
President's report
Proposed Debt Sustainability Framework grant
Federal Republic of Somalia
Rural Livelihoods Resilience Programme

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 45.

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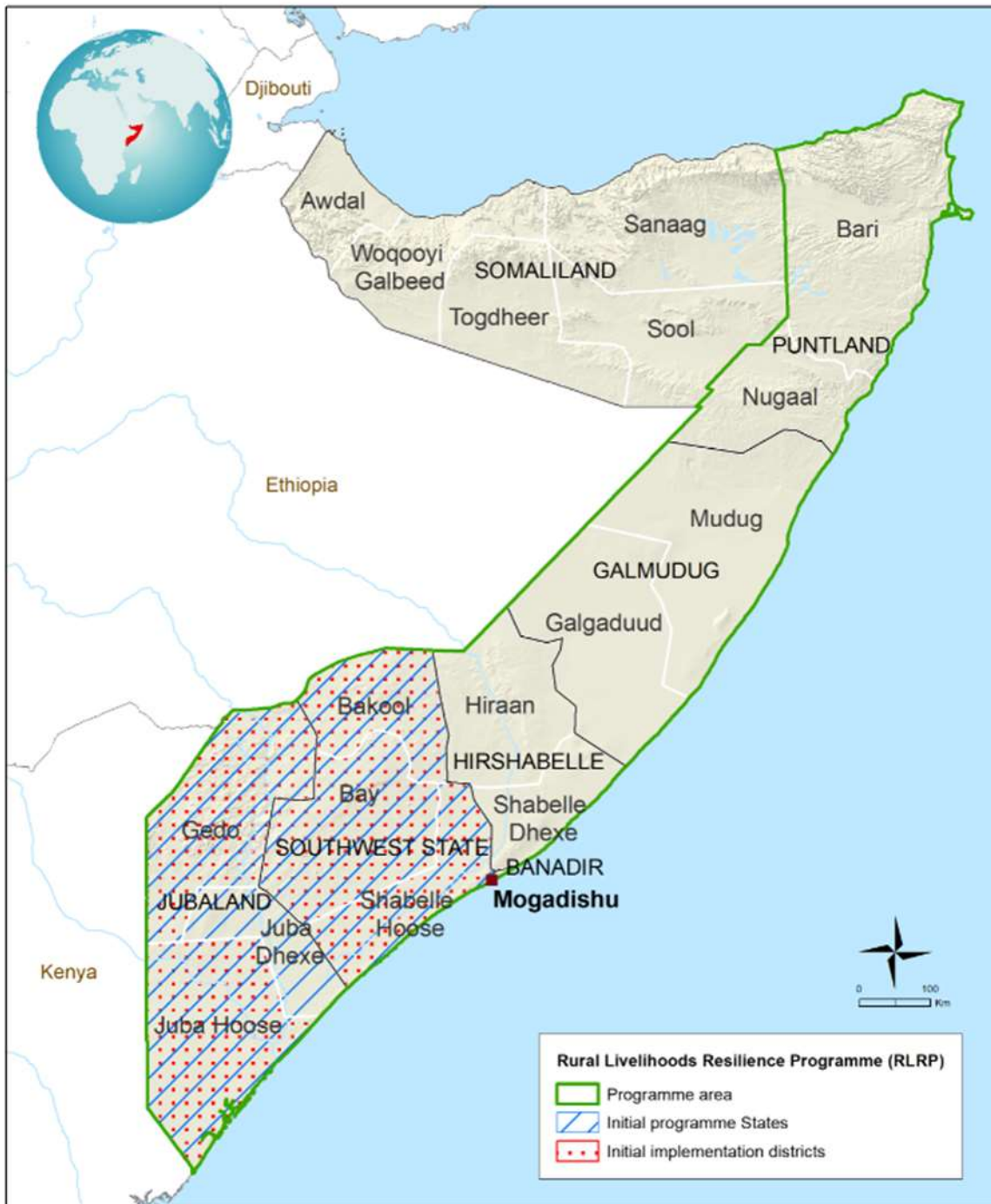
Appendices

- I. Negotiated financing agreement (to be made available prior to the session)
- II. Logical framework
- III. Integrated programme risk matrix

Programme Delivery Team

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Map of the programme area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 17-08-2023

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Ministry of Finance
Executing agency:	Ministry of Agriculture and Irrigation
Total programme cost:	US\$31.22 million
Amount of IFAD Debt Sustainability Framework grant:	US\$11.60 million
Contribution of local government:	US\$2.0 million
Contribution of borrower/recipient:	US\$0.7 million
Contribution of beneficiaries:	US\$3.0 million
Financing gap:	US\$13.92 million
Amount of IFAD climate finance:	US\$6.41 million

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Somalia context is complex, with a perceived high state of insecurity created by the country's recent emergence from about 30 years of civil unrest. The Federal Government of Somalia, established in 2012, has six federal member states (FMS). The current Federal Government took office in June 2022. Somalia's strategic location and natural resource endowment are of interest to regional and international powers.
2. With a 2023 Fragile States Index of 111.9 points, Somalia has been ranked one of the two most fragile countries since 2008. Drivers of fragility in Somalia include: violent struggles for power and resources that have lasted for almost 30 years; badly damaged service infrastructure due to conflict; weak governance and institutional capacity; poverty and youth unemployment; and radicalization.
3. Agriculture accounted for 56.6 per cent of GDP in 2020 and employed 26.3 per cent of the workforce in 2021, but crop productivity is very low. Major risks faced by smallholder farmers include: (i) the impacts of climate change, especially drought and flooding; (ii) insecurity; (iii) weak institutional capacity; and (iv) land degradation.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the programme has been validated as:
 - Including climate finance
 - Nutrition-sensitive
 - Youth-sensitive

Rationale for IFAD involvement

5. Somalia has suffered drought for five consecutive seasons, resulting in substantial loss of livestock, crop failure, displacement of people and destruction of irrigation infrastructure by occasional floods. These factors, along with insecurity, the impacts of the COVID-19 pandemic and the war in Ukraine, have contributed to the fragility of agricultural livelihoods and high levels of food and nutrition insecurity.
6. Smallholder farmers in Somalia need to be supported by interventions such as the Rural Livelihoods Resilience Programme (RLRP) to restore their livelihoods and make them resilient to multiple shocks. In the past decade or so, IFAD has only supported agricultural development in Somalia with grants. In February 2023, Somalia's debt arrears to IFAD were cleared, providing the country access to core resources. IFAD committed to apply the first allocation from the performance-based allocation system (PBAS) to RLRP, which will mark a strategic return to Somalia after 30 years.
7. RLRP will draw on IFAD's experience in addressing fragility in Somalia and other countries, through climate-resilient community-led agriculture and infrastructure development, to contribute to building the livelihoods resilience of the rural communities and to ensuring gender and social inclusion, and youth and nutrition sensitivity.

B. Lessons learned

8. The design of RLRP benefited from the lessons learned from IFAD grant-funded projects and the projects of other development partners in Somalia during the last 30 years. These include:
 - (i) The primacy of water availability as an entry point and a prerequisite for other activities to build resilience and reduce conflict among poor populations in fragile areas with recurring drought situations;
 - (ii) The community driven development (CDD) approach is an efficient way of delivering public goods and improving targeting and ownership, particularly in remote locations and fragile situations;
 - (iii) The use of third-party implementation partners (TPIPs) kept IFAD engaged in Somalia during the 30-year suspension of lending through grant-financed projects. The TPIPs addressed fragility issues such as limited institutional capacity, access to rural areas with high insecurity and few service providers;
 - (iv) Climate-smart agriculture practices have a strong potential to increase the production and resilience of smallholder farmers; and
 - (v) An emergency subcomponent, with a zero allocation, allows the programme to react rapidly to emergency situations such as droughts, floods and fires. Based on experience with the Rural Poor Stimulus Facility and Crisis Response Initiative funds, priority investments after emergencies include:
 - (i) productivity enhancement investments; and (ii) small-scale rehabilitations.

II. Programme description

A. Objectives, geographical area of intervention and target groups

9. The goal of RLRP is to achieve improved and resilient livelihoods of rural smallholders in Somalia. The programme development objective is to sustainably increase productivity, incomes and nutrition security and enhance the resilience of rural smallholder families in Somalia. The core indicators for assessing the programme development objective are: (i) percentage increase in resilience capacity (target 15 per cent); and (ii) persons with new jobs/employment opportunities (target 3,600).
10. Based on criteria such as poverty prevalence, rate of food and nutrition insecurity, level of cumulative degradation of the productive natural resource base, and acceptable level of conflict and insecurity to allow access to the area, the Government and IFAD jointly selected two FMS with five districts to launch RLRP: South West State (Bay, Bakool and Lower Shabelle districts) and Jubaland (Gedo and Lower Juba districts). Based on the implementation experience, funding availability and the conflict dynamics, selected programme activities will be scaled up either within the initial districts, within the initial FMS, or to other FMS, most likely during the midterm review.

B. Components, outcomes and activities

11. RLRP comprises three components: **(1) support to community resilience**, whose outcomes are strengthened and inclusive communities with enhanced social cohesion that are able to define their livelihood development pathways and manage conflict; **(2) support to smallholder livelihoods enhancement**, whose outcomes are: increased production and productivity of priority crops and livestock for resilience, dietary diversity, food security and improved incomes, as informed by the community development plan (CDP); and **(3) programme coordination and capacity-building**, whose outcomes are improved local governance due to a strengthened policy and institutional environment and sustainable local and national policies thanks to an efficiently and effectively managed programme

12. **Component 1: Support to community resilience** consists of two subcomponents. The core activities of **subcomponent 1.1 (strengthening community governance and services)** cover a range of institution-building and skills development activities to enable the programme communities to own and be accountable for development initiatives. Key activities include: (i) development of district profiles; (ii) mobilization of communities; (iii) development of the CDP; and (iv) capacity-building of existing and newly formed community institutions to serve their members and provide information on disaster risk management. **Subcomponent 1.2 (community investment support)** will finance investments prioritized in the CDP, including: (i) community-based water sources for domestic use and crop and livestock production; (ii) rehabilitation of irrigation canals; (iii) migration to pressurized irrigation networks using solar-powered pumping systems; (iv) surface water harvesting; and (v) rehabilitation and construction of post-harvest management (PHM) and processing facilities, community-owned grain reserves, grain drying technology, cold chain facilities in major rural markets and livestock market sheds.
13. **Component 2: Support to smallholder livelihoods** consists of two subcomponents: **subcomponent 2.1 (strengthening resilience in crop and livestock value chains)** will support: (i) a pluralistic approach to crop and livestock extension services; (ii) improved animal health by training and equipping community animal health workers; (iii) promotion of improved inputs and climate-smart agriculture technologies through training and demonstrations; (iv) access to productive inputs; (v) capacity-building for farmers on PHM, market linkages and diversified production for nutrition-sensitive cooking techniques; and (vi) targeted support to disadvantaged households in crop and livestock production. **Subcomponent 2.2 (entrepreneurship for value chain development)** will support the development of the entrepreneurial skills of youth and women in agricultural and related services, with a focus on increased incomes and job creation. The activities under this subcomponent include: (i) studies to inform agribusiness development in programme districts; (ii) support for entrepreneurship development through capacity development; and (iii) support for access by youth and women to financial services for business development along the priority value chains. Finally, **subcomponent 2.3** is an emergency subcomponent that can be activated in case of a natural disaster or social emergency. Emergency activities include: (i) productivity enhancement; and (ii) emergency small-scale infrastructure rehabilitation.
14. **Component 3: Programme coordination and capacity-building** will support: (i) programme coordination; (ii) capacity needs assessment and capacity-building; (iii) financial management; (iv) monitoring and evaluation (M&E); and (v) evidence-based policy development.

C. Theory of change

15. The challenges underlying the fragility of the agricultural sector in Somalia include: (i) vulnerability to climate change perpetuating severe water scarcity; (ii) violent conflicts leading to displacement of farmers; (iii) destruction of productive infrastructure; (iv) inadequate access to food; (v) weak community institutions for governance and service provision to farmers; and (vi) low inclusion of youth, women and internally displaced persons in agricultural activities and community institutions. In terms of production, constraints include: (i) poor access to improved climate-smart production services and market technologies; (ii) high post-harvest losses; (iii) limitations in entrepreneurial skills for livelihood enhancement; (iv) eroded technical skills; and (v) limited knowledge and application of nutrition practices. Additionally, there are limitations in institutional and technical capacities at different levels to articulate policies for agriculture development. These challenges lead to low agricultural production and productivity and insufficient access to food, with consequences for malnutrition and food insecurity.

16. RLRP will address these challenges through a three-pronged approach: (i) use the CDD approach to facilitate the implementation of inclusive climate-resilient investments and build resilient cohesive community institutions; (ii) build the resilience capacity of farmers, including women, youth and internally displaced persons, through access to water, productive inputs and improved breeds for crop and livestock, capacity-building in climate-smart crop and livestock practices, provision of nutrition training and PHM, improved access to markets and finance, and development of entrepreneurship skills; and (iii) strengthen relevant government institutions to provide an enabling environment for resilient agricultural investments by smallholder producers. The expected outcomes of RLRP include: (i) enhanced community social cohesion strengthening communities to define their livelihood development pathways and manage conflict; (ii) increased production and productivity of priority crops and animals for resilience, dietary diversity, food security and incomes; and (iii) improved local governance due to a strengthened policy and institutional environment, and sustainable local and national policies as a result of efficiently and effectively managed community-based programmes.

D. Alignment, ownership and partnerships

17. RLRP will contribute to the attainment of some of the investment priorities in Somalia's compact at the 2023 Africa Food Systems Summit, notably: (i) productive irrigation and market infrastructure development; (ii) strengthening crop and livestock value chains and agribusiness development, including access to finance; (iii) capacity-building of government institutions and staff; and (iv) commercialization of fodder and other animal feed.
18. RLRP is aligned with the relevant national policies and strategies of the Government, which are fully aligned with the Sustainable Development Goals (SDGs), notably: (i) the ninth National Development Plan priorities of improving the productivity of farming systems for increased food security, inclusion of vulnerable groups in programme implementation and factoring environmental protection into intervention design and implementation; and (ii) the targets set in the Agriculture Development Strategic Plan to reduce the number of people living below the absolute poverty line to less than 25 per cent (SDG 1), reduce food insecurity by over 12 per cent, achieve average annual agricultural growth of 3 to 5 per cent and increase the productivity of key food commodities by over 6 per cent (SDG 2).
19. RLRP will benefit from IFAD's membership in the United Nations Country Team and the Somalia Partnership Forum to harmonize its implementation with that of related rural development interventions by the Government and development partners. RLRP will work closely with the ongoing World Bank sector projects, the Barwaaqo – Somalia Water for Rural Resilience Project approved in December 2022 and the regional Food Systems Resilience Programme for Eastern and Southern Africa approved in May 2023. South-South and Triangular Cooperation partners will be engaged for knowledge management and forging bilateral partnerships. Other public and private sector partnerships will be developed during the implementation of RLRP.

E. Costs, benefits and financing

20. The investment and recurrent costs for RLRP, including price and physical contingencies, over an eight-year implementation period, are estimated at US\$31.2 million. The costs include base costs of US\$29 million and estimated price and physical contingencies of US\$1.8 million.
21. The financing gap of US\$13.9 million may be sourced through subsequent PBAS cycles (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.

22. Programme components 1.1, 1.2 and 2.2 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is estimated at US\$6.41 million.

Programme costs

23. The overall investment costs are estimated at US\$26.98 million (86 per cent of total costs) with recurrent costs at US\$4.24 million (14 per cent of total costs). The cost allocation by component is as follows: component 1 – support to community resilience, US\$11.61 million, equivalent to 37 per cent of the overall programme investment; component 2 – support to smallholder livelihoods enhancement, US\$14.29 million (46 per cent); and component 3 – programme coordination and capacity-building, US\$5.3 million, equivalent to 17 per cent of the overall programme costs.

Table 1

Programme costs by component and subcomponent and financier

(Thousands of United States dollars)

	Government		IFAD DSF grant		Financing gap		FMS		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Support to community resilience												
1.1. Strengthening community governance and services	-	-	1 571	42	2 154	58	-	-	-	-	3 725	12
1.2. Community investment support	-	-	2 828	36	2 929	37	1 212	15	924	12	7 892	25
Subtotal	-	-	4 399	38	5 083	44	1 212	10	924	8	11 617	37
2. Support to smallholder livelihoods enhancement												
2.1. Strengthening resilience in crop and livestock value chains	-	-	2 444	31	4 378	55	-	-	1 155	15	7 977	26
2.2. Entrepreneurship for value chain development	-	-	1 815	29	2 792	44	788	13	921	15	6 316	20
2.3. Contingency, disaster and risk mitigation.	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	4 259	30	7 169	50	788	6	2 077	15	14 293	46
3. Programme coordination and capacity-building												
3.1. Programme coordination and capacity-building	700	13	2 942	55	1 668	31	-	-	-	-	5 310	17
Total programme costs	700	2	11 600	37	13 920	45	2 000	6	3 000	10	31 220	100

Table 2

Programme costs by expenditure category and financier

(Thousands of United States dollars)

	Government		IFAD DSF grant		Financing gap		FMS		Beneficiaries		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
I. Investment costs											
A. Works	-	-	2 416	38	2 198	35	962	15	749	12	6 326
B. Training and capacity-building	40	1	1 519	24	3 432	55	476	8	803	13	6 271
C. Consultancies, studies and technical assistance	659	9	2 804	39	2 866	40	365	5	449	6	7 143
D. Goods and inputs	-	-	1 332	25	3 026	58	144	3	746	14	5 248
E. Services	-	-	647	37	793	45	53	3	253	15	1 747
F. Equipment and materials	-	-	247	100	-	-	-	-	-	-	247
Total investment costs	700	3	8 966	33	12 316	46	2 000	7	3 000	11	26 982
II. Recurrent costs											
A. Salaries and allowances	-	-	2 457	64	1 406	36	-	-	-	-	3 863
B. Office operating costs	-	-	178	47	198	53	-	-	-	-	375
Total recurrent costs	-	-	2 634	62	1 604	38	-	-	-	-	4 238
Total programme costs	700	2	11 600	37	13 920	45	2 000	6	3 000	10	31 220

Table 3

Programme costs by component and subcomponent and programme year (PY)

(Thousands of United States dollars)

	2024	2025	2026	2027	2028	2029	2030	2031	Total
1. Support to community resilience									
1.1. Strengthening community governance and services	935	1 411	294	302	311	320	76	78	3 725
1.2. Community investment support	697	2 259	1 618	1 853	1 028	296	66	76	7 892
Subtotal	1 632	3 670	1 912	2 155	1 338	615	142	154	11 617
2. Support to smallholder livelihoods enhancement									
2.1. Resilient crop and livestock value chains	1 166	1 692	1 482	867	754	818	639	558	7 977
2.2. Entrepreneurship for value chain development	930	770	788	811	852	701	721	742	6 316
2.3. Contingency, disaster and risk mitigation.	-	-	-	-	-	-	-	-	-
Subtotal	2 096	2 462	2 271	1 678	1 606	1 520	1 361	1 300	14 293
3. Programme coordination and capacity-building									
3.1. Programme coordination and capacity-building	946	709	726	747	652	463	476	591	5 310
Subtotal	946	709	726	747	652	463	476	591	5 310
Total programme costs	4 673	6 841	4 909	4 580	3 596	2 598	1 978	2 045	31 220

Financing and cofinancing strategy and plan

24. IFAD financing is estimated at US\$11.6 million. Domestic cofinancing from the Government and the participating FMS is estimated at US\$2.7 million (US\$0.7 million and US\$2 million, respectively) in the form of in-kind contributions. Beneficiary contributions are estimated at US\$3 million, also in the form of in-kind contributions to the programme. The financing gap of US\$13.9 million may be sourced through subsequent PBAS cycles (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.

Disbursement

25. Upon signature of the RLRP financing agreement with IFAD, a designated account in United States dollars will be opened at the Central Bank of Somalia to receive funds from the IFAD grant. A separate designated account will be opened for any additional cofinanciers that may be identified during implementation. The disbursement of IFAD funds will be made in accordance with the disbursement procedure based on interim financial reports. According to this procedure, the disbursement of IFAD funds will be conditional on the submission to IFAD of quarterly interim financial reports within 45 days of the end of each quarter. All payments at project level will be processed by the national project coordination unit (NPCU) through the Somalia Financial Management Information System (SFMIS). A petty cash account will be opened at the level of the two states and also managed through the SFMIS. A start-up advance of not more than US\$162,000 will be made available to the programme before first disbursement conditions are met in order to ensure rapid project start-up.

Summary of benefits and economic analysis.

26. RLRP will build the resilience of the direct beneficiary small-scale producers to economic, environmental and climatic shocks through: (i) capacity-building on the technical and managerial aspects of their livelihoods; (ii) increased access to production inputs and services; (iii) increased crop and livestock productivity from adoption of improved inputs, services and production technologies; (iv) investment in assets; (v) improved natural resource management; and (vi) enhanced climate change adaptation and mitigation.
27. The baseline economic rate of return (ERR) and net present value are estimated at 24 per cent and US\$63.2, respectively. All quantifiable benefits were discounted over a period of 20 years including the eight years of the RLRP implementation period, using a rate of 8 per cent. The ERR of 24 per cent is higher than the discount rate used for the economic analysis which confirms the justification of the

proposed investment. The benefit-cost ratio for the whole investment is estimated at 7.74.

Exit strategy and sustainability

28. To enhance sustainability, the implementation of the RLRP activities will aim at leaving behind: (i) effective institutions at the community, district, FMS and national levels, and empowered value chain players; (ii) programme interventions mainstreamed into government systems at all levels; and (iii) a more enabling policy environment for smallholder value chain actors.

III. Risk management

A. Risks and mitigation measures

29. In view of the expected continuation of the fragile and high-risk context during the implementation of RLRP, the overall inherent risk is rated substantial. Many of the subcategories show high or substantial risks: (i) high – governance, macroeconomic, fragility and security, implementation arrangements, and programme financial management; and (ii) substantial – policy development and implementation, programme vulnerability to environmental conditions, and climate change impacts, technical soundness, M&E arrangements, programme procurement, accountability and transparency, capability in public procurement, environmental resource efficiency and pollution, Indigenous Peoples, vulnerability of target populations and ecosystems to climate variability and hazards, and stakeholder grievances.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	High
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Moderate
Project scope	Substantial	Moderate
Institutional capacity for implementation and sustainability	High	Substantial
Financial management	High	Substantial
Project procurement	Substantial	Substantial
Environment, social and climate impact	Moderate	Low
Stakeholders	Substantial	Moderate
Overall	Substantial	Moderate

B. Environment and social category

30. The environmental risk categorization of RLRP is substantial as the environmental and social impacts of the programme activities are expected to be substantial in nature but dispersed, largely site-specific and reversible. To mitigate these potential negative impacts, the environmental sustainability measures integrated into the design of RLRP include the implementation of mitigation strategies outlined in the Environmental, Social, and Climate Management Framework, along with structured community involvement, capacity-building on sustainable practices and regular M&E of key elements to ensure that the programme does not inadvertently harm the environment while striving to improve livelihoods.

C. Debt sustainability

31. According to the latest debt sustainability analysis performed by the International Monetary Fund in May 2023, Somalia's total public debt is US\$3.3 billion, or 40.8 per cent of GDP at end-2022 – nearly all of which is external and well above the 30 per cent threshold for countries like Somalia with weak debt carrying capacity. Somalia is in arrears with external creditors, and debt restructuring negotiations are ongoing. Nevertheless, Somalia's debt is assessed as sustainable

in a forward-looking sense, contingent on the full delivery of debt relief initiatives. Somalia is currently assessed to be in debt distress, both for external and overall public debt, and is therefore eligible for IFAD Debt Sustainability Framework (DSF) grants.

IV. Implementation

A. Organizational framework

Programme management and coordination

32. A programme steering committee under the Ministry of Agriculture and Irrigation (MoAI), the lead implementation agency, will provide oversight and guidance for implementation of RLRP nationally. Specifically, the steering committee will approve the annual workplan and budget (AWPB) and review the reports and audit of RLRP. A state programme steering committee will be established in each participating FMS to provide oversight and guidance for implementation of RLRP at the state level.
33. The NPCU, reporting to the MoAI, will be responsible for: (i) managing the procurement of goods, works and services for the implementation of all programme activities; (ii) developing the AWPB; (iii) undertaking M&E and knowledge management and communication (KMC) for programme activities; and (iv) reporting on implementation progress and results to IFAD and the MoAI. The NPCU will comprise competitively recruited staff. A lean state programme coordination unit will be responsible for the day-to-day implementation of the programme at the FMS level, reporting administratively to the Minister of the MoAI and technically to the NPCU.
34. IFAD will supervise RLRP directly, conducting field missions directly where feasible or through TPIPs engaged to augment the IFAD supervision activities through periodic monitoring and reporting on project implementation, especially in hard-to-reach areas due to insecurity and poor accessibility. The IFAD country team and the country presence officer based in Nairobi will monitor and follow up on the implementation of RLRP, and support policy engagement, KMC and partnership-building.

Financial management, procurement and governance

35. The official grant recipient will be the Ministry of Finance and the lead implementation agency for RLRP will be the MoAI. Within the MoAI, the NPCU will include a finance team constituted of competitively recruited personnel flanked by seconded government staff. In each participating FMS there will also be a focal accounting assistant. RLRP will use the SFMIS, which will be configured to process payments directly from the designated account and to ensure accounting of all expenditures by sources of financing, components and categories and produce reporting in line with the International Public Sector Accounting Standards cash basis standard. The annual budget will be approved within the government budget system through the budget law before being recorded in the project accounting system. The Supreme Audit Institution of Somalia has the statutory responsibility to audit all government projects such as the RLRP. At their discretion, and in consultation with IFAD, the Supreme Audit Institution may appoint private audit firms to carry out the audit. IFAD will review the audit terms of reference and provide no objection prior to commencement of the audit. The auditing standards applied will be the international standards on auditing. Given IFAD's lack of experience, the proposed financial management arrangements are based on the lessons learned from the World Bank regarding the use of country systems and will be further validated at the start-up phase.

Target group engagement and feedback and grievance redress

36. Approaches to mobilize participation, build relationships with stakeholders and obtain feedback include: (i) briefing the stakeholders who are likely to be impacted about the RLRP activities; (ii) scheduling regular update meetings with key

stakeholders; (iii) placing suggestion boxes at the NPCU offices; (iv) engaging stakeholders in participatory planning, such as through public consultations during the preparation of terms of reference for environmental assessment and its conduct; (v) engaging stakeholders in participatory M&E; (vi) conducting beneficiaries surveys to assess progress, gauge their satisfaction with services delivered and evaluate programme results at midterm and end-term, or at shorter intervals as needed; and (vii) including beneficiary representatives as members of the state programme steering committee to induce a higher degree of beneficiary influence over decision-making.

Grievance redress

37. The grievance redress mechanism (GRM) provides a formal avenue for affected groups or stakeholders to engage with the project owners or implementers on issues of concern or unaddressed impacts. Some communities in Somalia maintain a community-based system for grievance redress through the village leadership and the Clan Elders' Council. The involvement of the village leadership in grievance redress allows for swift resolution given their knowledge of the community and proximity to the members. RLRP will make efforts to ensure that complaints are resolved at the community level. Residual grievances not resolved within the traditional system will be resolved through a formal GRM. IFAD's GRM provides a complaints procedure for alleged non-compliance with the Social, Environmental and Climate Assessment Procedures (SECAP).

B. Planning, monitoring and evaluation, learning, knowledge management and communications

38. The M&E system will be developed according to an approved and validated M&E plan. It will focus on monitoring the indicators of the logical framework and addressing evaluation needs during programme implementation. Parallel to system construction, information will be gathered to establish the baseline situation of potential programme beneficiaries prior to implementation. The knowledge management, learning and communication activities will adhere to the guidelines outlined in the KMC plan. This tool will play a critical role throughout the activity planning process as an integral component of the programme M&E framework.

Innovation and scaling up

39. Most of the innovations from past and ongoing projects in Somalia are digital technologies that were a response to the multiple shocks the country went through in recent years. Candidate innovations include: (i) the e-FOP platform from the Food Security and Sustainability in Fragile Situations Project (FSSFS); (ii) the biometric registration identification and management system from FSSFS; and (iii) the use of pictorial evaluation tools from the Dissemination of Technologies for the Sustainable Management of Rangelands and Small Ruminants Project. RLRP will adapt these innovations for scaling up, as the fragile situation still persists in Somalia, while exploring opportunities to identify innovations that may come up during implementation.

C. Implementation plans

Implementation readiness and start-up plans

40. In the early stages of implementation, the following activities will take place to ensure implementation readiness: (i) recruitment of key staff; (ii) refinement of the 18-month draft AWPB and procurement plan; and (iii) procurement of goods and services required for programme start-up. With the programme staff in place, a start-up workshop will be organized with all stakeholders and implementation partners at the federal, FMS and district levels, to: acquaint the participants with the implementation modalities of RLRP and the IFAD guidelines and procedures; refine the draft project implementation plan; and enrol and train relevant RLRP staff on IFAD corporate systems, such as the Online Project Procurement End-to-End System (OPEN), which promotes transparency, competition and value for money.

Supervision, midterm review and completion plans

41. Supervision and implementation support missions will be organized jointly by the Government and IFAD to address implementation-related issues and review progress. An early implementation support mission will be mobilized within the first three months of programme effectiveness to cover any gaps in the project implementation plan and project design report. In the early stages of implementation, IFAD will aim at conducting two supervision and implementation support missions annually, one remote and one in person.

V. Legal instruments and authority

42. A financing agreement between the Federal Republic of Somalia and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement will be made available prior to the session.
43. The Federal Republic of Somalia is empowered under its laws to receive financing from IFAD.
44. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

45. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the Federal Republic of Somalia in an amount of eleven million six hundred thousand United States dollars (US\$11,600,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(To be made available prior to the session)

Logical framework

Results Hierarchy	Indicators				Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Outreach	1. Number of persons receiving services promoted or supported by the project				MIS/MES	semester/annual	NPCU	No major conflict or climate related incidents causing mass displacement
Project outreach in terms of beneficiaries receiving project services and corresponding households and HHs members	Males	0	27000	90000				
	Females (50%)	0	27000	90000				
	Young (40%)	0	21600	72000				
	Not Young							
	Non-Indigenous people							
	Total number of persons receiving services	0	54000	180000				
	Internally Displace People - IDPs (15%)	0	8100	27000				
	1.a Corresponding number of households reached				MIS/MES	semester/annual	NPCU	
	Women-headed households (50%)		4500	15000				
	Non-women headed households (50%)		4500	15000				
	Young headed households (40%)		3600	12000				
	IDPs headed households (15%)		1350	4500				
	Households	0	9000	30000				
1.b Estimated corresponding total number of households members				MIS/MES	semester/annual	NPCU		
Household members	0	54000	180000					
Project Goal	HHs reporting increase in income (disaggregated for women and IDPs)				COI HH survey	BL, MT, End	NPCU	Political stability maintained. Improved macroeconomic conditions. Change in weather patterns not as drastic as predicted.
Improved and resilient livelihoods of rural smallholders in Somalia	HHs	0	6%	20%				
	Women	0	6%	20%				
	IDPs	0	3%	10%				
	Percentage increase in the Ability to Recover from Shocks (ATR) - Resilience Capacity				COI HH survey	BL, MT, End	NPCU	
	Increase ATR	0	5%	15%				
	HHs with reduction in Food Insecurity Experience Scale (FIES)				HH survey - FAO FIES methodology (to be added to COI)	BL, MTR/PCR	NPCU	
	Households	0	3%	10%				
	Development Objective	CI 1.2.8 Women reporting minimum dietary diversity (MDDW)				COI HH survey	BL, MT, PCR	
Women (%)		21%	70%					

Results Hierarchy	Indicators				Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Sustainably increase productivity, incomes, and nutrition security of smallholders' families in Somalia	Women (number)		18900	63 000				macroeconomic conditions. Change in weather patterns not as drastic as predicted.
	Households (%)		21%	70%				
	Households (number)		3150	10 500				
	Household members		37800	126 000				
	CI 2.2.1 Persons with new jobs/employment opportunities							
	Males	0	2700	9000	COI HH survey	BL, MT, PCR	NPCU	
	Females	0	2700	9000				
	Young	0	2160	7200				
	Total number of persons with new jobs/employment opportunities (10%)	0	5400	18000				
	Outcome	SF.2.1 Households satisfied with project-supported services						
Outcome 1: Strengthened and inclusive communities with enhanced social cohesion that are able to define their livelihood development pathways and manage conflict.	Household members	0	40500	135000	COI HH outcome survey	BL, MT, End	NPCU	
	Non-Indigenous households							
	Non-women-headed households							
	Households (%)	0	23%	75%				
	Households (number)	0	6750	22500				
SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers								
Household members	0	40500	135000	COI HH survey	BL, MTR, End	NPCU		
Non-Indigenous households								
Non-women-headed households								
Households (%)	0	23%	75%					
Households (number)	0	6750	22500					
CI 2.2.6 Households reporting improved physical access to markets, processing and storage facilities								
Household members	0	40500	135000	COI HH survey	BL, MTR, End	NPCU		
Non-Indigenous households								
Non-women-headed households								
Households (%)	0	23%	75%					
Households (number)	0	6750	22500					

Results Hierarchy	Indicators				Means of verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible				
	CI 3.2.2 Households reporting adoption of environmentally sustainable and climate-resilience technologies and practices				COI HH survey	BL, MTR, End	NPCU				
	Total number of household members	0	48600	162000							
	Households (%)	0	27%	90%							
	Households (number)	0	8100	27000							
Output	CI 3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				MIS/MES	semester/annual	NPCU	Political and social stability in community			
1.1 Strengthening community governance and services	Total size of groups	0	3600	12000							
	Groups supported	0	5	15							
	Males	0	1800	6000							
	Females	0	1800	6000							
	Young	0	1440	4800							
	Number of district profiles developed										
	District Profiles	0	2	5	MIS/MES	semester/annual	NPCU				
	Number of communities with CDPs developed				MIS/MES	semester/annual	NPCU				
	Communities	0	5	15							
Output	CI 2.1.6 Number of market, processing or storage facilities constructed or rehabilitated				MES - GIS	semester/annual	NPCU	Political and social stability in community			
1.2. Community investment support	Total number of facilities	0	11	36							
	Market facilities constructed/rehabilitated (livestock market sheds)	0	2	6							
	Processing facilities constructed/rehabilitated (cold chain)	0	1	4							
	Storage facilities constructed/rehabilitated (Grain reserves)	0	7	24							
	Number of institutions formed										
	Institutions	0	11	36					MES system	semester/annual	NPCU
	Number of people trained for O&M										
	Individuals trained	0	1800	6000					MES system	semester/annual	NPCU
Outcome	CI 1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes								COI HH survey	BL, MT, End	NPCU
Outcome 2: increased production and productivity of priority crops and animals for resilience, dietary diversity and food security	Households reporting improved access to water (%)	0	9%	30%							
	Size of households reporting improved access to water	0	16200	54000							

Results Hierarchy	Indicators				Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
	Total no. of households reporting improved access to water	0	2700	9000				
	CI 1.2.4 Households reporting an increase in production							
	Total number of household members	0	27000	90000	COI Outcome survey	BL, MTR, PCR	NPCU	
	Households (%)	0	15%	50%				
	Households	0	4500	15000				
Output	CI 1.1.3 Rural producers accessing production inputs and/or technological packages							No significant changes affecting the agriculture and livestock sectors. Change in weather patterns not as drastic as predicted.
2.1: Resilient crop and livestock value chains	Males	0	1620	5400	MES	semester/annual	NPCU	
	Females	0	1080	3600				
	Young	0	810	2700				
	Total rural producers	0	2700	9000				
	CI 1.1.4 Persons trained in production practices and/or technologies							
	Men trained in livestock	0	2700	9000	MES	semester/annual	NPCU	
	Women trained in livestock	0	2700	9000				
	Young people trained in livestock	0	1350	4500				
	Total persons trained in livestock	0	4500	15000				
	CI 1.1.8 Households provided with targeted support to improve their nutrition							
	Total persons participating	0	8100	27000	MES	semester/annual	NPCU	
	Males	0	4050	13500				
	Females	0	4050	13500				
	Households	0	8100	27000				
	Household members benefitted	0	48600	162000				
	Non-Indigenous people							
	Young	0	3240	10800				
	Not Young							
	Non-women-headed households							
Output	CI 2.1.2 Persons trained in income-generating activities or business management							No significant changes affecting the agriculture and livestock sectors. Change in weather
2.2 Entrepreneurship for value chain development	Males	0	3375	11250	MES	semester/annual	NPCU	
	Females	0	3375	11250				
	Young	0	2160	7200				

Results Hierarchy	Indicators				Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
	Persons trained in IGAs or BM (Total)		6750	22500				patterns not as drastic as predicted.
	CI Number of feed and fodder production system implemented				M&E system	semester/annual	NPCU	
	Hectares of land		120	400				
	CI 2.1.1 Rural enterprises accessing business development services				M&E system	semester/annual	NPCU	
	Size of enterprises	0	5400	18000				
	Rural enterprises	0	900	3000				
	Women in leadership position	0	1620	5400				
	CI 1.1.5 Persons in rural areas accessing financial services				MES - financial institution records	semester/annual	NPCU	
	Men in rural areas accessing financial services - credit		11	38				
	Women in rural areas accessing financial services - credit		11	38				
	Young people in rural areas accessing financial services - credit		9	30				
	Total persons accessing financial services - credit		23	75				
	Men in rural areas accessing financial services - insurance		11	38				
	Women in rural areas accessing financial services - insurance		11	38				
	Young people in rural areas accessing financial services - insurance		9	30				
	Total persons accessing financial services - insurance		23	75				
Outcome	Policy 3: Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							Qualitative assessment
Outcome 3: Strengthened policy and institutional environment for sustainable development of the Somali agricultural and livestock sector	Number	0	1	2				
Output	Number of government members trained				MES	semester/annual	NPCU	Government leadership and effective policy
	Males	0	20	100				

Results Hierarchy	Indicators				Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsible	
Strengthened institutional capacity - Local policies are developed through support by KMC programme activities	Females	0	5	40				support provided - Consultation platform set-up
	Policy 1 Policy-relevant knowledge products completed				KMC reporting and MES	annual	NPCU	
	Number	0	1	2				

Integrated programme risk matrix

I. Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	High	Substantial
Political Commitment	Moderate	Low
Governance	High	Substantial
Macroeconomic	High	Substantial
Fragility and Security	High	High
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Low	Low
Policy Development and Implementation	Substantial	Moderate
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
Project vulnerability to climate change impacts	Substantial	Moderate
Project Scope	Substantial	Moderate
Project Relevance	Moderate	Low
Technical Soundness	Substantial	Moderate
Institutional Capacity for Implementation and Sustainability	High	Substantial
Implementation Arrangements	High	Substantial
Monitoring and Evaluation Arrangements	Substantial	Moderate
Project Financial Management	High	High
Project Organization and Staffing	High	Substantial
Project Budgeting	High	Substantial
Project Funds Flow/Disbursement Arrangements	High	Substantial
Project Internal Controls	High	High
Project Accounting and Financial Reporting	High	Substantial
Project External Audit	High	High
Project Procurement	Substantial	Substantial
Legal and Regulatory Framework	Substantial	Moderate
Accountability and Transparency	Substantial	Moderate
Capability in Public Procurement	Substantial	Moderate
Public Procurement Processes	High	High
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
Resource Efficiency and Pollution Prevention	Substantial	Moderate
Cultural Heritage	Low	Low
Indigenous People	Low	Low
Labour and Working Conditions	Moderate	Low
Community Health and Safety	Substantial	Low
Physical and Economic Resettlement	Low	Low
Greenhouse Gas Emissions	Moderate	Moderate
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Moderate
Stakeholders	Substantial	Moderate
Stakeholder Engagement/Coordination	Substantial	Moderate
Stakeholder Grievances	Substantial	Moderate
Overall	Substantial	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	High	Substantial
Political Commitment	Moderate	Low
<p>Risk: At the IFAD Governing Council in February 2023, the President reaffirmed the commitment of the FGS to support an enlarged IFAD programme in Somalia with PBAS resources and supplementary funding. However, the commitment of the FMS to such an expanded IFAD programme has not been ascertained as security restrictions have prevented direct interactions between IFAD and the FMS. Moreover, some FMS are still seeking to be politically independent of the FGS.</p> <p>Mitigations: Tripartite agreements and memorandum of understandings between IFAD, FGS and FMS are to be established to facilitate and ownership to the appropriate implementation of project activities. Further consultations with FGS, and if possible the FMS, to clarify IFAD development focus in Somalia, will reduce the residual risk to low.</p>	Moderate	Low
Governance	High	Substantial
<p>Risk: The governance structures, law and order were weakened by 30 years of conflict, and there are recurring violent conflicts between the clans and with Al Shabaab. Corruption is perceived to be high in this fragile situation. The new government that took office in 2022 is working towards state building and rebuilding economic governance institutions. The clearance of the debt arrears to IFAD, AfDB, IMF and IDA have restored Somalia's access to regular concessional financing and the prospects of support to governance capacity building.</p> <p>Mitigations: The residual risk is expected to reduce with the envisaged capacity building interventions to raise the country's current governance index above 2.41, and its ranking of 129 out of 137 countries. The country is now nearly at the end of the HIPC interim period, and Completion Point is anticipated in the last quarter of 2023. Initiatives by the government to fast-track all legislative milestones as required by the international financial institutions and strengthen relevant institutions' capacities have been met. In the 2nd quarter of 2023, the IMF concluded its 5th review and announced that Somalia had reached its staff-level agreement on the Extended Credit Facility (ECF). Somalia is planning to implement a Post-HIPC and Post-ATMIS strategy that is expected to enhance the country's governance structure</p>	High	Substantial
Macroeconomic	High	Substantial
<p>Risk: The COVID-19 of 2020-2021 and the ongoing Russia-Ukraine conflict that started in 2022 adversely affected macroeconomic stability and growth in Somalia due to: (i) the country's weak baseline economic context, (ii) the reliance on external markets for food and agricultural and industrial inputs, (iii) reduced volume of remittances which had served as a social safety net, (iv) the spike in cost of electricity and transport due to increased fuel price, arising from the Russia-Ukraine conflict; and (v) high internal insecurity.</p>	High	Substantial

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: RLRP will build resilience capacity in small-scale agro-pastoralists to improve food production, incomes, and food and nutrition security in an inclusive context of youth and women. Focus is on: (i) the capacity building of the community institutions for governance, the extensive capacity building of the target group, especially women and youth, and relevant government staff; (ii) support to Government for development of conducive policies for resilient agricultural development; (iii) mainstreaming new technologies to increase productivity; and (iv) improving access to local markets and financial services. import substitution.</p>		
Fragility and Security	High	High
<p>Risk: With a Fragile States Index of 110.9 in 2021 and 110.5 in 2022, Somalia has been considered one of the three most fragile countries since 2007. The drivers of fragility still prevail: ethnic divisions and violent struggles for power and resources that have lasted for 30 years; some FMS seeking to be independent of FGS; weak governance and institutional capacity; poverty; youth unemployment; youth radicalization; the Al-Shabaab and Islamic State insurgencies; weakened community institutions that support rural livelihoods; drought and flood; and large displacement of people within Somalia and to neighbouring countries, because of conflict or drought.</p>	High	High
<p>Mitigations: The RLRP will take off from states and districts that are considered less violence-prone based on a rapid analysis of incidences of violence. Other areas will be sequenced into the target areas based on the regular review of the situation and further developments.</p>		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Low	Low
<p>Risk: The Somalia National Development Plan (NDC-9) envisages economic growth and greater employment opportunities by transforming traditional industries, such as livestock and crop production, and adapting them to climate change, while inducing growth in the private sector and social inclusiveness. The policies are developed with participation of stakeholders. The draft Agriculture Development Strategic Plan (2022-2026) also aligns with IFAD priorities of improving productivity of smallholder farmers through introduction of improved crop varieties adapted to the local environment, development of value chains and ensuring adequate infrastructure for production including irrigation support.</p>	Low	Low
<p>Mitigations: There are no risks that national policies may not be relevant to IFAD and beneficiary needs.</p>		
Policy Development and Implementation	Substantial	Moderate
<p>Risk: Somalia is currently developing most of its policies as a new administration has recently been in office. The NDC-9 identifies critical areas to address to include climate change and agriculture as an important entry to improving food security. The draft Agriculture Development Strategic Plan outlines the importance of reviving the agriculture sector. The major risks are inadequate capacity to implement policies, especially the regulatory aspects on seed, phytosanitary checks , Agriculture policies may not be relevant for IDPs where there is conflict between development and emergency support. The process of adoption of policies may take a long time.</p>	Substantial	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: RLRP will support policy engagement in the areas of agriculture development and may support evidence-based refinement and implementation of some policies. RLRP will also: build the capacity of public institutions to effectively implement the policies; support relevant interventions on entrepreneurship for IDPs; and involve communities in development planning and implementation. Somalia is equally developing a centennial vision (2060) and agriculture and food security form a big component. RLRP focus interventions are aligned with the government priorities in the sector. IFAD will actively participate in UNCT coordination activities and support the policy agenda with other stakeholders</p>		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
<p>Risk: RLRP is very vulnerable to the escalating environmental challenges that characterize the Somali landscape. Somalia's semi-arid climate, characterized by recurrent droughts, erratic rainfall, and prolonged dry spells, directly impacts the agriculture and livestock sectors upon which the project is focused. Moreover, these challenges are exacerbated by environmental degradation resulting from deforestation, overgrazing, and soil erosion coupled with weak environmental governance in the country, which undermine the long-term sustainability of the RLRP. However, the project is not expected to cause any irreversible or unprecedented social or environmental adverse impacts.</p>	Substantial	Moderate
<p>Mitigations: RLRP will promote environmentally responsible agricultural techniques, natural resource management, community governance, and the incorporation of climate adaptation measures. To address the possible environmental risks, the project will develop an Environmental and Social Management Plan that will comprise adequate mitigation measures; climate-smart agriculture practices and adaptation to climate change activities; and the necessary compliance with IFAD environmental, social and climate change safeguard procedures whilst seeking sustainable management of natural resources in the targeted regions.</p>		
Project vulnerability to climate change impacts	Substantial	Moderate
<p>Risk: Somalia is extremely vulnerable to the effects of climate change and extreme weather events. RLRP's effectiveness is inherently vulnerable to the impacts of climate change, which pose significant threats to the livelihoods of these communities. Rising temperatures, erratic rainfall patterns, prolonged droughts, and frequent extreme weather events exacerbate existing vulnerabilities in agriculture, water availability, and food security, potentially undermining the RLRP's objectives. These climate change impacts also heighten the risk of land degradation, desertification, and loss of biodiversity, further threatening the natural resource base upon which the project's interventions are built.</p>	Substantial	Moderate
<p>Mitigations: To mitigate such risks, the project's investments will be fully climate proofed during the design and implementation stages and climate adaptation measures will be mainstreamed across the project activities to enhance the resilience and improve the adaptation of target communities and investments. The project's interventions would not be expected to increase the vulnerability of target populations and resources to climate hazards. As the risk classification is Substantial, SECAP requires Climate Risk Analysis and Targeted Adaptation Assessment to be conducted for this project.</p>		
Project Scope	Substantial	Moderate
Project Relevance	Moderate	Low
<p>Risk: The RLRP is being implemented in an unpredictable context which is often associated with conflict, and vulnerability to climate change may hamper the abilities of farmers to sustainably produce. These changes may also consider moving towards emergency operations.</p>	Moderate	Low

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: The design provides for communities to identify their challenges and pathways for improving their livelihoods, thereby ensuring that interventions are relevant. RLRP will partner with FAO SWALIM to provide early warning for disaster preparedness and will promote climate resilient enterprises. The design has a contingency measure to adjust the AWPB to deal with any disasters declared by the government to reduce complete loss in livelihood sources.</p>		
Technical Soundness	Substantial	Moderate
<p>Risk: There is limited technical capacity of the government due to insufficient know-how and availability of technical expertise. There is limited in-country assessment due to the insecurity, which may underestimate the major technical opportunities and challenges at hand.</p>	Substantial	Moderate
<p>Mitigations: Consultations have been made with relevant ministries to understand the needs, gaps and opportunities for livelihood improvement in the country. The team held meetings with implementing partners of supplementary funded projects, WB and FAO who also provided some lessons and areas of focus. At design, a design team comprised of technical specialists that have strong knowledge of the country context as relates to agro-pastoralism, IDPs and infrastructure development. The technical design: (i) drew on lessons learnt from current IFAD interventions and other development agents, (ii) simple, focusing on key issues of building capacity to address fragility to rural livelihoods, and (iii) ensures active participation and contribution of national, state and community partners. At the start-up phase and during the implementation period, the Programme will initiate capacity strengthening, in addition to those of the seconded MoAI and MoECC personnel to the NPCU, that will enable and enhance the effective delivery of the Programme activities.</p>		
Institutional Capacity for Implementation and Sustainability	High	Substantial
Implementation Arrangements	High	Substantial
<p>Risk: There is a potential substantial erosion of implementation capacity, due to the long period of crisis in Somalia, at the national level of the key ministries that are expected to be key implementers of the RLRP. At this PCN stage, it was not possible to undertake an assessment of the available human and material capacity on the ground because of security considerations. Another risk is that the RLRP will need to coordinate sector ministries that are used to operating independently of one another.</p>	High	Substantial
<p>Mitigations: The decentralisation of implementation to the state, district and community levels will help mitigate the low capacity at the national level. A third-party implementation arrangement is also foreseen to help build capacity. A detailed assessment of capacity building needs at design will guide the refinement of the capacity building needs of the government agencies. The design will further explore the actual capacity of the private sector which is said to be buoyant, to devise how private-public partnership and service provision would improve the implementation arrangements. Implementation capacity building of community institutions is a major focus under RLRP.</p>		
Monitoring and Evaluation Arrangements	Substantial	Moderate
<p>Risk: The primary risks and challenges identified while preparing the concept note for M&E activities include: (i) insufficient data in the sector to provide an updated and comprehensive diagnosis, (ii) insufficient capacity in data management, and (iii) scattered data across different sources and institutions, making it difficult to access and generate official, aggregated data for the country</p>	Substantial	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: (i) collect secondary data from government statistics available, engage with key stakeholders in the sector and gather information for a design process; (ii) insufficient data management capacity: not applicable at this point; (iii) engage key stakeholders to establish a centralised data repository during the RLRP design process, committing each institution to contribute and share existing information among all stakeholders.</p>		
Project Financial Management	High	Substantial
Project Organization and Staffing	High	Substantial
<p>Risk: MoAI does not have experience in managing donor supported projects and IFAD mission could not fully assess MoAI capacities and human resources that would be fully dedicated to the project financial management.</p>		
<p>Mitigations: Key FM staff will be competitively recruited. IFAD No Objection will be required before staff is appointed. Recruitment of competitively selected staff will be one of the first disbursement conditions.</p>		
Project Budgeting	High	High
<p>Risk: The project may experience delays in implantation due to a lengthy the approval process of the AWPB from parliament. Budget follow-up in SFMIS may lead to errors in the budget is not set-up in the system to the detailed level of the project.</p>		
<p>Mitigations: •To corroborate and reconcile yearly the project AWPB and the and the budget finally approved by parliament. •To ensure that SFMIS is configured to a level to be able to ensure effective budget control at project level and report to IFAD accordingly. To always undertake budget vs actual analysis and especially pay particular attention to adverse variances.</p>		
Project Funds Flow/Disbursement Arrangements	High	High
<p>Risk: Disbursements from IFAD will be linked to the submission of IFRs, the reliability of which is linked to the performance of the accounting software (SFMIS), as well as capacity of the project to perform timely payments from its Designated Account. Also, the project may not be able to follow up on justifications and ensure eligibility of expenditures incurred at state level.</p>		
<p>Mitigations: •Ensure proper coding and customisation of SFMIS to meet the requirements and level of detail of RLRP. •IFAD will review the proforma reports produced by SFMIS before going live using RLRP transactions. •Imprest advances to the SPCUs will be retired after reviewing the related expenditure justifications. • The initial imprest advance will be small amount not exceeding USD 5,000 to be reviewed as the project gains experience.</p>		
Project Internal Controls	High	High

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Risk: With a score of 12/100 Somalia is ranked as the last country in the world according to the corruption perception index. In this context, the risk of misuse of funds and corruption will remain high. In Somalia, Internal audit is still weak as per the latest PEFA report and IFAD mission was not able to directly assess MoAI capacities in terms of internal audit. Also, IFAD supervision and implementation support capacities as well as auditors' capacities may be limited by the security situation in country and therefore limit IFAD capacities to ensure that funds are spent for the project intended purposes</p> <p>Mitigations: •Given the importance that internal audit in RLRP will be operating, provisions made to recruit an accounting firm to provide internal audit services for at least 10 days per quarter. •IFAD will rely if needed on third party supervisory body having access to project areas and ensuring that funds have effectively reached final beneficiaries.</p>	High	Substantial
<p>Project Accounting and Financial Reporting</p> <p>Risk: In case SFMIS system is duly and timely set up and project staff not duly trained, the project capacity in terms of accounting and financial reporting will be seriously jeopardized.</p> <p>Mitigations: •Start-up events to include a proper configuration/ customisation of SFMIS well noting the country level challenges documented in Somalia Public Financial Management Road Map Action Plan 2021-2024. The proper set of IFMIS to IFAD satisfaction will be one of the first disbursement conditions for the project.</p>	High	High
<p>Project External Audit</p> <p>Risk: Lack of capacities and inadequate staffing and resources at the level of the OAG can lead to delays in the submission of the project external audits and low quality of the reports.</p> <p>Mitigations: As per country procedures, the OAG will recruit an accredited external audit firm to carry out RLRP audit reports. The audit missions will be carried out on the basis of IFAD non-objected TORs. These arrangements will be described in the project FMFCL. In addition, in order to build up the capacities of the OAG, IFAD will endeavour to include the OAG teams selected to audit RLRP either during missions, or in FM forums.</p>	Substantial	Substantial
<p>Project Procurement</p> <p>Legal and Regulatory Framework</p> <p>Risk: Public procurement in Somalia is governed by the 'Public Procurement, Concessions and Disposal Act' (PPCDA), of 23rd November 2015, but (i) Standard bidding documents do not exist; (ii) in the absence of an independent assessment (e.g. PEFA), it is difficult to justify if procurement methods are applied appropriately; (iii) the procurement Law requires that bidding opportunities are published in a widely circulated national newspaper. Some bidding opportunities are published on the Ministry of Finance website (https://mof.gov.so/public-procurement), but some key procurement information e.g. publication of PP, complaints, blacklisted companies, Contract awards etc. is not published.</p>	Substantial	Moderate
	Substantial	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: (i) apply IFAD Project Procurement Guidelines and Handbook, as well as IFAD standard bidding documents which mainly cover the gaps identified in the country procurement Law; (ii) ensure wider coverage by advertising procurement opportunities on both 'somalijobs.net' and in a widely circulated newspaper, also on widely known platforms like 'Relief Web' (reliefweb.int). International Competitive Bidding will be published in UNDB through IFAD; (iii) ensure the efficient procurement monitoring by submitting the annual Procurement Plan (PP) and any subsequent PP revisions/upgrades to IFAD for No Objection. Procurement monitoring shall be done by IFAD using existing project procurement systems (such as OPEN); (iv) a quarterly report shall be submitted to the implementing agency on a regular basis.</p>		
Accountability and Transparency	Substantial	Moderate
<p>Risk: The Somalia CPI score for 2022 by Transparency International was 12/100 and ranked 180th (of 180 countries assessed) in the world, and the last in Sub-Saharan Africa. (i) There is no system to manage complaints; (ii) Procedures for debarment are mentioned in Article 33 of the PPCDA. The Ministry of Finance should publish the list of debarred firms on own website. In addition, RLRP shall make Reference to World Bank Debarment System (https://www.undp.org/content/undp/en/home/operations/procurement/business/protest-and-sanctions/ineligibility-list/); (iii) According to Transparency International, there is no publicly available information on corruption and anti-corruption in Somalia. Most of the information provided on the state of corruption in the country is primarily based on reports by the International Crisis Group.</p>	Substantial	Moderate
<p>Mitigations: (i) the project shall apply the Debriefing, Protest and Appeal mechanisms of IFAD Procurement Handbook with mandatory use of the standstill period and the prompt resolution of complaints before award; (ii) ensure integration of the Revised IFAD's Policy on combating fraud and corruption and the inclusion of the corruption reporting hotline in all bidding documents. IFAD's contact details for reporting corruption, harassment, fraud, etc. shall be included in all bidding documents; (iii) allegations of corruption under the RLRP shall be investigated as per the requirements of the IFAD anti-corruption policy.</p>		
Capability in Public Procurement	Substantial	Moderate
<p>Risk: (i) a procurement unit exists, but it has one employee with over 4 years of experience. The Finance Unit works with the procurement unit for preparing the annual budgets; (ii) there is no official capacity building strategy, nor one for providing guidance in response to queries, and there are no obligations to use the public procurement training currently available; (iii) public procurement is not professionalized, i.e. it does not provide a career path to public procurement officials involved in conducting and managing procurement, nor does it provide adequate opportunities for skills building, there is no official job description or qualification requirements specific to public procurement.</p>	Substantial	Moderate
<p>Mitigations: (i) quality of procurement related work, i.e. preparation of procurement plan revisions/upgrades, bidding documents for works and services, and evaluation reports shall be improved; (ii) institutional and management capacity needs improvement and procurement staff needs adequate training; (iii) a hands-on approach, including the introduction to IFAD's project procurement systems (such as OPEN) will allow the systematic tracking of procurement activities throughout the project cycle; (iv) for procurement packages that are deemed to pose challenges to the project, IFAD can provide additional procurement support through a short-term consultant to work on procurement processing, including assistance in drafting bidding documents, providing guidance on evaluation of bids and drafting of Bid Evaluation Reports.</p>		
Public Procurement Processes	High	High

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Risk: The procuring entity (PE) is required to undertake annual procurement planning with a view to achieving maximum value for public expenditure. A procurement plan is based on the PE's approved program and budget. Procurement plans (PP) are published on the PPA and PEs' websites. The PE's Procurement Committee approves the procurement and periodically monitors its implementation. The procurement plan is prepared annually based on Government's fiscal year and takes into account the Government's annual budget. (i) there are no means in place for monitoring and managing public procurement performance.</p>	High	High
<p>Mitigations: (i) given that Somalia is rated high risk in procurement, IFAD's procurement methods, thresholds and time-limits defined for the Project shall apply; (ii) the Project shall strictly adhere to AWPB and PP preparation according to IFAD templates and requirements; (iii) CM systems and framework shall be put in place and elaborated in PIM; (iv) Training on CM is required.</p>		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
<p>Risk: For Somalia's biodiversity and ecosystem services the key issues remain overgrazing, charcoal production, habitat losses and degradation, climate change effects, overexploitation, pollution, invasive alien species, civil war, and tsunamis.</p>	Moderate	Low
<p>Mitigations: RLRP will promote environmentally responsible agricultural techniques, natural resource management, community governance, and the incorporation of climate adaptation measures. To address the possible environmental risks, the project will develop an Environmental and Social Management Plan that will comprise adequate mitigation measures; climate-smart agriculture practices and adaptation to climate change activities; and the necessary compliance with IFAD environmental, social and climate change safeguard procedures whilst seeking sustainable management of natural resources in the targeted regions</p>		
Resource Efficiency and Pollution Prevention	Substantial	Moderate
<p>Risk: Resource efficiency and pollution prevention is highly interlinked with vulnerability of communities to climate change.</p>	Substantial	Moderate
<p>Mitigations: The project will promote best agricultural and agro-pastoral practices which will contribute to reduction of quantity of inputs needed to produce a given output as well as reduced production of by-products.</p>		
Cultural Heritage	Low	Low
<p>Risk: Construction of infrastructure in the RLRP will take place in close consultation with communities who during community consultation meetings will indicate the locations of the infrastructure to be constructed. Locally available and culturally acceptable materials shall be used to the extent possible.</p>	Low	Low
<p>Mitigations: Not applicable to this point.</p>		
Indigenous People	Low	Low
<p>Risk: Minority clans, vulnerable groups are part of RLRP's main target group. Their active involvement is needed for the project to reach its development objective. There is a risk of these groups not being adequately included in project activities given their social status under normal circumstances.</p>	Low	Low

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: CBO formation is usually undertaken when 80% of the community is present to ensure that all parts of society are included. Third party implementation will be present during CBO formation and first community meetings to ensure equitable participation and voice. A grievance redress mechanism will be established which allows minority clans and vulnerable groups to inform IFAD when their views were not taken into account.</p>	Moderate	Low
<p>Labour and Working Conditions</p> <p>Risk: The additional interventions for increased production under RLRP may potentially increase the workload of women and youth.</p>	Moderate	Low
<p>Mitigations: The labour-saving technologies (e.g. irrigation and simple post-harvest equipment) introduced by RLRP are likely to outweigh the workload factor. The risk dimension shall be further scrutinised during design.</p>	Substantial	Low
<p>Community Health and Safety</p> <p>Risk: The risk is that nutritional outcomes will not be achieved if participating beneficiaries do not use surplus production (e.g. crop production or milk production) for home consumption or sold in the market to purchase nutritional food.</p>	Substantial	Low
<p>Mitigations: Nutritional awareness sessions and education will be integrated in the nutrition sensitive value chain approach.</p>	Low	Low
<p>Physical and Economic Resettlement</p> <p>Risk: The RLRP shall not promote activities that lead to the resettlement of smallholder farmers. Small infrastructure to be constructed shall be done on sites identified by and accepted by the communities.</p>	Low	Low
<p>Mitigations: In case physical or economic resettlement needs to take place, the implementation of activities will be halted and a comprehensive resettlement plan shall be developed in line with IFAD guidelines.</p>	Moderate	Moderate
<p>Greenhouse Gas Emissions</p> <p>Risk: The project is not expected to contribute to an increase in GHG emissions, however some inefficient agricultural practices can undermine the overall project results.</p>	Moderate	Moderate
<p>Mitigations: The project will promote best production and/or agro-processing practices and relevant mitigation measures. Specifically, improved fodder and livestock production can help reduce the cost of negative externalities, such as desertification of arid areas, GHG emissions, and the incidence of zoonotic diseases.</p>	Substantial	Moderate
<p>Vulnerability of target populations and ecosystems to climate variability and hazards</p> <p>Risk: The country is extremely vulnerable to the effects of climate change and extreme weather events. Climate change poses significant threats to the livelihoods of these communities. Rising temperatures, erratic rainfall patterns, prolonged droughts, and frequent extreme weather events exacerbate existing vulnerabilities in agriculture, water availability, and food security, potentially undermining the objectives of the project. These climate change impacts also heighten the risk of land degradation, desertification, and loss of biodiversity, further threatening the natural resource base upon which the project's interventions are built.</p>	Substantial	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
<p>Mitigations: To mitigate such risks, the project's investments will be fully climate proofed during the design and implementation stages and climate adaptation measures will be mainstreamed across the project activities to enhance the resilience and improve the adaptation of target communities and investments. The project's interventions would not be expected to increase the vulnerability of target populations and resources to climate hazards. As the risk classification is Substantial, SECAP requires Climate Risk Analysis and Targeted Adaptation Assessment to be conducted for this project.</p>		
<p>Stakeholders Stakeholder Engagement/Coordination</p>	Substantial	Moderate
<p>Risk: The risks here are related to eroded government capacities due to decades of conflict. Many government entities have low technical capabilities, limited financial resources and few human resources to support stakeholder engagement and coordination. At the local level, some CBOs have filled the gap for a coordinating agency at the community level. However, there are no networks of these CBOs for knowledge sharing. Also, the CBOs usually do not have experience in coordinating value chain activities.</p>	Substantial	Moderate
<p>Mitigations: Multilateral agencies and the UNCT are stepping up efforts in stakeholder coordination. RLDP's capacity building activities with the government will ensure strengthening of capacities, allowing for better coordination of activities in the long run. Third party implementation will assist CBOs with coordination activities as well as supporting value chain interventions. IFAD's country team will support coordination of RLDP through the wider UNCT.</p>		
<p>Stakeholder Grievances</p>	Substantial	Moderate
<p>Risk: Conflicts could arise during programme implementation due to diverging views on the type of infrastructure to be selected in the community, CBO leadership and targeting of beneficiaries. Inadequate community buy-in can, in turn, affect the long-term usage and maintenance of infrastructure as well as the institutional sustainability of interventions.</p>	Substantial	Moderate
<p>Mitigations: Third-party implementation will apply best practices in community sensitization in order to ensure adequate selection of community infrastructure, leadership and targeting. Third-party implementation will be considered a "neutral" broker and hence allow stakeholders to give frank feedback on the interventions to be undertaken. A detailed targeting strategy will be developed at design in order to provide clarity on final beneficiaries. Under the auspices of the third-party implementer, a GRM will be established in line with IFAD guidelines.</p>		