

Activity Appraisal Document ODA

€ 1.000.000 or more

I REQUESTED DECISION CONCERNS

Application number	4000001962
Short name application	SDF II
Long name application	Somaliland Development Fund phase II
Description application	The SDF is a pooled multi donor instrument, which was established in 2012. The assumption is that improved service delivery by the authorities will lead to a strengthened social contract between the population and the authorities, which will in turn lead to increased stability. Following the first phase of SDF support, SDF II aims at increasing service delivery and legitimate governance in Somaliland through support of projects in the area of economic recovery and through support of government capacity.
Budget holder	NAI
Number business partner	00375501
Implementing organisation(s)	Mott McDonald, Dutch branch
<u>Legal relationship</u>	Arrangement/ contribution
<u>Commitment</u> in foreign currency (if applicable)	11,764,706.- USD
Corporate rate	0,85
<u>Commitment</u> in euros	10,000,000.10
Funds centre	1704U03040018
Activity start date	13 September 2018
Activity end date	31 December 2023
Contract start date	13 September 2019
Contract end date	31 December 2022
Has an evaluation been planned?	Yes, mandatory (see decisiontree in 5.3.6.)
<u>Aid modality</u>	Basket/Pooled
<u>Donor role</u>	Lead or active donor
<u>Technical assistance</u>	TA<10 Less than 10% of the activity budget
<u>Beneficiary's country/region</u>	Somalia (Somaliland)
Countries within the region	N/A

(if applicable)			
Allocation country information	100% within Somalia		
Location within the country (be as specific as possible)	Territory	Name location(s)	Programme activities are carried out in the whole of Somaliland
CRS Code	43010,		
Policy marker weight is 'principal' (no minimum or maximum amount)	PubSct, Privsect, InsOntw & PD/GG		
Policy marker weight is 'significant'. (no minimum or maximum amount)	KImAdp, GlhMV		
Special pledges made by the Minister or State Secretary / and/ or special marks regarding sensitive information	No		

II. ACTIVITY APPRAISAL

2.1 Contribution made by the activity to BZ policy objectives (policy relevance)

2.1.1 Description policy relevance

Dutch national policies and strategies

SDF II links well with three out of the four main policy objectives under the May 2018 Foreign Trade and Development policy (BHOS nota), as well as with the cross-cutting 'gender equality' objective. The overarching policy objective of the Netherlands in conflict affected states, is to achieve legitimate stability and sustainable peace. In the 'intervention logic' section below an explanation is given on the basis of the Dutch (DSH) Theory of Change of how a contribution to SDFII will lead to increased legitimate stability. As for poverty reduction, the SDF is meant as an instrument to achieve development in a wide range of potential sectors (dependent on government priorities), with the aim of overall improved prosperity. The SDF matches well with the Dutch inclusive growth agenda as the SDF portfolio will contain activities (such as construction of roads, water infrastructure, livestock holding grounds) that contribute to an increase in business opportunities, whereby special consideration is given to creation of opportunities for youth, minorities and women. The SDF II business case does not contain a description of the climate smartness of the portfolio. However, the lead donor, DFID, gave space to the Netherlands (and the other active donor, Denmark,) to influence development of the fund's focus to include climate. Based on advice from the Dutch (IGG) regional senior climate advisor, the SDF II Theory of Change, results framework, manuals and guidelines, such as the 'Environmental and Social Assessment framework' or the 'concept note rapid appraisal checklist', have been revised and climate adaptation has now become a significant cross cutting issue. The Dutch climate advisor will also be available for further feedback and advice during implementation of the fund. Gender equality and social inclusion are important priorities for DFID as well as for the fund manager. Gender equality issues have been integrated throughout SDF II. A thorough gender and social inclusion analysis has been carried out, which has led to the development of a Gender and Social Inclusion framework. The above mentioned 'concept note rapid appraisal checklist' is one of the tools that will ensure that attention for gender equity and social inclusion will result in very practical results.

The MACS 2019-2022 of the Netherlands for Somalia



The Multi Annual Country Strategy Somalia 2019-2022 centres around strengthening of the social contract between the authorities and citizens of Somalia/Somaliland. More concretely emphasis is on improved governance at central as well as local levels, improved resilience (development/humanitarian response nexus), climate preparedness, gender equality and private sector development. SDF II fits well under the new MACS and is specifically listed as a selected project.

The SDF portfolio matches well with the other more general Dutch foreign policy spearheads of 'water', 'SRHR' and 'food security'. Regarding the water spearhead; the SDF II project portfolio will contain a significant number of water infrastructure projects, that aim to provide access to affordable and safe drinking water. The SDF may also contribute to projects, such as construction and running of medical facilities, relevant to the SRHR spearhead (although less than during SDF I, because a shift towards projects falling within the economic recovery scope has taken place) As regards the food security spearhead, the SDF project portfolio is expected to contain many relevant projects as well, such as the construction of roads that indirectly improve access to food and construction of food conservation facilities.

The Somaliland national development policy

Project selection is done upon request by the Somaliland government, based on their (SDF funded during phase I) prioritization exercise. This ensures maximum government coordination and also ensures as far as possible that there is a need for implementation of the selected projects. Moreover, the risk of overlap is small because activities of the SDF are being discussed at high level donor meetings (outside the SDF-structure) and because of the type of projects that the SDF carries out; very concrete service delivery projects, that generally need government approval. SDF staff are seconded to government Ministries for the purpose of project coordination and capacity building more in general. Where the government lacks capacity to oversee the various projects that are being carried out, these staff members fill in. The government remains accountable for its overall management of projects. The staff members seconded through the SDF are accountable to the fund manager, Mott McDonald.

2.1.2 Appraisal

No.	Criteria 2.1 Policy relevance	Indicators (score 0, 1, 2)	Score	EXPLANATION/ REFERENCES
2.1.1	The proposed intervention ties in with the operational objectives in the Explanatory Memorandum and the related policy memorandum (policy theory and intervention logic).	 <p>The proposed intervention ties in with both the main objective and the secondary objectives .</p>	2	Support to the SDF matches topically as well as geographically with the Explanatory Memorandum (EM) 2019 focus areas under 'Instability and Security'. In accordance with the BHOS policy note, the EM focuses on promoting stability in fragile contexts. The Horn of Africa is one of the geographical focus areas.
2.1.2	The proposed intervention ties in with the ODA pri-		2	The SDF matches well with the Dutch inclusive growth agenda as the SDF portfolio will contain activities (such as construction of roads, water infrastructure, live-

	orities	The proposed intervention ties in with more than one of the result areas of the BH&OS priorities.		<p>stock holding grounds) that contribute to an increase in business opportunities, whereby special consideration is given to creation of opportunities for youth, minorities and women.</p> <p>The SDF portfolio matches well with the other more general Dutch foreign policy spearheads of 'water', 'food security'. To a lesser extent it also matches with the 'SRHR' spearhead. Regarding the water spearhead, the SDF II project portfolio is expected to contain a significant number of water infrastructure projects, that aim to provide access to affordable and safe drinking water. As regards the food security spearhead, the SDF project portfolio is expected to contain many relevant projects as well, such as the construction of roads that indirectly improve access to food and construction of food conservation facilities or livestock holding grounds.</p>
2.1.3	The proposed intervention ties in with the annual plan and the result chain of the MIB/MACS	<input type="checkbox"/> <p>The intervention is specifically mentioned in the result chain of the MIB/MASP.</p>	2	The Multi Annual Country Strategy Somalia 2019-2022, emphasizes the need to strengthen the social contract between the authorities and citizens of Somalia/Somaliland. More concretely emphasis is on improved governance at central as well as local levels, improved resilience (development/humanitarian response nexus), climate preparedness, gender equality and private sector development. SDF II fits well under the new MACS and is specifically listed as a selected project.
2.1.4	The relevance of the proposed intervention to the crosscutting themes of women's	<input type="checkbox"/> <p>The proposed intervention is relevant to more than one of the crosscutting themes.</p>	2	Climate smartness / environmental considerations as well as gender equality are crosscutting issues that the SDF addresses based on its objectives and – in the case of climate smartness- based on its standard operating procedures.

	rights and gender equality / climate / PSD / coherence and strengthening of civil society organisations		
Total score (maximum 8 out of 8 points)		8	

2.2 Problem analysis and lessons learned

2.2.1 Description

The problem

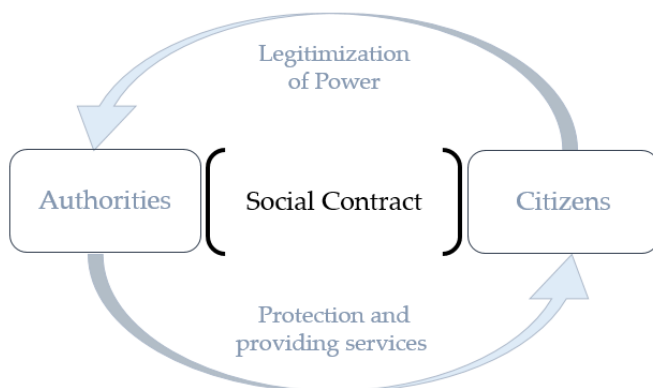
Somaliland declared its independence from Somalia in May 1991. However, despite establishing itself as an island of relative stability with relatively well-functioning government institutions in the volatile Horn of Africa, it remains fragile and unrecognised as an independent sovereign state.

Significant and deep levels of poverty persist as shown by a range of human development indicators. Assistance is needed to promote long-term stability that will help transform the lives of Somalilanders. Failure to improve governance, accountability and public service delivery in Somaliland will compromise other investments in justice and security, the private sector and in social and economic reform, and runs the risk of compromising stability in the wider region.

The Somaliland Development Fund was established to respond to the need of improved governance and service delivery in Somaliland. It supports and facilitates the delivery of public services through financial contributions and by offering technical and management expertise and building core government capacity and functions. The ultimate ‘super impact’ objective of the SDF is a stable and peaceful Somaliland. As a more direct result of the SDF, the people of Somaliland will be better off through increased economic activity and revenue creation.

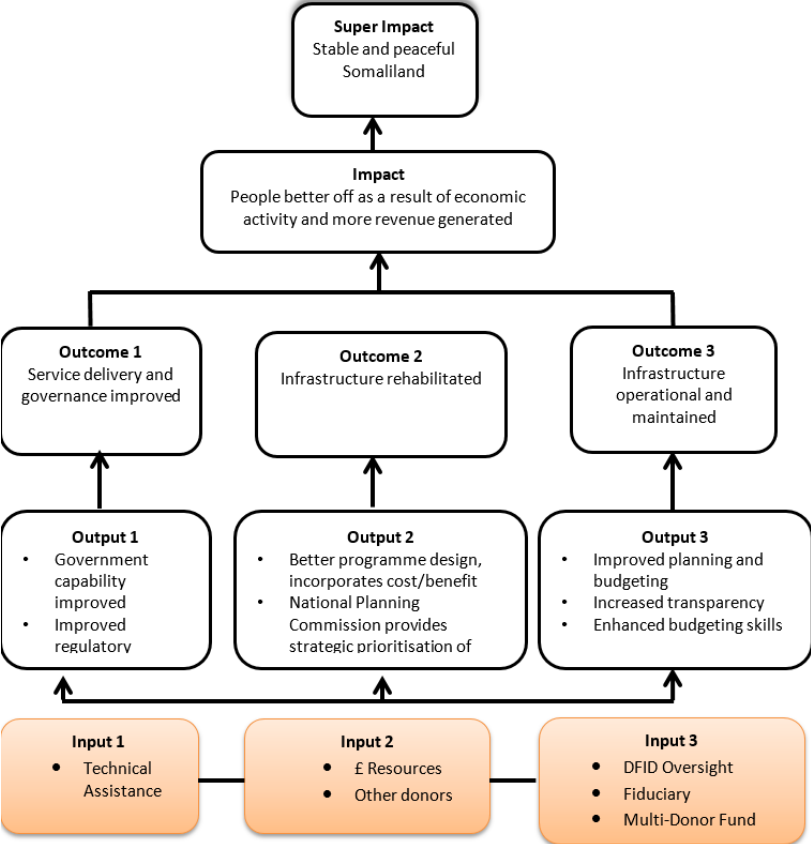
The Theory of Change

According to the general Theory of Change of the Netherlands relevant to development cooperation in fragile contexts, such as Somaliland, authorities and citizens have certain rights and duties towards each other. (See figure below) It is the duty of authorities to protect its citizens and to provide services. By providing services and protection, the authorities will gain legitimacy.



The theory of change for SDF II based on the DFID business case draws on three core outcomes – the governance of service delivery, the rehabilitation of existing infrastructure, and improvements

in operations and maintenance – to enable the people of Somaliland to be economically better off with more revenue generated. These outcomes are supported by evidence that improving public access to basic infrastructure – roads, water, and energy – is a vital catalyst for inclusive economic growth. The underpinning of the theory of change is donor financial resources, technical assistance, and DFID fiduciary and fund management systems.



The key assumptions underlying the ToC are 1) That Somaliland continues to be a peaceful and stable state; 2) That the Government will work with the SDF; 3) That economic activity will result in an increase in revenues; and 4) Equity if economic opportunities and fair distribution of services. In order to help ensuring that the assumptions are correct the SDF II does the following: ad 1) donors keep providing technical and institutional development assistance within agreed boundaries; ad 2) Constant engagement with government; ad 3) SDF to share data and synergies with other programmes working on revenue generation directly; ad 4) Capacity development through fund level inputs.

Even though the SDF II ToC does not elaborate on the ‘social contract’ aspect, through the way the SDF is set up and functions it does match seamlessly with the Dutch ToC on how to contribute to legitimate stability: Through the SDF the Somaliland authorities have the means to deliver services and Somaliland governance structures are strengthened so that those services are delivered in a better and more transparent manner. The authorities will also be able to get the credit for the delivered services, as the donors will not propagate on their contributions to the population. Based on the communication strategy of March 2019 (p. 7) the fund will communicate the following message: *“All Somalilanders should expect access to functional government services, SDF helps government deliver what people need.”* When it comes to communication to government actors, the various donors (incl the Netherlands) will claim their contributions.

While the previous phase of the SDF had a very wide project portfolio with projects in sectors ranging from infrastructure, agriculture and livestock to education and health, the SDF phase II business case proposes a focus on projects that fall within the scope of ‘economic recovery’. On the basis of success ratings (by DFID) of projects under the previous phase, the conclusion was that the projects in the ‘softer’ health and education sector could better be dealt with more specialist expertise under separate (existing) programmes.

However, the exact project portfolio focus is not predetermined. Decisions on which projects to select are made by a 'Joint Steering Committee' (JSC), which is composed of representatives of the Somaliland authorities (Ministry of National Development and Planning & Ministry of Finance) and donors. The Fund supports projects according to Somaliland authorities (National Development Plan, NDP) priorities, included in the national budget.

Important crosscutting issues of SDF II are climate, environmental, social, and conflict sensitivity, gender equality and social inclusion. These issues receive attention in the phases of project selection, design and implementation.

The lessons learned

Two reviews were carried out with regard to SDF I. One review was commissioned by DFID in 2016 and was meant to inform the business case for SDF II. The second review was commissioned more recently, in 2018, by the SDF upon request by the Somaliland authorities (Somaliland Minister of Planning). It was meant to complement the DFID review, having a stronger focus on Somaliland stakeholder views.

In February 2016 a review of the SDF took place, commissioned by DFID, which was designed to provide SDF partners with background information and enhancements for a potential new fund to be operational during the period 2018-2023. The main lessons learned, distilled from that document, are:

- The Government of Somaliland proved to be a credible partner, showing real commitment to development of the Somaliland state;
- The SDF consistently proved to be the preferred financing modality for the Somaliland government. The modality is also consistent with the New Deal principles, which were derived from the Fragile States Principles (FSPs) in Busan in 2011.
- The SDF was able to keep up a high delivery pace. It placed a premium on project output delivery at speed, while observing agreed fiduciary standards. However, there was a trade-off between delivery-at-speed and GoSL capacity building. By creating parallel Project Management Teams (PMTs) and Finance Management (FM) sub-systems the speedy outputs delivery was better guaranteed.
- The SDF contributed to the state building process in Somaliland both in terms of harder infrastructure project outputs, and with softer capacity building of planning management systems (notably the capacity surge project), with a direct linkage to the state core function of Public Finance Management (PFM).
- SDF goals in the area of Use of Country systems may have been too ambitious. Statements at high political level in support of PFM reform did not translate into action. PFM laws were not passed by parliament. Also, efforts to build capacity of Somaliland authorities seemed insufficient to reach substantial progress in this area.

The objective of the SDF Review of December 2018 was to identify lessons from the first phase and make recommendations to improve the delivery and governance of SDF II. The findings of the review rely partially on interviews with various stakeholders, namely the members of the Joint Steering Committee (donors as well as Minister of Planning and Minister of Finance), the secretariat (Mott McDonald), the presidency, the civil service commission, senior officials of ministries involved in SDF I and members of project management teams, SDF I contractors and civil society organizations. The main lessons learned summed up in the review are as follows:

- Overall the review agrees with the conclusion asserted in the business case for SDF II that " the SDF is one of the best performing aid instruments in Somaliland." The SDF made a real impact on development, generating large-scale and measureable benefits. Further, there is a balance to be struck between getting development done fast, and building government systems and SDF I got it about right.
- A strength of SDF I was its learning and adaptive approach. New opportunities were taken up by the SDF, and some failures dropped, taking into account government priorities which necessarily changed as they were arrived at through processes of analysis and multi stakeholder negotiation. These changes happened in an orderly way in response to decisions on priorities taken by the JSC. Enabling projects to be selected for further funding through different rounds of applications provided for this flexibility. Further, the logframe was revised twice in order to provide an explicit recognition and common understanding of changes.


- A major weakness of SDF I was that some projects were not anchored in a coherent approach to ensuring the investments would be fully used and sustained. In such cases, the consequence was a lack of complementary financial inputs, manpower and management and financial systems. Based on this finding the review recommended for SDF II to focus on fewer projects (without, however, losing the ability to support small projects), in fewer sectors, and that a more coherent sector approach to policy, institutions and investments be followed where investments are undertaken. According to the review the focus on economic recovery, as proposed in the SDF II business case, was a sound one.
- Also in the area of sustainability, the review identified as a general weakness, the lack of a sound budget process that provided for the recurrent cost implications of investments.
- private contractors were strengthened by the SDF's highly effective procurement system. Approximately 100 contracts were let by the Secretariat for civil works. Of these, only two were regarded as having failed, which is an impressive success rate.

Although most of the major 'lessons learned' from the reviews are very positive regarding the SDF and imply to continue with SDF II in the same way as under SDF I, some of the lessons imply changes need to be made into the funds design:

- Sustainability - The most important area for improvement seems to be the area of sustainability. Various changes of the programme design have been made and are currently being implemented by the fund manager. The BEMO elaborates further on this issue in paragraph 2.3.1
- Use of Country Systems – SDF I was quite ambitious in this area in the sense that it had planned for a gradual increased usage of country systems (UCS) – and decreasing role of the management of the fund for the fund secretariat based on achievements of certain milestones. Based on the limited progress during the first phase referred to above, emphasis of SDF II is much less on movement towards UCS. However, the gate has not been closed completely. If the GoSL shows sincere ambitions to progress in this area, the fund will be able to accommodate increased UCS while making sure this will not lead to increased fiduciary risks.

Above only the most important lessons have been summed up. The SDF review contains a detailed matrix with recommendations for the short, medium and long term based on lessons learned. All of these recommendations have been accepted by the Joint Steering Committee and concrete actions have been formulated for the secretariat, the GoSL and the donors. The secretariat (Mott McDonald) has been proactive in making sure that concrete actions are being followed up upon, by labelling the issues during the Joint Steering Committee meetings.

2.2.2 Appraisal

No.	Criteria 2.2 Contextual analysis	Indicators (score 0,1,2)	Score	EXPLANATION/ REFERENCES
2.2.1	The proposal is based on a careful and thorough contextual analysis, from which a logical problem definition and objective are generated.	 <p>The proposal is based on a careful and thorough analysis and results in a logical problem definition and objective.</p>	2	At the basis of the business case is a thorough analysis of SDF I. The business case provides a very concise general overview of the socio-economic situation of Somaliland. It identifies issues around business climate, legislation and infrastructure as the

				main impediments to economic recovery. It also takes into account lessons learned from the previous phase of the SDF. Based on that a logical problem definition and objective are generated.
2.2.2	Based on the problem formulated, the proposal explains in a logical manner why the intervention is aimed at the specified geographical location.	<input type="checkbox"/> <p>The proposal gives a realistic explanation of why the intervention is aimed at the specified geographical location and substantiates this with</p>	2	The business case explains that the SDF aims to deliver against an equitable agenda in locating its projects for sound political and peace-building reasons across Somaliland. In other words, instead of focusing on one specific location in Somaliland the SDF aims at spreading its interventions throughout the area, so that no section of the population will feel left out.
2.2.3	The proposal justifies the choice of target group .	<input type="checkbox"/> <p>The proposal clearly justifies the choice of target group.</p>	2	The business case identifies 'the people of Somaliland' as its target group. This is a broad group. However, it also describes the importance of an equitable approach. Equity is considered multi-faceted in the context of Somaliland, with issues around geography, gender and clan all important in the design. In the business case DFID also commits to ensure that women and girls are given

				appropriate priority across the fund.
2.2.4	The proposal sets out which relevant actors were involved in formulating the proposal and what influence they had on the content of the proposal.	<input type="checkbox"/> <p>The proposal sets out the involvement of actors, both in formulating the proposal and in the proposed intervention (including its management).</p>	2	It follows from the explanatory email from DFID regarding the proposal (ANNEX B1), which refers to the SDF annual reviews (containing population satisfaction surveys) and the SDF 'Review to inform the DFID business case' (Annex C) that government stakeholders, donors and beneficiaries from the Somaliland population have been either directly or indirectly involved in formulating the proposal.
2.2.5	A stakeholder analysis (incl. women and youth) has been carried out and the results incorporated in the proposal.	<input type="checkbox"/> <p>The proposal sets out who has a stake in the programme/project but their relative interests are not set out in detail.</p>	1	According to the business case equity and gender need to be considered at the early planning and prioritisation stage to enable different groups to participate in the construction and delivery of programme infrastructure. The business case has particular attention for the role of girls and women in decision-making for infrastructure. The business case also sets out in practical terms how the fund will seek to reach improved equity for women. The business case does not mention any specific analysis for other stakeholder groups

				that could be relevant. However, as the SDF phase II has already started we are aware that the fund manager has developed a Gender Equity and Social Inclusion (GESI) strategy that also addresses the needs of other groups, namely youth and people living with disabilities and other marginalised groups as applicable. Appraisal of project options by the 'Joint Steering Committee' is done on the basis of a concept note, which contains a set of GESI sensitive criteria (along with conflict, climate risk assessment, ESA and programme criteria).
2.2.6	The proposal describes how the results of evaluations and/or studies feed into formulation of the proposal.	<input type="checkbox"/> <p>The proposal clearly sets out how results from evaluations and/or studies contributed to formulation of the proposal.</p>	2	The findings of the SDF I review (ANNEX C) feature clearly in the business case. Also, the link between design of SDF II and review findings has been clearly formulated in the business case.
Total score (maximum ¹² out of 12 points)			11	

2.3 Objectives (outcomes), results (outputs), activities and resources, based on the SMART principle

2.3.1 Description

Mott McDonald, the fund manager of SDF II, is currently finalising the results framework with indicators at impact, outcome and output level, baseline information and planning for when the various surveys will be carried out. The results chain, summarised below, is therefore not set in stone. On

outputs in particular DFID has made clear that these may change while the programme is implemented, based on a Problem Driven Iterative Adaptation (PDIA) approach. This is in line with the current Dutch approach to development project management, namely driven by results at outcome level, as also described in the MLS-Somalia 2019-2022. Because the actual sectors that SDF would focus on and activities to be delivered were not predetermined (since those should be based on Somaliland priorities at a future point in time) the results framework attached to the business case lacks specificity at activity level. However, to a large extent the activities to be carried out by the SDF have meanwhile been agreed upon. Some of the projects carried out from the previous phase of the SDF are the wellfield collector, an important link in the water network system of Hargeisa (meanwhile halfway through and progressing well), and construction of a Jetty in Mayd. Some of the newer projects that are being developed are focused on increased availability of water sources in various cities of Somaliland combined with capacity building at the Ministry of Water Resource Development; and a project for the long term improvement of public planning and resource management at the Ministries of Planning and Finance.

The (draft) objectives and results of SDF II at Impact, outcome and output level and sources for verification are as follows. (See for a more elaborate version the results framework in Annex A):

SUPER IMPACT: A More stable and prosperous Somaliland

IMPACT –People better off as a result of economic activity and increased revenue

Source World Bank GDP and Poverty Estimates for Somaliland

OUTCOME 01 - Improved and equitable service delivery to citizens through SDF investments

Outcome Indicator 1.1 - No. of target disaggregated beneficiaries attributable to economically priority sector investments supported by SDF

Source SDF project documents & UNFPA Population Estimates

Outcome Indicator 1.2 - % of citizens reporting improved income in sectors supported by SDF; disaggregated by sex, age, disability and population group (or area)

Source SDF Perception Surveys + Household Income and Expenditure Surveys

Outcome Indicator 1.3 - No of jobs created that are attributable to SDF investments; disaggregated by sex, age, disability and population group (or area)

Source SDF Projects Tracking Surveys

Outcome Indicator 1.4 - No of people with improved resilience as a result of SDF investment (ICF KPI 4)

Source Number of people with a change in access to improved roads/infrastructure/WASH/natural resources. Commissioning an analysis that assesses climate risks and vulnerabilities of people and assets in Somaliland at programme level would serve to establish a baseline and inform the project-level climate risk assessments.

OUTCOME 02 - Improved government capacity to prioritise, deliver, maintain and operationalise Somaliland's investments

Outcome Indicator 2.1 - % of citizens reporting improved service delivery in sectors supported by SDF; disaggregated by sex, age, disability and population group (or area)

Source SDF Perception Surveys + Deep Dive studies

Outcome Indicator 2.2 - Proportion of citizens who believe decision-making is inclusive and responsive at national and regional level; disaggregated by sex, age, disability and population group (or area)

Source SDF Perception Surveys + Deep Dive studies

Outcome Indicator 2.3 - Citizen perception on accountability and government structures and development priorities, planning and implementation at national and regional level; disaggregated by sex, age, disability and population group (or area)

Source SDF Perception Surveys + Deep Dive studies

Outcome Indicator 2.4 - Level of institutional knowledge of climate risk management as a result of SDF investment

Source Previously this has been measured in programmes using a scorecard system with the intended beneficiaries (i.e. MDAs and communities).

OUTPUT 01 - Increased MDAs' capacity in public resource management through planning and implementation of conflict sensitive, inclusive, economically, sustainable and resilient priority sectoral investments

Output Indicator 1.1 - Proportion of MDA Budget allocated and ringfenced for operation and maintenance of investments year on year

Source *GoSL Annual Budget Estimates*

Output Indicator 1.2 - Enhanced work systems and procedures in MDAs; planning, decision-making, reporting, M&E, data management that enhance public resource management

Source *SDF Organizational Assessment tool, Data for each of the SDF-supported Ministries and Agencies*

Output Indicator 1.3 - Demonstrated understanding and application by MDAs in use of Conflict Sensitive Planning, GESI, ESIA, climate risk assessment and inclusive and resilient economic growth planning in SDF funded projects

Source *SDF Organizational Assessment tool, Data for each of the SDF-supported Ministries and Agencies*

OUTPUT 02 - Community level governance and management capacity through enhanced participation, accountability, transparency and inclusion

Output Indicator 2.1 - Community structures put in place and addressing inclusion issues and resolve conflicts using participatory approaches and other programming principles (GESI, ESIA, Conflict Sensitive Programming, climate risk assessment)

Source *Local Governance snapshot assessment tool customised for each project*

Output Indicator 2.2 - Perception of beneficiaries on participation and satisfaction with community level governance processes/structures (political/decision making, mediation and dialogue); disaggregated by sex, age, disability and population group (or area)

Source *Local Governance snapshot assessment tool customised for each project*

Output Indicator 2.3 - Perception on accountability/transparency of community level governance structures by representation of various groups; disaggregated by sex, age, disability and population group (or area)

Source *Local Governance snapshot assessment tool customised for each project*

OUTPUT 03 - Improved economically strategic transport infrastructure is developed and maintained to promote inclusive and resilient economic growth

Output Indicator 3.1 - Km of all season roads (rural and urban) constructed / rehabilitated

Source *Physical Verifications + Geospatial Data Mapping*

Output Indicator 3.2 - % change in Jetty capacity

Source *Physical Verifications + PMT Reports*

Output Indicator 3.3 - % change in travel time on roads rehabilitated with SDF support

Source *Traffic Usage Surveys + Perception Surveys*

Output Indicator 3.4 - Perception of change in vehicle operating cost savings

Source *Traffic Usage Surveys + Perception Surveys*

Output Indicator 3.5 - Proportion of population who live within 2km of an all season road (%)

Source *Traffic Usage Surveys + Perception Surveys*

OUTPUT 04 - Improved access to maintained WASH infrastructure and services in urban and rural areas to promote inclusive integrated social development

Output Indicator 4.1- Quantity of water per day available for distribution in urban water systems with SDF support.

Source *Water Production Reports & HWA Water Consumption Data*

Output Indicator 4.2 - No. of rural water points constructed / rehabilitated and are functional in all seasons

Source *PMT Reports*

Output Indicator 4.3 - % of beneficiaries accessing and using safe and affordable drinking water for domestic use of an improved water source (Access is 1,500m for Rural and 200m for Urban); disaggregated by sex, age, disability and population group (or area)

Source *Water Supply Access/Usage Surveys + GIS Mapping*

Output Indicator 4.4 - Number of cost recovery mechanisms in place for operation and maintenance of rural water supply systems

Source *PMT Reports*

OUTPUT 05 - Improved productive and environmental management sectors enhancing incomes, food security and livelihoods, natural resources, watershed management and resilience

Output Indicator 5.1 - Number of hectares of land conserved or rehabilitated (for both agricultural and livestock use) with SDF support through grazing, forestry reserves and other designated catchment areas resulting in increased drought resilience.

Source *Project Area Spatial Maps/GIS mapping*

Output Indicator 5.2 - Change in agriculture production yield per hectare in SDF supported project areas

Source *Project Area Crop production yield surveys*

Output Indicator 5.3 - % change of fish tonnage harvested from Somaliland Waters for SDF supported project areas

Source *MoLFD Fish Production surveys*

Output Indicator 5.4 - Change in household income due to enhanced agriculture, livestock and fish production; disaggregated by sex, age, disability and population group (or area)

Source *Household Income and Expenditure Surveys*

Link with the Multi Annual Country Strategy

Comparing the above (abbreviated) results framework of SDF II to the relevant indicators of the Multi Annual Country Strategy of the Netherlands; the 'match' that had been planned for, is there; namely, the results framework measures results relevant to political governance; MACS outcome: '*National and local level governance is more and accountable by strengthening political parties and parliament and promoting democratic space and inclusive political decision making (regional)*' – Indicator 3.2. is relevant and links to output indicator 2.1, 2.2 and 2.3 on community level participation as it measures 'Participation (and satisfaction) in governance processes (political decision-making, mediation and dialogue) by representation of various groups, with special reference to women and youth.'

Sustainability

Although sustainability aspects were integrated into the design of the first phase of the SDF, the most important lessons learned from SDF I related to improvement of the sustainability of the fund. According to the SDF review (ANNEX D, paragraph 37), sustainability should be understood broadly to include the following four dimensions for which practical measures have now been integrated into SDF II; financial, organisational, political economy, and social sustainability. Upon advice by the MFA regional climate advisor, the aspect of environmental sustainability has been added to those four.

Financial sustainability

With a view to the overall design of SDF II, much attention has been given to sustainability of investments, with a particular focus on infrastructure projects. Under outcome area three, which is focused on making 'Infrastructure operational and maintained', proposed outputs are to improve planning, increase transparency and enhance budgeting skills.

According to the SDF review, there is a good case for Somaliland to move to extend its planning horizon, for instance moving to a three-year rolling planning horizon, linked to a three-year-economic forecast and a three-year expenditure (capital and recurrent) framework. This seems to be the ambition of the Ministry of Finance as well, with steps being taken under the PFM reform programme supported by the World Bank. The SDF is now considering support to the design of a simple rolling plan, which will include infrastructure maintenance planning.

Organisational sustainability

The DFID reviews criticism relating to sustainability (see paragraph on 'lessons learned' above), was that the high delivery pace of SDF I came at a cost of GoSL capacity building. Although the Project Management Teams, formed within each Ministry for which projects were delivered, were designed to enable capacity building of government employees, such learning was not sufficiently achieved. Based on this feedback under phase II the SDF will focus more on capacity building at Ministries. This will be done through a stronger focus on the transfer of knowledge in the project management teams within ministries, as well as through a separate training programme, to be organised through support of the Ministry of Planning.

Political economy

The fund manager will place more emphasis on carrying out political economy analyses; general analyses as well as localised analyses for specific projects, before project implementation. Through findings of these assessments the SDF can ensure that influential actors, such as clan leaders, political actors and business actors, will have a real interest in sustaining the flow of benefits. It will also help putting measures in place to prevent corruption.

Environmental and Social sustainability

Since Environmental and Social Impact Assessments, and climate risk assessments (based on the ESIA-framework), will be carried out, these will help to ensure that adverse effects are avoided and opportunities for addressing environmental/climate vulnerabilities as 'co-benefits' to the activities are taken.

The different dimensions of sustainability are also covered for each proposed project through the standard project concept note rapid appraisal checklist form (See Annex E). Based on the form each project needs to have its own sustainability plan which should cover issues such as; sustaining the project after completion; budgeting for recurrent cost; central government budget planning and exit strategy. The assessment based on this checklist also includes political economy and social sustainability topics. At the stage of further development of the projects after approval from the Joint Steering Committee of the concept notes, the same topics are further elaborated on.

2.3.2 Appraisal

Appraise the logical framework using the appraisal table. If the maximum score is not achieved, explain why and how this is dealt with. If certain criteria do not apply, please indicate this.

No.	Criteria 2.3 Outcomes, outputs, activities and resources based on the SMART principle	Explanation of score (1 point per indicator)	Score
2.3.1	The objectives at outcome level are clearly formulated, fall within the proposal's span of influence and are realistic. The outcomes follow logically from the prob-	<input checked="" type="checkbox"/> The outcomes are specifically formulated.	5

	lem formulated.	<input checked="" type="checkbox"/> The objectives follow logically from the problem formulated. <input checked="" type="checkbox"/> The objectives fall within the proposal's span of influence and are realistic (taking account of its duration and local circumstances). <input checked="" type="checkbox"/> The objectives are acceptable to the target group and other stakeholders. <input checked="" type="checkbox"/> The objectives formulated are realistic bearing in mind the scope of the activities and the capacity of the (local) organisation(s).		
<p>EXPLANATION/ REFERENCES</p> <p>The outcome level results are clearly formulated and will logically contribute to the envisaged impact level result that address the formulated problem. The objectives are realistic as well and based on lessons learned from programme implementation during SDF I (articulated in the DFID review). The outcome level results are acceptable to stakeholders, which we know based on a National Development Plan prioritization exercise, which was carried out in Q4 of 2018 (funded by SDF I in all regions of Somaliland.</p> <p><i>Additional appreciation gender indicator 3:</i></p> <p>The objectives include an explicit reference to women/ men, girls/ boys and gender equality. Please explain.</p> <p>In order to ensure integration of gender as well as social inclusion aspects, an explicit gender and social inclusion policy has been formulated (See GESI framework in ANNEX F) .</p>				
2.3.2	Progress in achieving the outcomes can be determined objectively on the basis of measurable performance indicators.	<input checked="" type="checkbox"/> Relevant performance indicators have been formulated for each outcome. <input type="checkbox"/> A baseline measurement and a measurable target (quantitative and/or qualitative) have been formulated for each performance indicator. <input checked="" type="checkbox"/> The verification method (the means by which data is collected and the sources of that data) is realistic and feasible.	2	
<p>EXPLANATION/ REFERENCES</p>				

See Logical Framework (Results framework) in ANNEX A

Baseline target values for the ' transitional projects' (projects transferred from SDF I to SDF II) are available. For the overall results framework some are currently being formulated and some will be formulated as soon based on data collection that still has to be carried out.

Additional appreciation
gender indicator 1:

For each outcome are relevant, gender specific performance indicators formulated. Please explain.

Data representing results at outcome and output level are disaggregated by gender.

2.3.3	The outputs formulated are concrete and fall within the proposal's span of control. The outputs follow logically from the outcomes formulated.	<p><input type="checkbox"/> The project proposal is divided into clear phases, each having concretely formulated outputs.</p> <p><input checked="" type="checkbox"/> The outputs are specific.</p> <p>There is a clear link between the outputs and the out-comes,</p> <p><input checked="" type="checkbox"/> i.e. the outputs can be expected to contribute to achievement of the outcomes.</p> <p>The outputs are</p> <p><input checked="" type="checkbox"/> acceptable to the target group and other stakeholders.</p> <p>The outputs formulated are</p> <p><input checked="" type="checkbox"/> realistic bearing in mind the scope of the activities and the capacity of the (local) organisation(s) .</p>	4
<p>EXPLANATION/ REFERENCES</p> <p>Division into phases in terms of outputs is not relevant for the SDF. In principle all activities could be carried out in parallel. However, with a view to available funding and managerial capacity of the fund manager, selection of projects takes places in different waves. The formulated outputs are specific and contribute logically to achievement of the outcomes and are acceptable to stakeholders, which we know based on a National Development Plan prioritization exercise, which was carried out in Q4 of 2018 (funded by SDF I) in all regions of Somaliland.</p>			
2.3.4	Progress in achieving the outputs can be determined objectively on the basis of measurable performance indicators.	<p><input checked="" type="checkbox"/> Relevant performance indicators have been formulated for each output.</p>	2

		<input type="checkbox"/> A baseline and a measurable target (quantitative and/or qualitative) have been formulated for each performance indicator. <input checked="" type="checkbox"/> The verification method (the means by which data is collected and the sources of that data) is realistic and feasible.		
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**EXPLANATION/
REFERENCES**

For all outputs relevant performance indicators have been formulated. As described in paragraph 2.3.1 above, the results framework is likely to change slightly, which means performance indicators will also have to be (re)formulated. However, based on the experience under the previous phase of the SDF, relevant performance indicators will surely be formulated for each output.

Baseline target values for the 'transitional projects' (projects transferred from SDF I to SDF II) are available. For the overall results framework some are currently being formulated and some will be formulated as soon based on data collection that still has to be carried out.

Additional appreciation
gender indicator 1 and 2:

For each output are relevant, gender specific performance indicators formulated;

Baseline, targets and verification methods are put on to collect gender specific information. Please explain.

Data representing results at outcome and output level are disaggregated by gender where relevant.

2.3.5	There is a logical link between the proposed activities and the outputs formulated.	<input type="checkbox"/> The proposal sets out the nature of the activities and explains how the activities formulated will contribute to achieving the outputs.	0	
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**EXPLANATION/
REFERENCES**

Formulation of predetermined activities runs counter to the design of the SDF, which is meant to fund projects upon presentation by the GoSL. However, as donors and the GoSL decide jointly on whether specific projects will be funded, the Netherlands will help making sure that activities will be selected that match with the formulated outputs. Also, based on the experience with SDF 1, we can be assured that relevant activities will be selected.

2.3.6	There is a logical link between the activities and the project budget (efficiency).	<input type="checkbox"/> The budget is supported by figures on price and quantity (p x q).	0	
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		<input type="checkbox"/> The budget is broken down by output and/or outcome.		
<p>EXPLANATION/ REFERENCES</p> <p>Even though the budget is not broken down by output, all outputs are budgeted for at the project level and all individual project logframe feed into the fund logframe.</p>				
2.3.7	<p>When the activity ends, its envisaged outputs will have a lasting effect for the ultimate target group.</p>	<input checked="" type="checkbox"/> The proposal contains a clear vision (with objectives) as to how the activities will be continued when the intervention comes to an end. <input type="checkbox"/> To achieve these objectives, specific measures will be taken during implementation of the activities to ensure that the target group will help continue the activities. <input checked="" type="checkbox"/> The proposal contains suitable criteria against which progress in continuing the activities can be <input checked="" type="checkbox"/> The proposal includes a transition plan or exit strategy, identifying the various actors.	3	
<p>EXPLANATION/ REFERENCES</p> <p>SDF II is designed as an economic development instrument. The SDF II emphasizes that all projects demonstrate at both concept note stage and project proposal stage how they will contribute to inclusive economic growth. This is also one of the criteria in the concept notes and the project proposals. Economic growth is assumed to lead to income generation for the GoSL although other factors can influence this.</p>				

The project proposals for specific SDF II projects will contain sustainability and exit strategies.

2.3.8	At the end of the activity, the envisaged outputs will have a lasting effect on the local partners.	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The proposal contains a clear vision (with objectives) as to how the quality of the activities and/or financial independence of the local partner will be enhanced. <input checked="" type="checkbox"/> To achieve these objectives, specific measures will be taken during implementation of the activity. <input type="checkbox"/> The proposal devotes attention to the capacity of the local partner to generate income from various sources. <input checked="" type="checkbox"/> The proposal sets out suitable criteria against which progress in regard to institutional sustainability can be measured. 	3
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**EXPLANATION/
REFERENCES**

See par. 2.3.1 regarding sustainability aspects. The issue of income generation: the SDF is designed as an economic development instrument. The SDF II emphasises that all projects demonstrate at both concept note stage and project proposal stage how they will contribute to inclusive economic growth. Economic growth is assumed to lead to income generation for the GoSL.

Total score (maximum score 27 points)

1

The draft results framework of SDF II has not yet been fully finalised in terms of outcome and output statements as well as matching indicators and baseline information. Therefore it is proposed to make payment of the first tranche of the contribution conditional upon finalisation of the results framework, including formulation of baseline values and target indicators, in agreement with the donors of SDF II.

2.4 Cooperation, harmonisation and added value

The SDF is a multilateral fund that entered into its second phase in September 2018. Funders during the first phase were DFID (lead donor), Denmark, NL (partly silent) and Norway (as silent donor). Currently the SDF is sure of support from DFID and Denmark. Apart from NL possibly Norway and SIDA will come on board as well.

Project selection is done upon request by the Somaliland government, which ensures maximum government coordination and which also ensures as far as possible the relevance of the portfolio for the SL national development agenda. (The Somaliland government, National Planning Commission, has developed selection criteria to ensure balancing across regions and sectors.) Moreover, the risk of overlap is small because activities of the SDF are being discussed at the high level donor meetings (outside the SDF-structure) and because if the type of projects that the SDF carries out; very concrete infra and service delivery projects, that generally need government approval. SDF staff/consultants are seconded to government ministries with a view to project coordination and capacity building more in general. Where the government lacks capacity to oversee the various projects that are being carried out, these staff members fill in.

The funds activities involve cooperation with other organisations as well as other donors. This becomes relevant , for instance, in the case of construction or rehabilitation of (water) infrastructure projects. For instance, a project that was transitioned from the SDF I to the current phase is a Hargeisa urban water supply projects. This is a project of which certain components have been implemented by UN Habitat, co-funded by the EU and the SDF. The remaining component to make the water network rehabilitation / upgrade are implemented by the SDF and a GIZ-partner.

2.5 Channel and aid modality (including alignment)

As became clear from SDF reviews, the SDF has consistently proven to be the preferred financing modality for the Somaliland government. The fund is fully aligned with government priorities. The modality is also consistent with the New Deal principles, which were derived from the Fragile States Principles (FSPs) in Busan in 2011. There are no other comparable aid modality options that the Netherlands could choose from.

In terms of co-participation, the GoSL does take-over financing of earlier SDF funded projects. In the past it has for instance taken over running costs of schools and hospitals.

From the point of view of donors, an extra advantage of the fund is that one gets easy access to government ministers and in this way is able to influence on policy areas, such as human rights, gender equality and security issues as well as bilateral issues, such as returns of Somalilanders that stay in the Netherlands unlawfully.

V. IMPLEMENTATION

5.1 Budget

5.1.1 Breakdown of costs*

Output/direct costs	Description	Amount in USD
Output 1	Capacity development – GoSL Level	4,809,355.47

Output 2	Capacity Development – Community Level	2,137,491.32
Output 3	Infrastructure	12,290,575.09
Output 4	Productive Sector	17,099,930.56
Output 5	WASH	17,099,930.56
Sub total		53,437,283
Management	SDF2 Fund Management Contract	10,000,000
Total		63,437,283

Based on the current approved sectors and concept notes, funds have been allocated per output on pro rata basis using the same formula used by the Somaliland Ministry of Planning in the allocation of the funds as follows.

Output	Amount in USD	Percentage
Output 1	4,809,355.47	9.0%
Output 2	2,137,491.32	4.0%
Output 3	12,290,575.09	23.0%
Output 4	17,099,930.56	32.0%
Output 5	17,099,930.56	32.0%
Total	53,437,283	100.0%

* Amounts based on email exchanges with Mott McDonald and DFID, See Annex B.4 and B.5

5.3 Monitoring

5.3.1 Narrative and financial reports

It is our assessment that the organisational capacity of our business partner (DFID) as well as that of the fund manager is adequate.

The fund manager does currently provide quarterly reports. In addition to that, financial and narrative updates are being provided during quarterly meetings of the Joint Steering Committee. If any serious risk would materialise of which the JSC members need to be kept up-to-date immediately, they would be updated by email or phone. Moreover, additional updates are given by the fund manager upon request. There is no need for additional measures.

5.3.2 Audit opinion

The value of the activity is less than 50% in relation to the extent of the beneficiary's financial resources. . Since we see the implementing capacity of both DFID and Mott McDonald as positive as well, the outcome of the decision tree is that a yearly audited statement on financial reports will be asked for. We asked the same for our contribution under the previous phase of the SDF. The program already provides for this.

5.3.3 IATI - International Aid transparency Initiative

DFID will ensure reporting on results in accordance with the IATI standard, as set out in the BZ publication guidelines. Commitment of the SDF fund manager, Mott McDonald to report in accordance with IATI standards is reaffirmed in the inception report (ANNEX J), par 9.2.

5.3.4 Annual plans and other reports

5.3.5 Monitoring calendar

Report type	Any specific requirements*	Period	Submission by* <i>(work plans may be revised depending on any variations agreed by the JSC)</i>
Annual plan		<i>13-09-2019 until 12-9-2020</i>	<i>1-10-2019</i>
		<i>13-09-2020 until 12-9-2021</i>	<i>1-8-2020</i>
		<i>13-09-2021 until 31-12-2022</i>	<i>1-8-2021</i>
Narrative* To be uploaded in IATI		<i>13-09-2019 until 12-09-2020*</i>	<i>1 Dec 2020</i>
		<i>13-09-2020 until 12-09-2021</i>	<i>1 Dec 2021</i>
		<i>13-09-2021 until 31-12-2022</i>	<i>1 Apr 2023</i>

Narrative IA-TI *		<i>Quarterly, first quarter starting on 1/07/2019 – 30/09/2019</i>	<i>Within 1 month after the end of each quarter</i>
Financial*		<i>13-09-2019 until 12-09-2020*</i>	<i>1 Dec 2020</i>
		<i>13-09-2020 until 12-09-2021</i>	<i>1 Dec 2021</i>
		<i>13-09-2021 until 31-12-2022</i>	<i>1 Apr 2023</i>
Final narrative and financial**		<i>13-09-2019 until 31-12-2022</i>	<i>1-03-2023</i>
Externally audited report		<i>13-09-2019 until 12-9-2020*</i>	<i>1-1-2021</i>
		<i>13-09-2020 until 12-9-2021</i>	<i>1-1-2022</i>
		<i>13-09-2021 until 31-12-2022</i>	<i>1-04-2023</i>
Evaluation		<i>09-2018 until 09-2020</i>	<i>11-12-2020</i>
		<i>09-2018 until 12-2022</i>	<i>1-4-2023</i>

* The second phase of SDF started on 13 September 2018. Therefore annual planning and reporting follows the cycle 13 Sep-12 Sep.

5.3.6 Evaluations

The IOB-helpdesk was consulted for advice and confirmed that an evaluation commissioned by DFID (which is to be funded by DFID) would be sufficient as long as this evaluation would be done by an independent party and the relevant questions would be asked. The embassy will engage with DFID to ensure that the evaluation that will be carried out will fulfill the NL MFA requirements.