. These are discussed in more detail in paragraph 34.

Lessons learned

22. Aligning the needs of buyers and suppliers through the **articulation/ development of well-structured incentive mechanisms is critical** to establishing the durable business linkages that lead to the growth of Somalia's productive sectors. Important lessons have been learnt from the fish exporting companies where the market leaders in export markets took the initiative to strengthen the capacity of their suppliers / downstream producers on compliance with the market requirements in order to remain competitive. That PIMS was effective in developing these models is demonstrated by the expansion in the supply chains of lead firms and individual testimonies such as that of a fisherman from Puntland, who was trained in appropriate fish handling and storage techniques by CAFCO. He says, *'Due to my involvement with the PIMS programme, the volume of fish sales has increased from 600kg to 750-800kg per day, due to the reduction of the post-harvest loss, access to new markets because of improved quality of fish sold.'*

23. The **cost of logistics, equipment and transport** can constrain the growth of markets, and **should be analysed in the initial diagnostic of target value chains**. For example, in Somalia the costs of transportation to the international market have risen dramatically over the past 15-20 years. The cost of air cargo to the Gulf region has risen ten-fold, whilst tax on imports has also risen. Meanwhile, prices have remained relatively static, reducing lead firm margins and consequently those of small-scale producers and fisher folk.

24. Satisfaction with PIMS support did not translate into the wholesale adoption of the practices promoted by PIMS and or the removal of all target constraints (as outlined at paragraph 39 below).

Recommendations for future programmes

25. The DAI team identified that equity concerns should be built into new PSD programme design, with the development of the business case (commercial rationale) for greater inclusion of women within all tiers of business (beyond consumers, to workers, business owners, management committee members etc.). Linked to this, all appropriate indicators should be disaggregated by gender, targets for more ambitious work on gender and inclusion should be set and, delivery partners should be sufficiently resourced to programme in this way.

26. Future value chain programming should incorporate analysis/focus on the cost of logistics, equipment and transport on the growth of markets. Potentially undertaking a study of the export pathways and mechanism(s) by which government can reduce the cost burden on suppliers, support greater regional/international integration and or support investments in these sectors.

Output Title	*Community and market infrastructure assets rehabilitated to link small producers, input suppliers, traders and consumers to markets in the target value chains.*		
Output number per LF	3	**Output Score**	***A+***
Impact weighting (%)?	**15%**	Impact weighting % revised since last AR?	N

Indicator(s)	**Milestones**	**Progress**
3.1 Number of critical community market and value chain infrastructure rehabilitated and functional	Roads (km) – 15km # Irish crossings – 4 Additional land size (ha) opened up for crop production – 2,000 Irrigation canals (km) – 55 Grazing lands (ha) – 4,000	**Score: A+** Roads (km) – 8 (47% below target) # Irish crossings – 7 (75% above target) Additional land size (ha) opened up for crop production – 4,856 (143% above target) Irrigation canals (km) – 280 (409% above target) Grazing lands (ha) – 4500 (12% above target)
3.2 Number of new infrastructure Cash for Work (CfW) days for low income Somalis (70% youth CfW days and 30% female C4W days)	400,000	**Score: A** 402,074
3.3 Number of existing and new local management committees/user associations with improved organisational capacity to manage sustainable asset maintenance	25	**Score: A++** 52 (108% above target)

Provide supporting narrative for the score

27. PIMS exceeded two targets under this output and met one.

Indicators 3.1 and 3.2

28. During the prolonged drought, PIMS focused on rehabilitating infrastructure assets through Cash for Work (CfW) initiatives to facilitate market access and at the same time, provide emergency support to drought-stricken households in Somalia. This involved redirecting funds from work on investment promotion and some of the support to improved techniques in vulnerable sectors – for example, work on sesame inputs and techniques was reduced as lead firms' farmers were not able to follow normal planting or harvesting schedules.

The rehabilitated CfW infrastructure assets included:-

- 8km of feeder roads which enabled milk and fisheries producers to access markets, preventing loss of income due to spoilage. For instance, before the roads were fixed, transporters could not collect milk from the remote villages during the rainy seasons. This resulted in the spoilage of over 15% of milk produced. Occasionally, women would trek long distances (over 30km) to deliver low quantities of milk to the market during the wet season. However after rehabilitating select milk feeder routes, milk transporters were regularly able to collect milk in the morning and evening during the wet season. In Lafagorayo, Puntland, 5 Irish crossings, 5 parking areas and 700m steep embankments along the feeder road were rehabilitated, greatly improving access for fisher folks to domestic and international markets. The rehabilitation of the Lafagorayo road facilitated the movement of borehole drilling equipment across Lafagorayo Mountain enabling the residents of Bargal and Alula to drill the first borehole in that area. The rehabilitation of Lafagoroye road in Puntland has improved market access for fish products. The road connects the Gulf of Aden and Red Sea and since its rehabilitation, buyers have been able to routinely collect fish from the fisherfolks located around the Red Sea whose main fish market was previously Yemen.

The original target for roads was not met because around the time of the drought PIMS took the decision to reorient CfW activities towards productivity supporting activities (irrigation canal and grazing land rehabilitation) on the grounds that these would have greater sustainability, impact and response. Again, this decision should have been captured in a revision to the logframe target.

- 4,856ha of irrigation canals (210km in length) were rehabilitated unlocking opportunities for 4,781 smallholder farmers to increase their crop production. As a result, the total net income increase for all smallholder farmers who used the additional farmland was £1,192,310 (this contributes to the second outcome indicator detailed in section C below). For example, a sesame farmer from Jowhar explains that the provision of sesame and maize seeds, rehabilitation of canals, guidance on planting and irrigation and link to exporters has increased his productivity and sales volumes.

- 4,500ha of grazing land was rehabilitated through appropriate soil and water conservation, enhancing supply of fodder for pastoralists dependent on range lands. The programme supported six projects (three each in Somaliland and Puntland) to rehabilitate degraded land and ensure it could facilitate productivity by, for example, creating soil bunds/furrows to control surface drainage, with communities contributing grass seeds, animal manure and maintaining the good quality pasture. In Somaliland Burao areas (2x3kms) were rehabilitated in the Qoyta, Beer and Aroori areas and in Puntland (3x3 kms) grazing areas were rehabilitated in Bilcil, Monqor and Cidadhero.

Indicator 3.3

- PIMS trained 52 asset management user groups that as a result of PIMS support have gone on to sustainably manage these assets. For instance: The asset management committees managing the rehabilitated irrigation canals in Shabelle region were collecting fees (minimum $5 per farmer) at the end of each harvest season for canal maintenance, and; the road committees managing the rehabilitated milk feeder roads (Habaale) had occasionally managed the repair of minor damage caused by heavy downpours. At the time of PIMS closure, road committees were equally in the process of independently mobilizing funds to complete the remaining sections of road.

Lessons learned

29. Water resource development and management remains a key challenge facing Somalia's agriculture sectors, which are primarily rain dependent. Recent flooding following rains has demonstrated that the water storage systems required to manage rainfall are severely lacking, leading to both flooding and significant runoff of surface water. Surface water runoff leads to soil erosion and contributes to drought conditions relatively quickly. Whilst humanitarian assistance and direct cash transfers are useful emergency responses, more durable solutions to water resource management will be critical to enhancing Somalia's economic recovery and resilience.

30. Top among the recommendations of the PIMS final report and the ASI performance review was inclusion of greater mitigation of the recurrent risk of drought specifically and of climate shocks more broadly. PIMS did not build this element into initial programme design, nor embed it sufficiently into its risk management plan. That said, during the drought PIMS managed to pivot to develop a few interventions to support affected communities, such as the camel leasing scheme, and to fast-track/scale up cash for work schemes. These helped some communities weather the storm by providing financial resources to fall back on.

Recommendations for future programmes

31. Because of the increasingly regular cycle of climate shocks to which Somalia is subject, future programming should **take a more systematic approach to climate resilience:** building climate resilience concerns into the theory of change and log-frame by, for example, incorporating outcomes that pertain to increased resilience; **explicitly addressing climate resilience in programme design by**, for example, incorporating it into the selection criteria for sector support, and; **incorporating**

climate resilience at both the systematic and operational levels of implementation. At the systematic level by, for example, assessing the risks to the whole value chain of the sectors selected in the short and long term and seeking to mitigate these and, introducing policy and regulatory reforms to address systematic constraints (e.g. water resource management). At the operational level, designing appropriate physical and financial responses by, for example, promoting local use of climate and weather information and insurance products. For both levels, measures should be based on sound technical assessments and have community buy-in secured in advance of a shock occurring.

Output Title	*Improved technical capacity of small scale producers and entrepreneurs for enhanced productivity and value chain development*		
Output number per LF	4	**Output Score**	***A***
Impact weighting (%)?	**35%**	Impact weighting % revised since last AR?	N

*** This comprises the 26 lead firms in which PIMS invested, plus 10 additional lead firms with which PIMS worked**

Indicator(s)	**Milestones**	**Progress**
4.1 Number of lead firms investing and providing technical assistance to small scale producers/entrepreneurs in target sectors via demonstration plots and/or extension services	35	**Score: A** 36*
4.2 Number of Service Providers engaged by lead firms to deliver technical capacity building to small scale producers/entrepreneurs	375	**Score: B** 343 (9% below target)
4.3 Number of small producers, input suppliers and entrepreneurs who receive PIMS capacity building support to improve productivity, skills and technologies and/or business practices	40,000	**Score: A++** 68,209 (71% above target)
4.4 Percentage of target smallholder producers and service providers who are satisfied with technologies and practices promoted by PIMS lead firms	80%	**Score: A+** 93% (16% above target)

Provide supporting narrative for the score

32. PIMS met one target, missed one target and exceeded two targets under this output.

Indicators 4.1, 4.2, 4.3 and 4.4

33. PIMS engaged with the lead firms as conduits to promote improved production practices and technologies to smallholder producers. The lead firms included commercial cash crop farmers and traders, commercial animal farmers and traders, agriculture input suppliers, animal feed and medicine suppliers, fish exporters etc. The 36 lead firms that facilitated PIMS' interventions engaged with 343 service providers (extension workers, Trainer of Trainers, community animal health workers, etc.) to share good agricultural practices and improved inputs with smallholder producers with the aim of increasing productivity and enhancing produce handling techniques to optimise producer incomes. The number of service providers engaged was lower than anticipated due to the negative effects of the drought on dairy service providers' ability to engage. That said, the programme exceeded its target for beneficiaries, reaching 68,209 people (37% women) with improved production practices and techniques. The distribution of beneficiaries was as follows; sesame 35,875 (37% women); dairy 29,905 (38% women) and fisheries 2,430 (21% women). 93% of smallholder producers were satisfied with the approach. Further the 2019 Outcome Review states that the work PIMS did to strengthen the lead firm/supplier relationship was perceived by suppliers to be particularly valuable in facilitating access to inputs and markets.

34. By and large, there was good progress in the adoption rates of practices and techniques by downstream beneficiaries. This resulted in increased productivity and a reduction in post-harvest

losses. For example, 79% of sesame producers applied recommended agronomic practices and improved sesame varieties, which contributed to an increase in crop productivity from an average of 254 kgs/ha to 473 kgs/ha, with some even obtaining yields as high as 680 kgs/ha. Adoption of improved fishing and fish handling techniques contributed to a reduction in fish spoilage from 25% to 4%.

Lessons learned

35. The Lead firm/supplier model has significant potential to improve the economic opportunities of Somalia's small producers/suppliers. Uptake of new production practices and inputs is high when it offers good returns on the investment needed to adopt them. For example, the lead firms in the sesame sector took the initiative to scale up training to new smallholders as they needed an increasing number of suppliers to meet growing market demand. At the same time, contracted smallholders were guaranteed stable markets protecting them from price fluctuations and other market related risks. However, the 2019 Final Outcome Assessment explains that in spite of high satisfaction with training, relatively good adoption rates and many small producers/ entrepreneurs experiencing improvement in yields post- adoption, the programme was not able to entirely overcome issues around the continuation of good practice in areas to include the use of fodder for cattle feed, the use of improved varieties of sesame seed and the issues with access to adequate water, finance and equipment.

36. **Access to finance** remains a major challenge for the growth of micro and small and medium-sized enterprises (MSMEs) in Somalia, as existing Financial Service Providers (FSPs) do not have suitable products to meet their needs. The 2019 ASI Review explains that many companies could afford to service returnable financing if this was available, and that in many cases it would be preferable (to non-returnable financing). This is because it ensures the ownership of interventions and makes for development of mutually beneficial long-term, trust-based relationships (particularly valued in Somalia) rather than relationships of dependence. Addressing this challenge will require a twin track approach: i) **building the capacity of the existing FSPs** to design suitable and affordable *Sharia* compliant products and widening their outreach capacity (for example, through agent banking models, embracing the use of technology to better serve the bottom of the pyramid and developing asset based financing/leasing schemes), and; ii) **strengthening the capacity of MSMEs on business and financial management** in order to be able to absorb additional finance.

37. Learning on this output also highlights the challenges of using an MSD approach in a context of high-level aid dependency and huge volumes of humanitarian assistance. For example, PIMS supported an all women dairy producer association, Milk Care Corporation (MCC), in Hargeisa to promote the use of hygienic milk cans, with producers paying 50% of the price per can. However the free distribution of milk cans by humanitarian agencies during the drought undermined this approach. MSD approaches are fairly new to the Somali peninsula, with the result that PIMS had to undertake ongoing awareness raising of the approach and its work through forums to include the PSG5 working group. Although this last was helpful in coordinating with USAID's GEEL programme and in informing the government of PIMS' work, it did not go far enough in improving sectoral coordination, raising awareness of the approach and disseminating lessons learned. Strong MSD programmes act as go-to sources of information for agencies seeking to deliver interventions in a given value chain. **Future programmes should factor in greater resources for sector coordination, approach awareness raising and**, allied to these, for **communicating** the practical implications of lessons learned for those seeking to work in the sector.

Recommendations for future programmes, including PSD and resilience programmes

38. New programmes in both PSD and wider resilience should build in a **strong lesson-learning function** in order to identify challenges with adoption/sustainability early and to adjust accordingly, as well as building in a **strong communications function** that both ingrains good practice and disseminates it across the sectors more broadly. Further, **measures that address** the last three constraints (**access to water, finance and equipment**) in a systemic manner, **should be considered in the design of future programming**.

39. **Future programmes should factor in greater resources for sector coordination, MSD approach awareness raising and**, allied to these, for **communicating** the practical implications of lessons learned for those seeking to work in the sector. Resilience programmes seeking to work in a more sustainable way on key productive sectors at community level and building in private sector approaches, such as the BRICS programme, should take on board these lessons on coordination, sustainability, climate and three key structural factors of water, access to finance and equipment. Where possible, specific links should be made between the lessons coming out of community level to inform the meso and macro level interventions on these issues.

C: THEORY OF CHANGE AND PROGRESS AGAINST OUTCOMES

Overall assessment of whether the expected outcomes and contribution to target impact(s) were achieved

Indicator(s)	Milestones	Progress
1. % of surveyed firms reporting income increases per year and cumulatively	50%	**Score: A+** 60%
2. Net additional income for the small scale producers and entrepreneurs	£28,600,000	**Score: B** £26,194,329
3. Net additional full time equivalent jobs created and/or sustained for low income Somali individuals	10,500	**Score: A+** 11,637
4. Value of follow on private sector investment in the target value chains	£12,500,000	**Score: A** £13,162,684

40. Overall PIMS met the expected outcomes. Specifically, PIMS exceeded two of its outcome targets and missed one and met the fourth.

Indicator 1

41. The final independent outcome assessment carried out in April 2019 indicated that 60% of firms surveyed recorded income increases (20% above target). This translates: to 67% of fisheries firms; 60% of sesame firms, and slightly over a third of dairy firms. The proportion of dairy firms benefitting from income increases was impacted by the drought in 2016/2017 when an estimated 30% of their livestock died.

Indicator 2

42. As at the end of April 2019 PIMS had generated £26,194,329 in net additional income for the 68,209 producers and 26 lead firms benefiting from the interventions promoted by the programme. The programme fell slightly short of the ultimate target of £28,600,000 (an 8% deficit) but projections indicate an over-achievement of the target in the next year (£30,341,814 by 2020).The major contributors to the increase in net additional income were; increased productivity of sesame from an average of 250 kgs/ha to 473 kgs/ha as a result of applying GAPs, cultivation of additional land resulting from rehabilitated irrigation canals (4,856ha of additional land cultivated); increased fish catch (from an average of 200kgs to 376 kgs per day during the peak fishing seasons) and reduction in fish spoilage (from 25% of catch to 4%). The sesame sector was the largest contributor to increased NAIC (£16,395,352) followed by fisheries (£7,545,277), with dairy the lowest contributor (£2,253,700) due to the negative effect of the 2016/2017 drought.

Indicator 3

43. PIMS created a total of 11,637 FTE jobs (43% women) against a target of 10,500 FTE (50% women). This is 10% above target. PIMS focused on improving production technologies and practices, which contributed to increasing yield and returns on investment.10,333 of the jobs created (46% for women), were generated through sesame sector interventions where PIMS worked with six lead firms to strengthen their supply chains by providing their suppliers with inputs in tandem with promoting GAPs, in order to efficiently process product and to link to an increasing number of buyers. For instance, through the adoption of PIMS promoted GAPs, farmers employed a range of techniques (harrow, ridge, plant in rows, weed at least twice a season) that required more labour. Based on three production cycles, PIMS was able to establish that by switching from traditional practices to GAPs, each hectare of sesame cultivated generated an additional 0.25 FTE job and that yields more than

doubled (to between 450-600 kgs/ha). Additional jobs were also created from rehabilitating canals (an additional 4,856ha opened up).

44. In the fisheries sector, the lead fish trading and exporting companies employed an additional 646 FTE laborers (32% women) in fish processing, value addition and marketing to the domestic market. For instance, one company (Sundus) employed an additional 150 women to retail fish in domestic markets. In the dairy sector, 658 FTE jobs were created in fodder production and marketing and in the distribution of milk.

Indicator 4

45. Across all sectors, PIMS managed to leverage £13,162,684 in additional private sector investment (5% above a £12.5m target). Of this, £2,354,359 was generated from deal note cost shares by the lead firms. Against a PIMS' deal note cost share of £2,057,806, this gives a leverage ratio of 1:1.14.

46. Some notable investments made as a result of PIMS' interventions include:
    - Yustan's investment in a £1.15m fish processing facility to enable the company to export high value fish products to international markets;
    - Al-Mizan's £620,299 investment in the construction of a de-hulling facility for sesame. PIMS developed the concept with the firm, and then brought USAID's GEEL programme into a tripartite agreement. The facility is in the final stages of completion with Al-Mizan committed to increasing the volume of sesame purchased from farmers from 11,000MT to 19,500MT and to creating new jobs;
    - Investments in refrigerated transportation systems and pack houses by fish export companies that have greatly contributed to reducing fish spoilage (from 25% to 4%);
    - Investments in boreholes to support fodder production by commercial dairy farmers.

47. Two of PIMS four outcomes had targets for women. PIMS fell 14% short of its target for generating FTE for women and neglected to report on progress in achieving its target of net additional income for women-headed small-scale producers and entrepreneurs. This demonstrates the challenges PIMS had with meaningfully incorporating gender into its programme delivery structure and activities.

Summarise the programme's theory of change and major changes to it in the past year

48. There were no substantive changes to the Theory of Change (ToC) presented in the original Business Case approved in June 2014 (Annexe 2). PIMS finalised its ToC in February 2016 and made minor updates with the support of LAMPs in June 2018.

49. The programme's theory of change relied on establishment of, and improvement in functioning of markets to support the growth of the target value chains. Through the growth of target value chains, the programme intended to sustain and improve livelihoods, drive job creation and income generation and eventually private sector development. The programme relied on lead firms being incentivised to make available better inputs, knowledge and improved practices available to their suppliers (small producers and businesses) with a view to enhancing their productivity, competitiveness and incomes. This in turn was expected to act as a catalyst for crowding in private sector investment, thus leading to a secondary wave of livelihood, job and income opportunities in the target value-chains.

50. The programme's value-chain based approach worked well in delivering on the objectives of creating/improving economic opportunities for small producers through better integration into the supply chains of lead firms. But the programme has not significantly altered the structure of markets, because it concentrated on the supply/demand element, according insufficient focus to addressing the system of norms, rules, functions that underpin/support that core. This relatively narrow focus limited the programme's ability to effect change for a wider group of actors.

51. PIMS was underpinned by several assumptions that would have benefitted from periodic testing during the life of the project. For example, the programme assumed that cash for work interventions would lead to a skilled workforce. The PIMS programme review establishes that this assumption was not borne out in practice. Similarly, the demonstration effect of PIMS work with business was overlooked in the log-frame and consequently in programme activities with the result that the

opportunities for sector-wide replication were limited (this is discussed in more detail at paragraphs 40 and 41 above)

Recommendations for future programmes

- **New programmes would benefit from a greater articulation of what systemic change would look like** (the last element of the MSD's Adopt, Adapt, Expand, Respond approach) in this context and an incorporation of the pathway to achieving the desired change with activities aimed at replication and embedding change post-programme closure.
- Future programmes should build in **periodic assessment of the theory of change and their underlying hypothesis and assumptions**.

Explain major changes to the log frame in the past year

52. No revisions have been made to the PIMS log frame in the last year. The last revision to the log frame was undertaken in November 2017.

D: VALUE FOR MONEY

Assess VfM compared to the proposition in the Business Case, based on the past year and during the lifetime of the programme

55. The programme utilised available resources to meet most of its targets. Key VfM drivers included:

- Close collaboration with similar donor programmes (especially USAID-GEEL Programme) and cost sharing in some of the activities. For instance, PIMS and GEEL jointly supported Al-Mizan to invest in its sesame dehulling facility which when completed will improve exports of value added sesame from Somalia. The two programmes also co-facilitated Somali-based Fisheries Companies and the relevant government ministries' participation in the Sustainable Blue Economy Conference held in Nairobi.
- Cost sharing with the lead companies in the implementation of programme activities effectively matched grants with the firms' own resources. Working with lead companies, using commercial incentives, provided strong beneficiary outreach at a reasonable cost.
- Working with local intervention officers based in Somalia substantially reduced the need for and cost associated with international staffing. PIMS equally shared office working spaces with the programme's collaborators in Somalia (SATG and Forcier).

Key cost drivers and performance

53. The PIMS cost structure by inputs as at April 2019 was as follows; Fees (27% - this related to payments to international and local staff for working on PIMS); Grants and Activities (55%); Reimbursable costs (17% - this covered the expenses of project staff).

54. **Economy:** The benchmarking of rates (highlighted below) shows a decrease in the International Long-Term Technical Assistance (LTTA) average when comparing April 2019 to April 2017 (from £513.60 to £332.50). This is explained by increased national staffing across all levels of the programme, in all regions, at relatively low cost. Replacement of National Short-Term Technical Assistance (STTA), with National LTTA surge capacity and lower cost International STTA also saved funds. During the extension period DAI took fee roles on at cost, positioning itself to source staff at competitive rates.

Level of consultant	April 2019 – May 2018[2]		Apr-17		Jan-16	
	International	National	International	National	International	National
	Average rate (£)	Average rate (£)	Average rate (£)	Average rate (£)	Average rate (£)	Average rate (£)

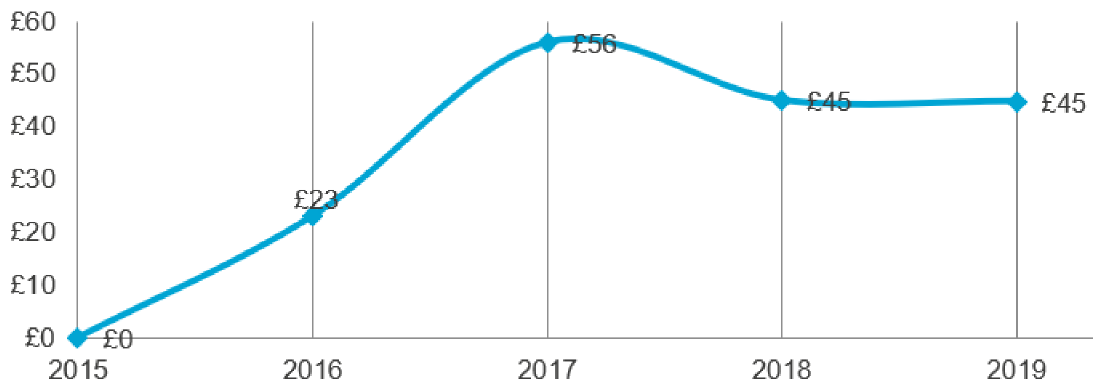
[2] This period covers the extension year of PIMS

LTTA	332.50	310.83	513.60	348.35	615.66	333.53
STTA	453.33	N/A	480.79	333.44	496.22	347.02

55. PIMS also demonstrated economy in its partnerships with lead firms; leveraging firms' own resources to deliver projects. A PIMS contribution of £2,057,806 leveraged £2,354,359 from lead firms; a leverage ratio of 1:1.14.

56. **Efficiency:** PIMS surpassed most of the output level results notably delivering the programme at a cost per beneficiary reached of £45. This is lower than the weighted average of £64.89 for DFID funded MSD programmes – although this was not a pure MSD programme[3]. The spend per CfW day generated was $3.40 against a daily rate of $5 spent by other CfW implementing organizations in Somalia (e.g. Adeso). PIMS was able to achieve this by delivering the canal rehabilitation through sesame lead firms rather than commercial contractors. The rehabilitated canals opened up an additional 4,856 Ha of land which benefited an additional 4,781 sesame farmers.

Figure 1: PIMS beneficiary outreach cost from 2015-2019



57. **Effectiveness**: PIMS outputs have positively contributed to the desired outcomes as envisaged in the programme's ToC. The adoption of improved production and produce handling practices by smallholders has contributed to increased productivity, increased smallholder incomes, job creation and additional private sector investment leveraged. PIMS has created an additional 11,637 FTE jobs against a target of 10,500 at £263 per FTE[4] (ILO estimates that the cost of creating 1 FTE job is £554). The spend per FTE job is relatively low as PIMS worked with beneficiaries located in homogenous set-ups (e.g. irrigated areas), thereby increasing the chances of technology adoption paving the way for job creation. The programme equally generated £26,236,062 in NAIC for smallholders and entrepreneurs in the target sectors against a programme grant and activities spend of £3,058,580. This gives a Return on Investment of £9 for each £1 spent.

58. In order to ensure effective delivery, PIMS undertook cost shares with all lead firms. The programme leveraged £13,162,684 against a programme spend of £3,058,580, which gives an investment ratio of 1:4.40 i.e. every £1 spent by PIMS leveraged £4.40 of additional private sector investment.

59. **Equity**: The dividends of the outcomes achieved by the programme benefited women and youth significantly with 43% of all FTE jobs created for women and 64% of CfW beneficiaries were youth. That said, the programme fell short of its targets for both groups (50% and 70% respectively) and

[3] DFID_Commercial-Agri-Portfolio-Review_2017, pg. 27
[4] The cost of creating an FTE job was highest in the fisheries sector. The sector produced significant results on income increases and investments as a result of recovered earnings due to reduction in fish spoilage. The interventions undertaken did not spur new jobs creation but rather improved the efficiencies of the fishing companies.

failed to disaggregate progress in achieving one of its outcome targets with an embedded gender indicator. This demonstrates that during the life-cycle of the programme, particularly during the design of programme activities, PIMS paid insufficient attention to the equity dimension of its work.

Table 1: PIMS VfM effectiveness metrics

Sector	Actual Spent	FTE Jobs	Cost/ FTE Job	NAIC Generated	NAIC ROI per GBP Spent	Investments leveraged	Investment Leverage ratio
Sesame	£1,108,331	10,333	£107	£16,395,352	£15	£9,218,686	8.3
Dairy	£622,331	658	£622	£2,295,433	£4	£1,668,896	2.30
Fisheries	£1,259,374	646	£945	£7,545,277	£6	£2,586,031	2.68
Total	£2,990,036	11,637	£257	£26,236,062	£8	£13,473,613	4.50

E: RISK

Overview of programme risk

60. The overall risk rating for the programme was assessed as major at the beginning and remained so throughout the programme. Despite, undertaking several mitigating actions that helped to reduce overall risk exposure many of the underlying issues remained (more details are provided below).

61. DAI had in place a comprehensive risk register which covered the programme's operational, fiduciary, environmental and social risks. The register captured trend analysis of identified risks and stated appropriate actions to take to mitigate these risks. During the monthly programme progress review meetings between DFID and DAI, assessment of the risks to the programme was a standing agenda item. After these meetings, DAI would update the register and share a revised risk register along with PIMS quarterly progress reports. The register was also discussed at every quarterly Programme Advisory Committee (PAC) meeting. Any significant risk that could not be sufficiently managed through programme level mitigation measures was escalated to the DFID Economic Development Team and to the Head of Office for further review and action.

62. The key risks and mitigating actions to the programme included:

Governance and Political Risks

- The **political landscape** of Somalia remains unstable. Throughout the lifetime of the programme, there were new administrations in Somaliland, Puntland and at federal level. For example, Somaliland held elections for a new president and cabinet on 13th November 2017, resulting in a change in the administration that PIMS had built deep links with over time. Also in 2017 in Puntland, the parliament conducted a vote of no confidence in the cabinet. For the programme, this meant that political stakeholders changed regularly and that the programme management team had to continually brief political representatives on PIMS, creating delays and uncertainties. PIMS was continually leveraging its relationships across the political network to maintain good will, liaising with director generals of departments to mitigate the need to educate new ministers.

Operational Risks

- **Staff Recruitment and retention:** PIMS experienced initial difficulties in recruiting and retaining suitably qualified local and international staff. There were challenges in recruiting a Team Leader with a hiatus at the start of the programme, and a change-over a few years in. That said, from around the time of the appointment of the new Team Leader onwards, PIMS managed to establish an effective delivery team, supported by focused short term support. This enabled PIMS to achieve its results in spite of an initial delay. Moving into the extension period, it became more challenging to retain staff, so DAI introduced retention measures, and further mitigated the risk by engaging short term consultants and providing surge support from its DAI Europe head office in the UK.

Environmental, Social and Governance risks

- **Absence of water management infrastructure and systems:** Productive sectors in Somalia are weather dependent and are vulnerable to climate related shocks. Whilst diversification of the livelihood base and economy away from rain-fed economic activities is crucial in strengthening the resilience of households, communities and the economy over time, agro-pastoralism will likely remain a mainstay of the Somali economy in the medium term. Managing the risk of low and sporadic rainfall through improved water resource management and development is key to managing the risks to the economy from climate related shocks. This risk was not identified until later in the programme after the drought of 2016/17 had hit, at which point the programme implemented measures to mitigate the drought (open up commercial farmers' unutilised capacity in water storage and fodder production to small farmers), to provide alternative sources of income to businesses (e.g. camel-leasing), as well as to support activities better manage water resources in future seasons (e.g. canal rehabilitation). Whilst these provided an alternative income source to some community members and increased production in subsequent seasons, they did not effectively mitigate the impact of the drought, particularly on the livestock value chain.

Financial Risks and Mitigation

- **Fiduciary risk**: DFID and the PIMS developed an approach to risk mitigation that was based on instituting financial management and expenditure controls, undertaking due diligence on local partners and registering and verifying assets. PIMS effectively mitigated this risk through the adoption of practices such as cost-sharing, with lead-firms being reimbursed for expenses upon the achievement of pre-agreed milestones and the production of associated receipts.

Duty of Care and Security

- Throughout PIMS, the **security conditions** of Somalia remained constrained, particularly in the Shabelle valley where a number of programme activities took place. Movement of staff and implementing partners in the Shabelle region of Somalia was limited due to recurring and unpredictable attacks by Al-Shabaab militants in Afgoye and Balad where sesame, fisheries and Cash for Work activities took place. Regrettably in the extension year, PIMS had to halt the planned sesame interventions with Al-Ashraf in the Shabelle valley due to security concerns. PIMS continually factored these conditions into its work plan, and prioritised staff safety by restricting movement as appropriate. Indeed, DAI had a dedicated Security Manager regularly reviewing and adjusting the programme security plan. In retrospect, it would have been good for the programme to have built **greater understanding of the impact of its activities on reducing or exacerbating the drivers of conflict** within communities, and of **how PSD programming can create the stable conditions required for the growth of target value chains in Somalia**. Future programming should seek to develop the evidence around these, taking the 'do no harm' paradigm as it's starting point.

Other challenges to PIMS, which were tracked during the life of the programme included:

- **Delayed programme start and tight delivery timeframes**: Initial delivery of the programme was delayed by approximately a year as a competitive procurement process was undertaken by DFID. The result was that the programme had a reduced inception period (six months), which was later extended (to 9 months), and only 30 months to deliver the programme (although this was also later extended). The initial inception period proved too short to set up a physical presence in Somalia, recruit qualified and competent staff and undertake the research required. PIMS went most of the way to mitigating this by using the premises and research capacity of its partners, deploying international consultants, working with larger lead firms with the will and skill to deliver, rather than with those with the greatest capacity to effect system-wide change, and by developing tailored definitions to indicators such as jobs created.

- **Inclusion at the operational and delivery levels**: PIMS failed to meet its equity targets, as outlined at points 49 and 62 above. On the question of gender, it is likely that targets were missed because programme implementation did not draw on the ongoing services of a Gender Specialist. Although it was not a criterion that was actively advanced, PIMS did manage to recruit a few women into the delivery team. This PCR makes recommendations about the role of inclusion in future programmes (at paragraph 27).

F: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Performance of partners and DFID, notably on commercial, and financial issues

Financial performance

66. The financial management of the programme was good, with forecasting improving midway through the implementation period. DFID was able to process payment on time and there was no incidence of payment being suspended. PIMS has a milestone-based contract, with all milestones achieved and invoiced as per the contract. Payments were tied to quarterly reporting and to audited financials provided once a year. This model worked well and ensured the expected outputs were delivered. There were no major cash flow issues with the contractors, and timely payments were undertaken. DAI

utilized an internal accounting system which ensured each cost related to individual and project activities was clearly outlined. Variances were closely monitored by the DFID team in liaison with DAI.

67. PIMS was allocated £13 million by DFID with an additional £2m from DANIDA. The final programme spend was £14.3m of the £15m total allocation. Project spend was distributed across the years as below, with the heaviest spend during the mid-implementation period. Programme mobilisation and inception took a longer period than envisaged with an extension of the inception period from 6 months to 9 months and resultant delays in getting underway with implementation activities. However, all milestones were achieved and billed. The variance is accounted for by savings in the grants and activities lines, invoicing was done on actuals.

Year	2014	2015	2016	2017	2018	2019	Total
Spend	58,225	710,973	2,464,217	4,744,623	2,929,356	1,402,129	12,309,523
% spent / year	0.40%	5.50%	18.95%	36.50%	22.50%	10.90%	95%

Asset Management
68. All assets acquired were recorded in the asset register (vault 3874777) and shared with DFID twice a year. Assets were purchased directly by PIMS in the different locations. At the end of the project, asset disposal was carried out in all three regions of Somalia in which PIMS operated and in the Nairobi office. The partners that received PIMS assets were selected by DFID. Most partners who received PIMS assets were implementing other DFID programmes. All grantees and partners receiving assets signed the disposal agreements in compliance with DFID smart rule conditions.

Performance of partner
69. The PIMS programme management contract was amended twice. Firstly in January 2017 to (a) include the additional £2m secured from DANIDA, and (b) reallocate £1m from the M&E budget to programme delivery – this was because M&E work was embedded in mainstream programme delivery arrangements, with the only discrete M&E piece being the ex-post independent review. Secondly, in April 2018, the contract was amended to extend the timeframes of the programme from April 2018 to July 2019.

70. The time extension was necessary to compensate for implementation delays following consecutive seasons in 2016-17 with below average rainfall. Poor rainfalls negatively affected supply chain piloting and delivery activities e.g. demonstrations of the benefits of new varieties of seeds and farming practices. The prolonged drought resulted in missed cropping seasons and consequently a backlog of outcome level results, especially those related to income, investment and jobs from the rain-dependent value-chains i.e. sesame and dairy. In addition to the prolonged drought, programme implementation suffered from increasing insecurity particularly in the Afgoye and Balcad areas. As mentioned in the risk section above, the programme mobilised in an attempt to minimise the impact of these. Whilst PIMS demonstrated flexibility in responding to challenges, actions could not compensate for the lack of contingency plans, particularly on climate.

71. Despite the challenges, PIMS managed to **deliver strong outcome level performance** against targets. PIMS achieved the targets for three out of four outcome indicators by developing strong partnerships with lead firms in the private sector including SATG, Al Mizan, Horn Afric, Vetcare, Alla Amin and Yustun to realise increased sales, value and volumes whilst simultaneously creating more jobs. PIMS also developed close partnerships with the government specifically the Ministry of Finance, Ministry of Environment and Ministry of Fisheries at the policy and project implementation levels. At the policy level PIMS worked with Ministries to draft/review key policies to include the Fisheries Policy, but the project was most effective at partnering on monitoring the delivery of programme activities. Director Generals from the government were responsible for project monitoring and issued certificates of completion to successfully completed projects.

72. DFID was satisfied with the performance of PIMS as a programme. Continued and consistent collaboration between PIMS and DFID led to the production of high quality deliverables. Monthly progress

meetings and ad hoc telephone conversation on any arising issues yielded success with follow up actions undertaken promptly.

73. For the most part PIMS worked well with the third party monitors, Learning And Monitoring Programme Somalia (LAMPS). They contributed to reviewing the Theory of Change and log frame and supported the strengthening of PIMS M&E capacity.

74. DFID had a less positive experience of working with the delivery partner, with ongoing, if increasingly less frequent, challenges around the relevance and timeliness of outputs. The most notable issue though was DAI's management of the consortium of partners it put together to deliver this work. Monitoring and real-time learning are key to MSD programmes in general and especially so in complex environments such as Somalia. The inclusion of Forcier and SATG in the consortium (effectively as second tier partners managed by DAI) spoke to the ongoing need for research and analysis, not least political economy analysis (PEA). However, the technical resources of these partners were not fully utilised in PIMS, in part because PIMS developed its own capacity to the deliver these functions and in part because PIMS identified alternative, less-costly sources of support. SATG was initially used for training and monitoring good agricultural practices, and then lead firms picked up this training. Forcier initially supported the monitoring of activities, and undertook the first survey. This work was later moved partially in-house and partially to another local company. Whilst it is positive that PIMS sought to mainstream and or find more cost effective delivery options, it was not effective in doing so. The result was that costs were minimised, but the opportunity to deliver an adaptive truly intelligence driven programme and to contribute robust research to the evidence-base of private sector development programmes in Somalia was missed.

Recommendations for future programmes

- Future programmes should allow sufficient time for the procurement, inception, implementation and embedding of approaches in a context in which it takes time to build trust and credibility. This is particularly the case in fragile and conflict affected settings that have become dependent on unconditional transfers. Further, absence of trust is a particular challenge for Somalia.

- PSD programme delivery partners need to invest in **strong, mainstreamed monitoring and evidence based learning**; developing their skills, tools and processes adapted to the high-risk environment and, fostering an organisational culture of ongoing analysis.

Date of last narrative financial report	Vault 26860755
Date of last audited annual statement	Vault 21277026

G: MONITORING, EVIDENCE & LEARNING

Monitoring

75. The implementation of field activities was routinely monitored by the Intervention Officers and the M&E team through monthly field checks to randomly selected locations. The results achieved were further verified by the relevant government ministries partnering with the Director Generals (DGs) in the Programme Implementation Committees (PIC) who visited field sites to verify implementation progress. These visits were conducted on the basis of partners' implementation schedules factoring in ministerial commitments. The PIMS team provided DFID with quarterly progress reports, which included results and financial reporting. DFID and the PIMS team established a monthly teleconference to discuss progress. These meetings were instrumental in enabling DFID to track implementation progress and mitigate potential risks to implementation.

76. Additional monitoring was undertaken by the LAMPS team (see Annexe 1), DFID's Independent Third-Party monitoring arrangement through the Somalia Monitoring Programme (SMP2). The LAMPS team delivered verification reports which they shared with DFID and its implementation partners for discussion. The results from the different verifications were discussed in PIMS weekly management meetings and informed decision making and continuous improvement (utilisation based monitoring). PIMS equally used the LAMPS verification process to collect beneficiary feedback.

77. During the lifetime of the programme, the PIMS team greatly strengthened its monitoring capacity from a LAMPS assessed baseline score of 55% to 74%. However, both DAI and the ASI independent review acknowledge that there was significant room to improve the monitoring/analysis capacity of PIMS, with a view to shortening the feedback loops and speeding up lesson learning/adaptation.

Evidence

78. PIMS generated several key pieces of learning, which have provided the source material for this report:

- the Final Outcome Assessment – Promoting Inclusive Markets in Somalia, Horn of Africa Consultants Firm, April 2019 - established that the PIMS programme had delivered the anticipated outcomes for economic development in Somalia;
- Promoting Inclusive Markets in Somalia (PIMS) Final Report, DAI, July 2019 – provided 'the story of PIMS', presented final programme results and outlined lessons learned;
- The Promoting Inclusive Markets in Somalia – Performance Review, ASI 2019 – concluded that PIMS had largely delivered the anticipated results, and highlighted challenges and opportunities for future MSD programming;
- The Learning and Monitoring Programme Somalia (LAMPS) Third Party Monitor and M&E Technical Assistance: PIMS, July 2019 - outlined that LAMPS carried out a total of 60 verifications on the programme. It established that there were key positive trends, with overall good practice flags awarded on training and identification of champion farmers and producers and the start of field demonstrations. Out of the 60 verifications PIMS had two overall urgent flags and eight review flags (see Annex 1).

79. During the life of the programme the following key sources of evidence on private sector development approaches have emerged:

- DFID's Economic Development and Livelihoods Best Buys (2018) which acknowledges that:
    - National level policy advice and TA to promote pro-growth policies are great potential buys
    - Debt and equity investments in firms in LICs are high potential buys
    - Farmer aggregation and access to markets are high potential buys
    - Financial sector development is a high potential buy
    - Management interventions in businesses are high potential buys.

- Private Sector Development in Fragile and Conflict-affected States – Lessons Learned from the DFID Private Sector Development Programme in the Democratic Republic of Congo. Learning

Brief, December 2018. This establishes the common characteristics of effective PSD programming in FCAS as: the ability to be flexible and to couple long-term goals with short-term milestones and flexible contracts; close monitoring of the political and economic context; the ability to work carefully and strategically with government.

- Elan RDC Lessons Learnt – Final Report, July 2019. This outlines the lessons learned from the 6 sectors and 5 cross-cutting functions supported. For example, on SME Finance a key lesson has been that initiatives jointly delivered with partners to include the IFC, demonstrate a great deal of promise in delivering reform and systemic change.

- The Somali Small and Medium Enterprises Facility (SMEF) and Somali Business Catalytic Fund (SBCF) Final Presentations, 6^{th} June 2019. These presented the findings, and lessons learnt / recommendations of World Bank PSD interventions in Somalia. Key takeaways include: the need to: provide sufficient time for programme inception, delivery and extension; incorporate greater focus on building both the supply and demand of SME finance, blending any grant financing with commercial financing in order to bridge towards greater commercial financing; designing programmes to focus on the specific challenges of women entrepreneurs; ensure the processes of local partner selection are clear and transparent.

- Other private sector development partners, such as GEEL, the EU and the IFC have also produced studies and data of import to specific sectors or activities.

80. The availability of evidence continues to be an issue for work in Somalia. A key gap in the data on private sector development programming is on the connection between conflict and business. For example, it is not known the specific attributes of the businesses that have survived conflict i.e. why are the businesses that have survived able to survive? This is something we will seek to better understand in any new programme.

Learning

81. Over and above those mentioned under the above four outputs, the main points of learning coming out of PIMS are the following:

- Development impact can be derived from the Somali private sector if a **win-win commercial incentive structure** (value proposition) can be articulated and developed. Specifically, the lead firm, supplier model is well-suited to the Somali context.

- **Climate concerns should be factored into agriculture-based PSD programming from the outset. A systematic approach to climate resilience** should be adopted that: builds climate resilience concerns into the theory of change and log-frame, explicitly addresses climate resilience in programme design and, incorporates climate resilience at both the systematic and operational levels of implementation
- To **allow sufficient time for new approaches to succeed**. New programmes, particularly those implementing an approach newly introduced to the context require ample time to set up and deliver. This is even more true in FCAS like Somalia, in which humanitarian approaches predominate and where trust is an issue. For example, good practice durations for MSD programmes are 7 years. MSD interventions require ongoing granular understanding of market actors, dynamics and binding constraints. It takes time to source these skills, often these need to be developed and nurtured internally over a prolonged period. Facilitating systemic change takes years, particularly in heavily distorted markets.

- To **incorporate greater MSD thinking** – consider all levels of the market system and the most effective pathways to changing the market structure. PIMS work with lead firms was strong, but it neglected the links with other actors up and down the value chain that could have led to greater systems change. Some of PIMS most notable successes came from seizing policy opportunities and advocating change one on one with the Federal Government of Somalia (FGS). **A problem driven iterative approach to policy can deepen the impact of market facilitation work but**

(from the outset) should incorporate an exit strategy. Similar work with industry bodies could also have been explored from the systems perspective. Conversely undertaking some work with smaller, less established businesses could have provided interesting models for replication (subject to effective dissemination of these) by a wider base of firms. Lastly, greater MSD thinking on the financial sector side may have led to the delivery of more sustainable initiatives.

- **Equity concerns need to be built in from the start and resource needs to be invested to make the business case for the inclusion** of women and youth in markets. Care needs to be taken to design project interventions with tangible value propositions for key players in the different segments of the market system; demonstrating not only the pro-poor value proposition but the case for increased engagement of women and youth. This may require additional staff, capacity building and supplemental research.

- To **invest in monitoring and evidence based learning**. PIMS operated in an evidence poor environment where conditions changed rapidly. Consequently, lessons, particularly on PEA, needed to be learned and communicated quickly with results not necessarily obtained in a linear manner. PIMS developed some programme specific non-standard approaches, to include methodologies for calculating jobs and private investment generated. These were arguably developed on an ad-hoc basis and lacked rigour. Future programmes should place the development of skills, tools and processes adapted to the high-risk environment at the heart of programming, **fostering an organisational culture of ongoing analysis and lesson-learning**. To add rigour to this, new programmes should build in more **standardised measures** (to enable greater comparison across DFID programming) and **regular technical quality assurance** that can be gained either from accreditation to an industry-standard, or by opening the programme up to regular challenge by technical experts.

- Transparent processes and regular stakeholder engagement builds trust. PIMS success can be attributed, in part, to its transparent, frequent and collaborative approach which was informed by initial assessment of the relationships in the sectors targeted. In low trust and low capacity environments, **political economy and conflict analyses should inform the manner and frequency of engagement**. Further, considerable effort should be made to **align and leverage the resources of like-minded PSD donors** in order to maximise impact.

- In FCAS, building in financial mitigation measures such as Cash for Work (CfW) can be an asset. Because PIMS examined CfW projects through a market lens, the CfW component not only enabled the programme to address key infrastructural barriers to private sector growth (which were beyond the means/scope of individual private sector investments), it also enabled the programme to flexibly respond to the drought.

Progress on recommendations from annual reviews for this programme

Item	Recommendation	Progress
Policy engagement	*The DFID team should continue to engage with the Somali government and DAI through the Project Steering Committee meetings to identify and strengthen the programme's policy engagement. The team should coordinate with other programmes such as USAID's GEEL and the EU's OUTREACH to coordinate donor support to the government in the identified policy areas.*	DAI continued to be an active development actor in the policy space, notably partnering with GEEL to: facilitate bilateral discussions on trade between Somalia and Kenya during the Sustainable Blue Economy Conference; deliver the work on HACCP certification with the Somali Bureau of Standards and training of the Somali Fish Inspection and Quality Assurance (FIQA) Team that took place with support from Kenyan counterparts.

Assessment and validation: PIMS' theory of change, in particular the underlying hypothesis assumptions.	*DFID team to prepare detailed ToRs for the end of term assessment of the programme, focusing in particular on (a) if and how the programme has supported behavioural changes to sustain the intended outcome of the programme and (b) if and how the original programme design has been effective in developing the value chains and markets, including their structure and competitiveness.*	The DFID Team prepared detailed ToRs for the Programme Review undertaken by ASI as well as the PCR. In addition, PIMS undertook a final outcome assessment survey and lessons learned assignment to identify key areas for future programming and interventions.
Monitoring	*Build the evidence base on the impact of the programme on investment in productivity gains, adaption of improved technologies and income generation, including what worked and what did not work.*	The DAI lessons learned assignment addressed these.
Strengthen Lesson learning and dissemination, including a stronger focus on inclusion and resilience	*Use the PIMS's lessons learned and research component (L2R) to consolidate and institutionalise learning and insights from PIMS' interventions and interactions focusing on key areas of future programming and interventions including:* o *Assess the resilience impact of PIMS's market system interventions and infrastructure enhancement, including understanding any differentiated impact on men and women and on smallholder farmers. This will be done with DAI's resilience team inputs, bringing together their own resources to contribute to DFID's broader thinking on the resilience agenda* o *Identify areas of assessment and research on water management to mitigate or manage environmental shocks leading to improved crop production.* o *Support an assessment of a realistic quality control (QC) and certification framework with specific focus on the fisheries sector.*	PIMS did not have time to conduct an independent assessment on the resilience impact of its work. The cash for work approach however formed part of the lessons learning section of the final report. This explored how the CfW model and MSD approach can support greater resilience for end beneficiaries. Assessments and research into water management were explored in the irrigation policy and were loosely covered in the outcome assessment survey. PIMS did not have time to support an assessment of realistic quality control and certification as part of its lesson learning and research component. This recommendation will be shared with USAID's GEEL programme.
Communications	- *PIMS to revise its communication work plan*	DAI provided several success stories and flash feedback to DFID for the

	following the recruitment of a short term technical assistance (STTA) consultant to support communications during the extension phase. - *PIMS to disseminate more success stories and positive experience of working including such topics as women economic empowerment, adoption of new technologies and practices etc.*	Economic Growth themed DFID social media approach in August 2018. PIMS did not disseminate the quarterly success stories more widely as this request was not received by the PIMS team until January 2019. However, as part of the final report and lessons learned pieces PIMS has included human interest stories and case studies.