

# Activity Appraisal Document ODA

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<b>Application number</b>	4000003952
<b>Short name application</b>	Somalia Stability Fund – Skills and Jobs
<b>Long name application</b>	Somalia Stability Fund, Economic Development Portfolio with a focus on Skills and Jobs
<b>Description application</b>	<p>The SSF is a multi-donor instrument, which aims to enhancing stability in Somalia by contributing to enhanced government legitimacy and reduced political and communal conflict. Objectives, results and activities remain the same as before and as outlined in section 2.3 below.</p> <p>The fund is run by fund manager Adam Smith International, overseen by a secretariat led by DFID, the lead donor.</p> <p>For the period 2014-2016 NL contributed EUR 4.9M. For the period Sep 2017- Aug 2019 NL committed EUR 4.5M.</p> <p>SSF II was originally planned to run up until March 2020, but in March 2020 the fund duration was extended until December 2020, to cater for the completion of activities and also make new investments:</p> <ul style="list-style-type: none"> <li>- Community driven developments in Sool and Sanaag regions;</li> <li>- Investments in Puntland which include support to TPEC; buildings &amp; equipment for the presidency; solar lighting in Qardho;</li> <li>- Investments in Galmudug, including, furnishing of presidency; road construction in Hobyo; works at Dhusa-mareb airstrip;</li> <li>- Investment in Benadir, including, M&amp;E support, FGS presidency support and borehole drilling.</li> </ul> <p>This proposed EUR 1M is earmarked for the SSF economic development portfolio and will be contributed from the skills and Job program.</p>
<b>Budget holder</b>	NAI
<b>Number business partner</b>	
<b>Implementing organisation(s)</b>	Somalia Stability Fund, Adam Smith International
<b><a href="#">Legal relationship</a></b>	Arrangement/ contribution
<b><a href="#">Commitment</a> in foreign currency (if applicable)</b>	EUR 963.500

Corporate rate	n/a		
<a href="#">Commitment</a> in euros	EUR 963.500		
Funds centre	1701U03190009		
Activity start date	July 1, 2020		
Activity end date	December 31, 2020		
Contract start date	July 1, 2020		
Contract end date	December 31, 2020		
<a href="#">Aid modality</a>	Other aid		
<a href="#">Donor role</a>	Lead or active donor		
<a href="#">Technical assistance</a>	TA=0      0% of the activity budget		
<a href="#">Beneficiary's country/region</a>	Somalia		
Countries within the region (if applicable)	n/a		
Allocation country information	100% Somalia		
Location within the country (be as specific as possible)	Territory	<b>Name of location(s)</b>	National, Hirshabelle State, Galmudug State, South-west State
<a href="#">CRS Code</a>	11110- Education facilities and training 15170- women's rights organisations and movements 31181- agricultural education and training 31120- agricultural development 31381- Fishery education and training 31320- Fishery development 25030- Business development services		
<a href="#">Policy marker weight is 'principal'</a> (no minimum or maximum amount)	PrivSct - Private sector development WrkJng - employment for young persons GlkhMV - gender equality		
<a href="#">Policy marker weight is 'significant'</a> (no minimum or maximum amount)	WrkJng - employment for young persons		
<a href="#">Special pledges made by the Minister or State Secretary</a> / and/ or special marks regarding sensitive information	n/a		

## **II. APPRAISAL OF THE ACTIVITY**

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

#### **2.1.1 Description policy relevance**

In line with the DSO and DDE newly delegated budget with the thematic focus on education and work/income for young men and women, the Somalia Stability Fund, as a multi donor fund, provides the opportunity to specific donors to provide earmarked funding to their Economic Development Portfolio.







The Somalia Stability Fund (SSF) runs 17 economic development investments across the five federal member states (FMS) of Somalia that deliver projects seeking to improve socio-economic opportunities for communities, address the main drivers of conflict – such as structured exclusion, youth unemployment, social cohesion – and improve government and community engagement. Through these investments, SSF aims to deliver projects in the name of government, improving trust and government legitimacy in the eyes of the community and reducing incentives to engage in violent conflict.




SSF's economic development investments are multi-layered, with structural support at the Federal Member State (FMS) and Federal Government level aimed at developing a national level strategy on human capital development and investments at the district level that are delivering public infrastructure to support economic development, strategic technical vocational training resulting in job creation and business development, improved access to finance and leveraging public and private sector stakeholders, particularly in the fisheries and agriculture sectors.

The economic development investments included in this proposal include skills and enterprise development projects targeting youth, women and traditionally marginalised groups as well as investments that support renewable energy and activities aimed at mitigating the effect of climate change. They are designed to address the drivers of conflict by providing socio-economic opportunities for youth and women in the targeted areas and the tools needed to mitigate against climate change. This is all relevant to the nexus skills-jobs for young people initiative.

#### **2.1.2 Appraisal**

See for an explanation also above para 2.1.1.

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 <a href="#">intervention logic</a> ).	 The proposed intervention ties in with both the main objective and the secondary objectives.		The SSF objectives match with the Explanatory Memorandum objective of striving to a more stable and secure world. It is aimed at addressing the root causes of instability.
2.1.2	The proposed intervention ties in with the ODA <a href="#">priorities</a>	 The proposed intervention ties in with more than one of the result areas of the BH&OS priorities.		The SSF projects are particularly relevant to youth employment
2.1.3	The proposed intervention ties in with the annual plan and the result			Fully matching with and specifically mentioned

	chain of the <a href="#">MIB/MASP</a> .	The intervention is specifically mentioned in the result chain of the MIB/MASP.		in the MACS and annual plan.
2.1.4	The relevance of the proposed intervention to the crosscutting themes of women's rights and gender equality / climate / PSD / coherence and strengthening of civil society organisations	 <p>The proposed intervention is relevant to more than one of the crosscutting themes.</p>	 <p>2</p>	See above para 2.1.1
Total score (maximum 8 out of 8 points)			 <p>8</p>	

## **2.2 Problem analysis and lessons learned**

### **2.2.1 Description**

81.5% of the Somali population is under 35 years' old with a high level of unemployment and underemployment. According to PES 2014, only 27% of youth are employed – 58% male and 42% female – of which the majority of the employed (70%) are in the primary sector that is livelihood, agriculture, forestry and fisheries. Access to gainful employment opportunities for youth, women and other marginalized groups in Somalia is further constrained by lack of skills combined with illiteracy. The conflict has had a detrimental effect on Somalia's education centres. Equipment and essential materials needed by vocational centres were looted or destroyed and experienced experts for vocational skills left the country or retired.

#### *Lessons Learnt*

#### **WOMEN PARTICIPATION**

ADESO noted that women graduates lack critical self-esteem and psycho-social support whilst at the same potential employers are adopting discriminatory hiring practices that prevent equal employment opportunities for educated women. The investment continues to facilitate psycho-social counselling sessions to motivate and build self-confidence among women and are using the job club to support women in accessing employment fairly. In the reporting period, City University (CU) and the Heritage Institute for Policy Studies (HIPs) has found, through its initial data collection exercise that there is a scarcity of women participation especially in the education sector and that the problem is much bigger than previously perceived. The data also suggests that marginalized groups, including women are much more marginalized due to the cost of fees and the limited number of public schools available in comparison to high cost private institutions. The finding and recommendation will be included in the final report to be shared in early 2020.

#### **TVET/EBTVET APPROACHES**

Several partners have stated that many youths still lack the incentives to enroll into TVET institutions, as many of the institutions lack relevant physical and operational structures and many do not uphold the required standards for the sector to thrive in the labour market. For example, CPD and Care International in Dhusamareb and Guriceel respectively had similar challenges of enrolling trainees to TVET centres due to institutional weaknesses, lack of willingness and commitment from local institutions to train and support the students. The private sector companies are similarly not well developed to close the TVET gap, limiting the beneficiaries from identifying potential employers for possible apprenticeships. CPD in Dhusamareb decided to adopt the apprenticeship approach by placing the students at either garages, welding workshops, electrical and solar installation workshops, to allow the trainees to further gain practical skills. Some partners are equally supporting TVET institutions and engaging the private sector, to realize their potential to address the existing gaps by applying demand-driven approaches like job apprenticeships, job clubs, growth hubs and






trade fairs intended to bring together the relevant stakeholders that instigates a change of perceptions and linking potential employers with employees.

## LEARNING FROM THE SSF MIDLINE REPORTS

During the reporting period midline reports were completed for all SSF's economic development investments by Research Care Africa and Consilient. Across the reports there was evidence that investment activities are already promoting social cohesion and improving the visibility of government in some locations. Improved social cohesion and improved livelihood opportunities (a known driver of conflict) are already a step towards reducing incentives for not just violent conflict but also migration. For example, in Guriceel a woman trained at the Galgudud technical college supported by SSF's partner Care, explained, "There are a lot of changes in our community since the project was implemented. Those who take part in the training come from different clan groups and different districts. We didn't know each other before, but now we're so close because of this training". Midline findings showed that across SSF's economic development investments, stakeholders noted the active role of both the district administration, and in some cases the FMS, particularly in providing the 'enabling environment' for projects to be implemented, a first step in greater government community engagement. However, a key learning has been that despite increased visibility of government as a result of the project, this hasn't always translated into improved perceptions around government legitimacy. Midline findings show that local communities are still wary of district administrations not elected by local communities and are pessimistic about the role that government can play in sustaining or leveraging on SSF investments, due to limited financial and human resource capacity. In response SSF continues to flex and adapt its approach, exploring innovative approaches such as greater engagement of Government throughout the implementation of projects and sustainability initiatives that directly engage both the public and private sector.

The skills and Jobs program aims to address these issues and aims to harvest lessons learnt from the overall SSF Economic Development portfolio to further develop the Skills and Jobs program in subsequent years.

### 2.2.2 Appraisal

Nr.	Criteria 2.2  Contextanalyse	Indicators (score 0,1,2)	Score	EXPLANATION/ REFERENCES
2.2.1	The proposal is based on a contextual analysis, from which a logical problem definition and objective are generated.	 The proposal is based on a analysis and results in a logical problem definition and objective.		See above 2.2.1
2.2.2	The proposal describes how the results of evaluations and/or studies feed into formulation of the proposal.	 The proposal clearly sets out how results from evaluations and/or studies contributed to formulation of the proposal.		See above 2.2.1 lessons learnt
Total score (maximum 4 out of 4 punten)				

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

### **2.3.1 Description**

*Overall Objectives:*

- Increase employment opportunities for youth
- Providing access to entrepreneurial apprenticeships with possible access to seed funding
- Provide market relevant training to communities, specifically women and youth, including TVET
- Support the development and implementation of the Human Capital Development Mechanisms (HCDM)

*Summary of selected economic development projects*

#### **1. District stability, employment skills and entrepreneurship strengthening (BDSESES) project, Baidoa, South West State**

Baidoa has experienced exponential growth since it is liberation from Al-Shabaab in 2012. The district has an estimated population of 449,000 people and Baidoa has one of the highest IDP population outside of Mogadishu. Insecurity has affected peoples' livelihood and hampered agriculture productivity. There are limited employment opportunities in urban centres and the large influx of IDPs in recent years has put increased pressure on the already limited resources.

To address this bottleneck, Adeso in partnership with Ashley Community Housing (ACH) and The University of Birmingham School of Business has designed an innovative approach to empower youth, facilitate entrepreneurship and accelerate youth active participation in the economy and stability.

The investment enrolled 250 for internationally accredited vocational-technical skills training with a focus on young men, women and IDPs. The training was delivered by trainers trained by diaspora trainers with expertise in the subject areas to be covered in the courses. The investment formed a partnership with the University of Southern Somalia to host a job club offering soft skills training, career advice and information on job opportunities to young people. To date 700 young people have accessed support through the job club. The project also hosted a job fair in Baidoa, bringing together young people and prospective employers, creating opportunities for networking and offering young people advice on employment opportunities in Baidoa.

Additional funding will be used to ensure the sustainability of the project activities, specifically the job club. While the university is managing the job club, the project needs to ensure that the Job Club works on behalf of the community. Therefore, additional time will allow the project to establish strong management and oversight structure that serves everyone's interest – the youth, the University, the government and the community as a whole.

#### **2. Catalysing Economic Development and Livelihoods in Adado, Galmudug**

The economy in Adado has been adversely affected by drought, chronic livestock diseases (such as Contagious Caprine Pleuropneumonia), as well as chronic market access problems due to poor road infrastructure and insecurity. Following the coordinated use of armed security on ships there has been a collapse in the piracy fueled economy rendering pirate soldiers and workers jobless. Consequently, more and more people have become dependent on the local productive sectors that include small businesses such as milk and livestock trade, butcheries, small kiosks and casual labouring in the construction works/ quarries digging.

Mercy Corps in partnership with ADESO, are working with potential entrepreneurs either interested in starting businesses or expanding their businesses linked to I Rise, a business hub that helps young entrepreneurs with innovative ideas to interact with business facilitators for coaching and supporting the transformation of ideas into businesses for the young men and women from Adado. The investment is currently supporting 40 youth who recently completed six-month skills training (TVET) courses at selected TVET and EBTET institutions and were then placed in apprenticeship schemes with the informal private sectors. Courses included subjects such as vehicle mechanics, construction works and electrical services. The project is currently linking these entrepreneurs with Micro-Dahab with 30 potential entrepreneurs to acquire seed capital to start their businesses or expand.

Due to flooding in the last quarter of 2019 this investment saw delayed implementation. The additional funding will be used to complete planned project activities as well as provide funding to rehabilitate the demonstration farm and a greenhouse established as part of the project.

### **3. Youth Employment, Human Capital and Private Sector Development, Elbarde, Hudur and Dinsoor Districts, South West State**

Elbarde, Hudur and Dinsoor districts are located in South West State and have been traditionally marked by food insecurity and a series of droughts, resulting in livestock losses and crop failures. Dinsoor district is besieged by Al Shabaab and the supply routes have been fully cut off with no basic food and non-food commodities into the town. Hudur is one of the most important economic centres in southern Somalia conducting significant trade in livestock and with economic links to the Ethiopian border regions.

SOS Children's Village together with local partner MMC has developed a training curriculum tailored to the skills demand and market opportunities as defined by the labour market assessment and supported 150 young men and women from Hudur, Dinsoor and Elbarde to access quality labour market information, employment services, and skill development training. SOS has also delivered entrepreneurship and enterprise development training to 306 existing and aspiring and Increased access to essential financial and non-financial opportunities for self-employment targeting 300 youth and women with 180 receiving loans to start or expand IGAs. The investment established and operationalized three Community based organisation (CBOs) centers by equipping them with respective equipment, supported the selection of qualified members to access start up loans is ongoing.

Most of the beneficiaries selected for the economic development project especially women and youth are also milk vendors/traders. The additional investment will focus on supporting the growth of the milk sector through capacity building and enterprise skills development of camel milk producers, support the effective engagement of youth and women in the milk value addition process, and establish efficient and quality supply of raw milk from production zones to the markets through effective collection and bulking systems.

### **4. Economic Development and Livelihood Support for women, youth and rural households, Jowhar, Hirshabelle**

In recent years Jowhar district has been marked by food insecurity and low agricultural production, caused in part by ongoing drought. Among the main constraints and problems weakening rural households' production capacity and drought resilience is a lack of specific knowledge and technical skills on good agricultural practices.

CEFA has been contributing towards diversifying rural livelihoods and improving food security through skill and knowledge dissemination on good agricultural practices for rural households mainly women and youth, agricultural diversification, and introduction of nutrition smart agricultural techniques, with a specific focus on those affected by displacement.

CEFA has set up two demonstration farms to display good agricultural practices and modern farming techniques and handed these over to a local university to manage. They have focused on improving local sesame seed production and have established a sesame seed multiplication system and delivered training to close to 1000 youth and women farmers in Jowhar. In addition to this they have supported a beekeeping program, delivered training on nutrition sensitive agriculture practices and rehabilitated irrigation canals in target areas. CEFA has also been collaborating with Danwadag to link farmers and suppliers to improve access to quality seeds in return for farmers to sell their produce to the suppliers creating a sure market for the farmers. 120 farmers are now conducting side meetings with Danwadag to get rice seeds through an agreement that foresees the repayment of the seeds and the commitment by Danwadag to buy the products from the farmers. CEFA will use additional funding to install a honey processing unit which will build on the investment's beekeeping program. Further, the project intended to establish two sesame processing units in the area. However, an assessment by the team in 2019 found that there are already 65 sesame oil mills operating in Jowhar. These oil mills are mostly engine powered. CEFA will use additional funding to identify a private company whose sesame oil processing unit will be upgraded to solar power. This will require additional funding to what was envisaged for the program but will produce a more financial and environmentally sustainable outcome for the investment.

## **5. Development of Agricultural Resources and Youth Economy Livelihoods (DARYEL), Balacad**

Balcad District is one of the districts of Middle Shabelle region. During the regime of Siyad Barre, the district prospered to become one of the most resourceful places in Somalia, with more than five large industries; including Jowhar Sugar manufactory, and SNAI PIAZA which was a Somali Italian cooperation industry. At present the infrastructure in Balcad District is minimal, but agriculture continues to be the dominant sector of employment and a vital source of labour for youth.

Mercy Corp established four farming cooperative groups; engaged Darussalaem (a private company) to support in the establishment of a greenhouse and two demonstration farms in the target districts. Cooperative extension officers from the Ministry of Agriculture in Hirshabelle were supported to train 100 farmers and build their skills and capacities in the development of by-laws and constitutions to support in the effective management of cooperative groups. The agriculture extension officers from the Ministry also provided technical support to youth groups supported by the project who are involved in fodder production and fodder management.

Additionally, the project selected seven youth to undergo apprenticeship training in agricultural infrastructure and engaged I-RISE, an innovation hub for business incubation linked mainly to premier bank financing. 50 Small and Medium sized Enterprises (SMEs) also went through an incubation program with I-RISE. The investment has also supported the placement of seven young graduates as interns in the Ministry of Agriculture, Darussalam Seed Company and CERELPA to acquire hand-on experience as well provision of business training.

## **6. Re-accelerated Action for Jobs and Opportunities (RAJO), Guriceel, Galmudug.**

Care International has been working with selected Technical Vocational Education Training (TVET) centres and institutes in Guriceel, Galmudug to provide them with the resources needed to offer training in brick making, masonry, computer and financial literacy, electrical and solar energy and plumbing. To date this has enabled the centres to deliver sector-led skills courses to 100 young men and women. These young people have since been linked to short term jobs and/or enterprise apprenticeships.

The demand for training has far exceeded Care International's initial plans to fund 100 young men and women to attend the centres. 235 applicants registered for various courses in the first cohort. Due to fund limitations, 135 applicants did not enroll and are being considered in this cohort. With the continued increase in demand in this area, additional funding will support further training and job placement of another 100 young men and women.

## **7. Multi-Region: Human Capital Development Mechanisms (HCDM)**

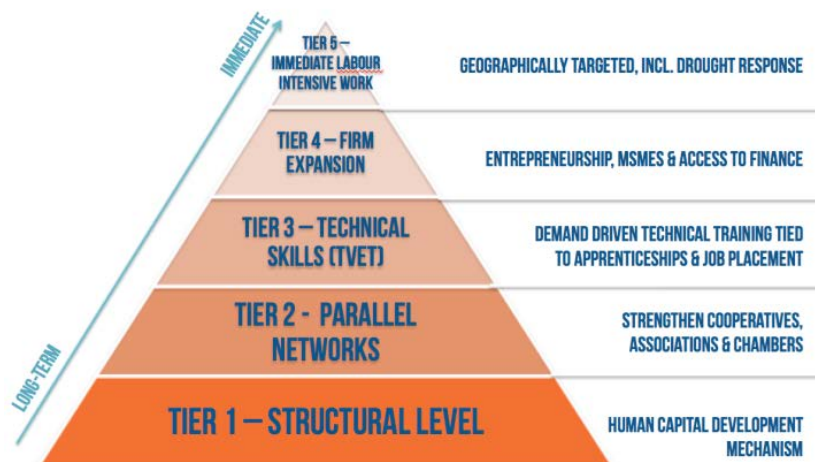
This investment is nationwide and inclusive of all the regions under the Federal government of Somalia. The HCDM investment responds to the call from the Federal Republic of Somalia National Development Plan (NDP) to establish a proposed pillar 6 – Social and Human Capital Development Pillar committee. 6

The HCDM had three key aims: to establish a working group consisting of key human capital development stakeholders including public sector, private sector, traditional leadership, civil society, and academia; conduct an inclusive national human capital needs mapping analysis to establish a baseline and road map to inform national human capital strategic development efforts; establish the HCDM Multi-Stakeholder forum, consisting of an inaugural then bi-annual convenings through which the findings of the mapping/analysis and road map are presented and initiatives to meet road-map goals are established, multi-stakeholder collaboration and commitments are made, and progress monitored.

The HCDM project designed and conducted a baseline study and critically assessed Somalia's human capital development indicators, namely, education, labour and health as well as opportunities and challenges in resource-rich sectors, such as fisheries and agriculture. The baseline study has informed the development of a strategy on HCD which is due to be released in the second quarter of 2020. However, the initial findings of the baseline have already informed the HCD section of Somalia's National Development Plan (NDP-9).



The additional funding will support dissemination strategy for the baseline report and the strategy for stakeholders at national and regional levels. This will help maintain the momentum created by the inclusion of the human capital development priorities in the NDP-9.



### Results Framework (See attached) See output 3.1

#### 2.3.2 Appraisal

No.	Criteria 2.3  Outcomes, out-puts, activities and resources, based on the SMART principle	Explanation score (1 point per indicator)	Score	EXPLANATION/ REFERENCES
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 problem formulated.	<input checked="" type="checkbox"/> The outcomes are specifically 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.	5	Additional appreciation gender indicator 3:  The objectives include a explicit reference to women/ men, girls/ boys and gender equality. Please explain.

		<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>Additional appreciation gender indicator 1:</p> <p>For each outcome are relevant, gender specific performance indicators formulated. Please explain.</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	<div>2</div>	
		<input checked="" type="checkbox"/> A baseline measurement and a measurable target (quantitative and/or qualitative) have been formulated for each performance indicator.		
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.	<input checked="" type="checkbox"/> There is a clear link between the outputs and the outcomes, i.e. the outputs can be expected to contribute to achievement of the outcomes.	<div>2</div>	
		<input checked="" type="checkbox"/> The outputs formulated are realistic bearing in mind the scope of the activities and the capacity of the (local) organisation(s) .		
2.3.4	Progress in achieving the outputs can be determined objectively on the basis of measurable performance indicators.	<input type="checkbox"/> Relevant performance indicators have been formulated for each	<div>1</div>	<p>Additional appreciation gender indicator 1 and 2:</p> <p>For each output are relevant, gender specific performance indicators formulated;</p> <p>Baseline, targets and verification methods are put on to collect gender specific information. Please explain.</p>
		<input checked="" type="checkbox"/> A baseline and a measurable target (quantitative and/or qualitative) have been formulated for each performance indicator.		
2.3.5	When the activity			

	ends, its envisaged outputs will have a lasting effect for the ultimate target group.	<input type="checkbox"/> The proposal contains a clear vision (with objectives) as to how the activities will be continued when the intervention comes to an	1	
		<input checked="" type="checkbox"/> The proposal contains suitable criteria against which progress in continuing the activities can be measured.		
2.3.6	At the end of the activity, the envisaged outputs will have a lasting effect on the local partners.	<input checked="" type="checkbox"/> The proposal contains a clear vision (with objectives) as to how the quality of the activities and/or the financial independence of the local partner will be enhanced.	2	
		<input checked="" type="checkbox"/> The proposal sets out suitable criteria against which progress in regard to institutional sustainability can be measured.		
Total score (maximum score 15 points)			13	

#### **2.4 Cooperation, [harmonisation](#) and [added value](#)**

The Stability Fund was first conceived as a major deliverable of the London Conference on Somalia in February 2012, was established in August 2013 and became fully operational during 2014. Phase I will come to an end in September 2016, immediately followed by the start of Phase II, running from October 2016 – March 2020. The Fund is now widely regarded by Somali and international stakeholders as an important and effective aid instrument that is tackling many of the most politically and technically challenging issues in Somalia, in line with the priorities identified through the New Deal process. It is innovative both in form and function, and as such has established itself as an essential and critical element of the international community's peacebuilding and statebuilding and efforts in Somalia.

The Independent Evaluation to evaluate Phase I that was carried out between January and June 2016 found, among others, that the Fund is well aligned with the priorities of the Federal Government, the Interim Regional Administrations and the International Partners funding it; that most of the investments in the portfolio are relevant to the Fund's objectives and to the contexts where they are taking place; and, that the direction and oversight of SSF has been effective.

The Somalia Stability Fund (SSF) runs 17 economic development investments across the five federal members states (FMS) of Somalia that deliver projects seeking to improve socio-economic opportunities for communities, address the main drivers of conflict- such as structured exclusion, youth unemployment, social cohesion- and improve government and community engagement. Through these investments, SSF aims to deliver projects in the name of government, improving trust and government legitimacy in the eyes of the community and reducing incentives to engage in violent conflict. These investments are in line with the skills and Jobs program.

## MACS

The MACS 2019-2022, updated on an annual basis in the Annual Plan if necessary, describes Somalia as a high risk country when it comes to implementation of development projects. The main risks that have to be taken into account are the overall strained security situation, political paralysis or even government collapse, and corruption. Because of the security challenges in most of the country it is generally difficult (often impossible) to visit development projects in Somalia for the Embassy. Donors therefore have to rely on expensive tools, such as Third Party Monitoring, to monitor their projects. Even more important than in other contexts, development partners need to be identified that have a positive track record or that have the backing of an organization with a positive track record, often reliable NGOs and multi donor funds. The risks outlined below are from the experience of the Embassy in Somalia, coupled with the assessment of partners.

Risk Analysis Strategic 2019 - 2022				
	Very Unlikely	Limited		
	Unlikely	Considerable		
	Possible	Serious		
	Likely	Very Serious		
	Very Likely	Catastrophic		
Policy Control/ Policy Goal				
Somalia				
Context Risks	Likelihood	Impact	Effect	Mitigation
Collapse of system (legal etc), heightened insecurity, process of state building halted	Possible	Very Serious	Collapse of system (legal etc), heightened insecurity, process of state building halted	<ul style="list-style-type: none"> <li>• Advocacy for reviving state building process;</li> <li>• change focus of programs to other geographical areas and/or themes and/or government levels.</li> <li>• More flexible way of programming methodology</li> </ul>
Growing Instability	Likely	Very Serious	Negative impact implication activities	<ul style="list-style-type: none"> <li>• Advocacy for reviving state and peace building processes;</li> <li>• change focus of programs to other geographical areas and/or themes and/or government levels.</li> <li>• More flexible way of programming methodology</li> </ul>
Major terrorist attacks on international installations/actors	Possible	Very Serious	scaling down presence or even halting interventions	<ul style="list-style-type: none"> <li>• More flexible way of programming methodology (e.g localization in program implementation)</li> </ul>
Major terrorist attacks/AS victory in Somalia	Possible	Very Serious	Loss of hope/confidence in the authorities and international community Increased international security response	<ul style="list-style-type: none"> <li>• Advocate for increased international response and engagement.</li> <li>• Invest more in citizen-centred programs.</li> </ul>
NL funds (central and decentral) leaking away through corruption	Likely	Very serious	Program implementation less efficient, publicity risk	<ul style="list-style-type: none"> <li>• Continue to take all possible measures to mitigate this risk. However, there will always remain a (rest) risk that funds still leak away. Corruption is endemic in Somalia.</li> </ul>
Lack of preparedness to climate change/weather change.	Very likely	Catastrophic	Famine and large scale displacement, loss of source of livelihoods, more small and large-scale conflicts	<ul style="list-style-type: none"> <li>• Timely and adequate humanitarian response and linking response to programming in resilience</li> </ul>

The SSF takes all these general risks into account (see below, the various risks matrixes) and works according to the mitigating measures mentioned in the table above: a very flexible way of programming depending on the specific context, citizens-centred programs and advocating for reviving state and peace building processes.

## COVID-19 Risk Assessment - SSF

In addition to the above mentioned general risks, the World Health Organisation (WHO) on 11th March 2020 officially classified the COVID-19 outbreak as a pandemic, indicating that every location is likely to be affected, though the exact timing and impact cannot be predicted. According to the Global Health Security Index 2019, Somalia's capacities to prevent, detect and respond ranked 16.6 out of a 100. Somalia has taken some measures in mitigating COVID-19 with the preparation of quarantine area in Mogadishu, Martini Hospital for treatment, locking down international and local air flights, tightening borders and the banning of public gatherings until further notice. The government has also established a National COVID high-level Coordination Committee chaired by the Prime Minister.

SSF has carried out a Covid-19 risk assessment and has used the following risk register to determine the level of risk to the fund's investments.

RATING	LEGEND	No of Affected Investments	Value of Investments (\$)	Balance of Investments (\$)
SEVERE	Severe impact of CV-19 that could lead to total failure in the achievement of objectives and results, unacceptable increase in delivery cost and severe impact to personal health. It may result in legal and regulatory implications as well as significant reputational impact to SSF	0		
HIGH	Major impact of CV-19 that could lead to significant delays (over 4 weeks) in the achievement of objectives; potential to impact on SSF overall results and meeting government & community expectations; unacceptable increase in delivery cost (over 10%); likely impact to personal health	17	\$10,913,916	\$5,043,257
MEDIUM	Moderate impact of CV-19 that could lead to delays (between 2-4 wks) in the achievement of objectives or moderate reduction in quality or quantity of results, acceptable increase in delivery cost (less than 10% of investment value)	21	\$17,785,705	\$3,983,841
LOW	No impact or minor impact of CV-19 that could lead to a tolerable delay (less than 2wks) in the achievement of objectives or minor reduction in quality or quantity of results, no increase in delivery cost and no impact to personal health.	23	\$17,195,900	\$4,984,374
<b>TOTAL INVESTMENTS</b>		61	\$45,895,521	\$14,011,472

From the above tally, a total of 28% (17 investments) of the 2020 investments will be highly affected by Covid-19, with significant delays of over 4 weeks, while 72% of the investment will be tolerably affected by the pandemic.

*Impact on Staffing:* SSF Does not see any impacts on staffing, apart from the requirement to reduce movement, which has minimal impact.

*Impact on implementation of activities:*

- All Fund Manager (ASI) Kenya and Somalia offices are open and functional with reduced staff in a safe environment. Some staff are working from home on a rotational basis. Overall, as the project is largely a team based on national staff, it is considered that the Fund Management should not be significantly affected over this period. ASI has Standard Operating Procedures in place in both Kenya and Somalia for instances where remote working are required to ensure the quality of work is maintained.
- There will be some impact on a few investments. SSF has undertaken a thorough investment by investment assessment of the risk to each investment – see above. Specifically investments will be impacted if: (i) Internal travel in Somalia is further restricted, (ii) The political, security and economic impact of Covid-19 could be severe. If so this is likely to pose additional risks to investments.
- If restrictions exist for 2-3 months: It is envisaged that the overall impact on SSF will be small. The main impact here will be on time sensitive investments that require convening groups of people together – for instance trainings. There will be an impact on all workshops and gathering hosted by SSF and their investees. There will be some disruption to other investments due to travel restrictions – for instance Third Party Engineers will not be able to undertake reviews at some of the investment sites. Overall the impact of this will be relatively low.

- d) Severe and extended restrictions: Lockdown which limits the ability of individuals to attend their daily work. It is envisaged that the overall impact on SSF will be significant, with 20% of investments likely to be delayed or cancelled. In addition to the delays of convening people and travel this is likely to slow down the delivery of key materials and equipment for SSF investments. For many investments key workers will not be able to do their jobs – such as construction workers on sites. In addition, there are likely to be many challenges with moving money to and within Somalia to disburse to investees. Given the limited internet bandwidth in parts of Somalia it is also likely that partners' communication will also slow down which would delay investments.

It has to be mentioned that in the meantime since making this COVID-risk assessment, the WHO estimates that the peak of virus was for Mogadishu and surroundings the first week of June.

### **Financial fiduciary risks**

Apart from the above mentioned risks that feature in the MACS matrix and that are mostly related to instability, corruption is a major issue in Somalia. According to the Corruption Perception Index of Transparency International of 2019, Somalia is still listed as the most corrupt country. Financial risks include, for example, personnel malfeasance, misappropriation of funds and assets, non-compliance with local legislation and funds diversion (*See table on Fiduciary Risks below*).

### **Risk Management and monitoring by SSF**

The various risks that the fragile Somali context pose require robust management. The SSF uses an elaborate risks matrix (attached in Annex E1 and E2) as a tool to monitor risks and put into motion mitigating measures. Every risk listed in the matrix has a 'risk owner' within fund management to ensure sufficient attention to the identified specific risk. The risks matrix is updated on a rolling basis and an updated version of the risks matrix is presented to donors quarterly as part of the quarterly reports. Any risk with a substantial program impact of which the likelihood of materializing becomes more imminent will be presented to the Joint Donor Committee (either at a meeting or by email) with the question of whether donors agree with proposed mitigating measures / halting or freezing of project implementation.

The Fund Manager is required to do due diligence assessments of implementing partners before investing, to do expenditure verifications, to carry out unannounced spot-checks and to do quarterly and annual financial report audit and verification.

The SSF projects are implemented at around 25-30 locations (exact amount of locations varies at each point in time). The FM has staff at 5 locations across Somalia; Mogadishu, Baidoa, Kismayo, Garowe and Adado. From those locations, FM staff is able to carry out the mentioned spot-checks.

The local organisations, 'the investees', that SSF works with are not always experts on the issue they work on. Finding local organisations with the right expertise can be quite a challenge in some areas of Somalia. If the SSF decides to work with a non-expert local organisation, it makes sure that the expertise is brought in from elsewhere. In many cases SSF has the expertise and designates its own staff to support. In other cases it hires an external expert for this purpose. The expert will usually also contribute to building capacity of the organisation, including on risk management issues.

### **Risk Management by managing organization DFID**

DFID manages risks related to the SSF first of all by relying on an experienced fund manager as described above.

Moreover, it uses a Third Party Monitoring tool, namely 'LAMPS' (Learning and Monitoring Program for Somalia) for independent structural monitoring of the SSF. LAMPS is a program of monitoring, evaluation, learning and consultancy services that DFID has contracted to an independent organization called 'Integrity'. It supports DFID's Somalia Monitoring Program II (SMP II) of which it is a component. Integrity, in consortium with Altai Consulting, delivers LAMPS in each of Somalia's federal regions from a central delivery hub in Nairobi, Kenya. LAMPS works across DFID's development portfolio in Somalia, helping ensure greater accountability, better risk management and improved understanding of, and learning insights from, program performance.

Apart from the TPM tool described above, DFID also commissions in depth verifications by the independent consulting firm 'Sahan' on a needs base. For instance, if information would reach DFID about malpractices taking place within one of SSFs projects, such verification could be outsourced. Alternatively, potential red flags raised through the LAMPS TPM tool could be further investigated through such in depth verification.

## Risk matrixes

In the risk matrixes below, contextual risks, programming risks and other risks have been extracted from SSF's risks matrix. The latest version of the (more elaborate) SSFs risks matrix, has been added to the BEMO as Annex E1 and E2.

### 4.1 Contextual risks

The contextual risk overview below has been drawn up by the implementing organization and has been assessed by the Embassy (by colleagues from the Policy and the Control clusters). The risks mentioned, their assessment, their possible influence on results and their proposed mitigating measures look realistic. The Embassy has been a partner for this program since 2017, and as such been closely involved in the monitoring.

Risk	Risk Assessment (L/M/H)	Influence on results of activity	Mitigating measures
Electoral process results in political uncertainty and tension within national institutions, and between the Federal Government and the Federal Member States.	Medium	This could risk inhibiting the implementation of key transitional tasks such as the constitutional review, completion of federalism, democratisation and national security architecture.	<ul style="list-style-type: none"> <li>• Close engagement with FMS to encourage peaceful resolution of crises through accepted governance structures and institutions.</li> <li>• Where appropriate, SSF will direct funding to support dialogue and reconciliation between opposing groups to contribute to stability.</li> <li>• SSF keeps strategy under constant review to pause or reorient programming in line with the latest political developments.</li> </ul>
Increased political in-stability at FMS level with heightened risk of violent challenge and even state collapse	Medium	This risks leaving little space for meaningful progress on state building.	<ul style="list-style-type: none"> <li>• Close engagement with FMS to encourage peaceful resolution of crises through accepted governance structures and institutions.</li> <li>• Where appropriate, SSF will direct funding to support dialogue and reconciliation between opposing groups to contribute to stability.</li> <li>• SSF keeps strategy under constant review to pause or reorient programming in line with the latest political developments.</li> </ul>
Civil unrest and or conflict spreads, destabilising hitherto stable areas	High	This would likely lead to reduced access for SSF partners, inhibiting delivery	<ul style="list-style-type: none"> <li>• Flexibility built into the program to allow for scale-back or relocation of projects from affected areas.</li> <li>• SSF is supporting a range of interventions aimed at addressing the root causes of conflict and instability and improving government capacity and legitimacy, thus reducing the space for violent opposition from armed groups.</li> </ul>
Severe drought and/or famine affects large parts of Somalia, creating significant IDP flows and localised conflict over water sources.	Low	Other priorities could potentially be put on hold, in order to stem the effects of the drought.	<ul style="list-style-type: none"> <li>• \$4m already reallocated to drought response. Ongoing close coordination with UN/AMISOM on additional needs.</li> <li>• Monitoring of developments to understand conflict and instability risks associated with the drought, allowing programming to be adapted to address these.</li> </ul>
Corruption & Fraud	High, Somalia ranks lowest on the CPI 2019	Fewer results achieved; Reputational damage; Lower support base for Development Cooperation in Somalia	<ul style="list-style-type: none"> <li>• Highly credible and experienced business partner (DFID) with implementing partner (Adam Smith International) selected</li> <li>• SSF governed by SSF-Secretariat, in which Netherlands Embassy is represented</li> <li>• Close involvement from Embassy staff</li> </ul>

*Conflict Sensitivity(CS) and Preventing Violent Extremism (PVE)*

SSF works in VE areas, geographically because of its forecast on newly liberated areas but also in areas where VE has existed for a long time, from more mainstream Al Shabaab and ISS groups to marginal VE outfits, clan militia and paramilitary forces. This means that SSF can exacerbate the VE situation or make a contribution to peace, thus reducing the possibilities of VE.

Some push factors for VE in Somalia include limited social and economic opportunities, militarised understandings of masculinity and the marginalisation of youth in clan-based political frameworks. Some of the pull factors for VE in Somalia include individual-based recruitment included the promise of protection, financial rewards, status, social mobility and a sense of belonging among youth as well as those from marginalised communities and clans.

SSF is and has been able to address these push and pull factors through the implementation of interventions aimed at providing equal economic opportunities in their investments; contributing to the governance structures that promote social cohesion and reduce marginalization; contributions to security systems that bring about protection and rule of law, reducing the need for external protection mechanisms, particularly for marginalized and minority groups. Through its work with gender, SSF is able to counter the gender perspectives that are used to recruit and maintain youth in VE.

By focusing on the root causes such as: lack of employment, exclusion of women and marginalized or excluded communities, human rights, justice, state building and by using Somali media (Imaqal Radio show) to address the cultural elements that reinforce exclusion and infringement of human rights, SSF is helping the Somali authorities to gradually stabilize the country. The SSF was successful for instance in encouraging the Jubaland and Hirshabelle, to become more inclusive and accommodate marginalized communities, foster diverse police cadets and appoint or allow more women to participate in the political processes.

With this holistic approach and by avoiding the use of sensitive terminology such as PVE and CVE, SSF believes it can be more effective in addressing the root causes of conflict and as a by effect this will violent extremism.

The risks outlined below are assessments of the partner, which the Embassy in Somalia concurs with and finds adequately sufficient.

<b>Risk</b>	<b>Risk Assessment (L/M/H)</b>	<b>Influence on results of activities</b>	<b>Mitigating Measures</b>
Funds are diverted to terrorist organisations	Low	Highly counterproductive as this would lead to a result counter to the aim of the interventions to come legitimate stability; This would be highly damaging to SSF's reputation, it would likely lead to a freeze of the whole project portfolio, and in this way have a massive impact on the SSF portfolio as a whole.	Fund manager runs all investees through checks on NAVEX screening system. Thorough vetting of potential 'investees', including on their financial procedures. Regular technical support where needed to investees regarding financial management. Thorough monitoring of the investments through: Careful evaluation of investment performance at all stages Technical and financial reporting by investees Somali Country Team visits to field locations; 3rd party monitoring and verification; General networks in Somalia
The SSF activities are carried out in areas affected by VE and focused on topics that have been recognized not only as root causes of conflict, but also of VE. There is a	Low	If communities are less receptive to SSF activities there will be less ownership and the activities will be less effective. Security risks will lead to higher protection costs and more limited possibilities of investees to engage with communities, which will also lead to less effective	SSF has a clearly communicated stability focus and avoids sensitive terminology such as P/CVE.



risk that the activities will be perceived as PVE activities, which could lead to less receptiveness from communities as well as security risks from VE groups or groups sympathetic to VE.		program implementation.	
Even though the SSF is aimed at prevention of conflicts, some investments might actually lead to new conflicts or tensions while addressed to preventing or solving others.	Medium	Such by effect would run counter to the aim of the SSF and the SSF principle of do no harm	<p>Before the go ahead is given to any activity a thorough analyses are commissioned by the fund manager to assess risks with regard to security, social, political, economic and other issues.</p> <p>If these assessments lead to red flags and these risks cannot be sufficiently mitigated, the activity will not go through</p>

## 4.2 Program risks

The program risk overview below has been drawn up by the implementing organization and has been assessed by the Embassy (by colleagues from the Policy and the Control clusters). The risks mentioned, their assessment, their possible influence on results and their proposed mitigating measures look realistic. The Embassy has been a partner for this program since 2017, and as such been closely involved in the monitoring.

<b>Risk</b>	<b>Risk Assessment (L/M/H)</b>	<b>Influence on results of activity</b>	<b>Mitigating measures</b>
Fund activities cause disputes/conflict between FMS & FGS, paralyzing delivery.	Low	It could become a further cause of instability. It could also paralyse program delivery.	Facilitate consensus-building between state and federal levels; stakeholder analysis conducted prior to programming (potential spoilers identified and strategies for mitigation devised); Engage JDC, where appropriate, in sensitive state versus federal issues; FGS and FMS informed and consulted throughout the investment; Avoid investing in initiatives that empower one actor over other actors and where possible reinforces linkages between different levels of government.
Fund fails to sufficiently execute a step change in terms of flexing and adapting its programming to a changing context and lessons learned under phase I.	Medium	This would make the program less effective.	SSF has agreed new analytical tools with the JDC to provide monthly scenario trends updates, feeding into a quarterly strategic review with the JDC to discuss risks and opportunities for SSF and inform decision-making. The new results framework and learning agenda allows SSF to better measure and aggregate results and respond proactively to adjust strategy and programming accordingly.
Investees fail to deliver satisfactory results and impact commensurate with the risks.	Low	Fewer results achieved	<p>"A multifaceted, comprehensive and systematic approach to monitoring of all investments, including:</p> <ul style="list-style-type: none"> <li>o Careful evaluation of investment performance at all stages</li> <li>o Technical and financial reporting by investees</li> <li>o Somali Country Team visits to</li> </ul>

			field locations; 3 <sup>rd</sup> party monitoring and verification; <ul style="list-style-type: none"> <li>o New learning agenda allows for tight Feedback Loops between stakeholders and in-built flexibility to allow for adaptation, scaling or termination of investments</li> <li>o General networks in Somalia</li> </ul>
Communities and/or government structures become dependent on external assistance rather than building ownership of investment process	Low	Weakening of government structures in terms of dependency	<ul style="list-style-type: none"> <li>• Beneficiaries engaged throughout the process (from initiation &amp; design through to implementation &amp; close-out) to maximize local ownership.</li> <li>• New approaches will be deployed under phase II to ensure government ownership, visibility and leadership.</li> <li>• Proposals evaluated against sustainability of investment (e.g. contributions in-kind from community and loans are used where possible in programming).</li> <li>• Use local suppliers and businesses to the maximum extent possible.</li> <li>• Sustainability plans built into infrastructure investments.</li> </ul>
Donor commitments fail to materialize or funds are not paid in a timely manner	High	This would hamper full implementation of the program leading to a loss in terms of Value for Money.	<ul style="list-style-type: none"> <li>• Forecasts revised and submitted to DFID on a monthly basis.</li> <li>• Active outreach to donors.</li> </ul>

### ***Risks of Corruption and Fraud***

An important mitigating measure mentioned under Contextual risks is the selection of a highly credible and experienced co-donor as business partner (DFID) for this program. Furthermore, the Embassy is represented in the SSF-Secretariat, and as such keeps close supervision on the program. These mitigating measures have been taken into account when ranking the risks on fraud and corruption below.

<b>Risk</b>	<b>Risk Assessment (L/M/H)</b>	<b>Influence on results of activity</b>	<b>Mitigating measures</b>
			•
Misappropriation of funds/assets, or grossly inefficient use of funds, by investees and their sub-investees	Medium	Results could be severely impacted by misappropriation/inefficient use of funds.	<ul style="list-style-type: none"> <li>• Quarterly/semi-annual expenditure verifications; and risk and assurance reviews.</li> <li>• Onsite monitoring by the Investment Managers.</li> <li>• Periodic risk and assurance reviews –</li> <li>• Periodic assets stock takes and verification.</li> <li>• Immediate escalation of fraud incidents to the SO/DFID.</li> <li>• Investigation of whistle-blower allegations to ascertain the veracity of claims, identify suspects and quantify losses (if any)</li> </ul>
Partners and sub-partners (both Grantees and Direct Contractors) not complying with local legislation	Low	Minor impact on results.	<ul style="list-style-type: none"> <li>• Rigorous due diligence assessment on partners/sub-partners to confirm compliance before contracting</li> <li>• Reference checks (both informal and formal) to stay alert on any adverse information about partners/sub-partners"</li> </ul>
Personnel accused of malfeasance	Low	Results could be moderately effected as the necessary trust in the implementing organization could be ques-	<ul style="list-style-type: none"> <li>• Staff signing on to code of ethics –</li> <li>• Staff pre-onboarding background checks and references</li> </ul>

Funds are diverted to terrorist organisations (see above, contextual risks)	Low	Major impact on the results foreseen, as credibility of implementing organization and the program itself could be questioned.	<ul style="list-style-type: none"> <li>• Mitigations achieved through: <ul style="list-style-type: none"> <li>○ Pre-verification of partners with the DFID, World Bank and EU sanctions listings.</li> <li>○ Rigorous due diligence assessment with specific focus on terrorism financing</li> <li>○ Quarterly/semi-annual financial risk and assurance review to assess funds utilization</li> <li>○ Expenditure verification</li> </ul> </li> </ul>
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### **4.3 Risks relating to the implementing organisation**

The overview with risks related to the implementing organization as shown below has been drawn up by the implementing organization and has been assessed by the Embassy (by colleagues from the Policy and the Control clusters). The risks mentioned, their assessment, their possible influence on results and their proposed mitigating measures look realistic. The Embassy has been a partner for this program since 2017, and as such been closely involved in the monitoring.

At one of the strategic donor away days, the donors to the Stability Fund expressed their firm support to continuing the current risk profile of the Fund, which is intended to be a risk-taking instrument. An independent evaluation concluded that “SSF has demonstrated an appetite for risk and has managed security, fiduciary and reputational risks effectively”. The Stability Fund has well developed systems in place to help mitigate risks.

<b>Risk</b>	<b>Risk Assessment (L/M/H)</b>	<b>Influence on results of activity</b>	<b>Mitigating measures</b>
1. Organisation's anti-fraud and anti-corruption policy not implemented	Low	Minimal. The SSF has a solid Handbook that is aptly implemented in all aspects of the program.	SSF staff are duly and frequently trained on the SSF Handbook. The fund manager is equally strict in the following of the requisite procedures in the handbook.
2. Organisational structure and culture does not have sufficient attention for corruption & fraud	Low	Minimal. The SSF has a solid Handbook that is aptly implemented in all aspects of the program.	SSF staff are duly and frequently trained on the SSF Handbook. The fund manager is equally strict in the following of the requisite procedures in the handbook.
3. Insufficient monitoring, evaluation and quality of management	Low	A sensible balance has been struck between frequency of M&E activities and costs (relatively high costs in Somalia). See Monitoring, Evaluation and Learning Plan for details. Quality of management is generally good. Fund manager is a for-profit company, which entails some risks, for instance that it might want to paint a too favourable picture of its operations. However, the Management is controlled by the SSF secretariat, guided by a comprehensive handbook	No additional measures required, since there has no reports of lack of M&E or mismanagement have come back from Phase I of the SSF. The impact is at an acceptable level. Therefore no additional measures are needed.
4. Insufficient financial and administrative management	Low	A sensible balance has been struck between frequency of M&E activities and costs (relatively high costs in Somalia). See Monitoring, Evaluation and Learning Plan for details. Quality of management is generally good. Fund manager is a for-profit company, which entails some risks, for instance that it might want to paint a	No additional measures required, since there has no reports of lack of M&E or mismanagement have come back from Phase I of the SSF. The impact is at an acceptable level. Therefore no additional measures are needed.

		too favourable picture of its operations. However, the Management is controlled by the SSF secretariat, guided by a comprehensive handbook	
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Somalia's operating environment presents financial risks, and the risk of fraud and misappropriation of aid. Financial risks include, for example, the inflation of contract values, contracts for local goods and services that are not fulfilled, or contracts that are given out on a basis other than their competitiveness and these risks require robust management. Managing the financial and fraud risks is also one of the key roles of the Fund Manager. The Fund Manager is required to do due diligence assessments of implementing partners before investing, to do expenditure verifications, to carry out un-announced spot-checks and to do quarterly and annual financial report audit and verification (*See Fiduciary Risk table above*).

The donors to the Stability Fund have requested a more profound risk update at the Joint Donor Committee meetings and this now takes place on a quarterly basis.

<b>Integrity appraisal, including procedures regarding unacceptable behaviour</b>	
Further explanation of the comprehensive integral integrity appraisal:	
N.B. As our contract partner is DFID, a fellow donor with who we often cooperate on many different levels, an organizational assessment is not applicable nor available. From experience within and beyond this program we know that DFID is a very reliable partner with a high integrity standards, and one of NL valued partners on e.g. implementing SEAH-measure with multilateral organisations.	
<b>Assessment of state aid risk</b>	
1. Is the grant receipt a private company? Yes, Please consult the European Law Division of the Legal Affairs Department (DJZ/ER) for advice.	No
No, Please answer questions 2 until 5.	
2. Will the measure benefit an organisation that carries out economic activities?	Yes
Will income be generated that could provide a livelihood? The organisation can also be a non-profit organisation.  Give a short, clear description of the activities below.  Further details: The fund manager, Adam Smith International, is a commercial party that receives payment, according to market standards, for management of the fund.	
3. As a result of the measure, has the organisation obtained an advantage that it would not have obtained under normal market conditions? (The measure should be described in the answer to question 1.)	No
For more information, see the accompanying explanatory notes.  Further details: Before the fund manager was awarded a contract by DFID it went through a competitive bidding process.	
4. Is the advantage selective?	No
'Selective' means that a small group of organisations/business enjoy an advantage. For more information, see the accompanying explanatory notes.  Further details:	
5. Does the advantage distort or potentially distort competition and could it affect trade between countries in the European single market?	No
For more information, see the accompanying explanatory notes.  Further details: There is no risk to state aid.	
If the answer to these questions is 'yes', please consult the European Law Division of the Legal Affairs Department (DJZ/ER) for advice.	

## **V. IMPLEMENTATION**

### **5.1 Budget**

#### **5.1.1 Breakdown of costs**

*State the overall cost of the activity and overheads. Indicate the various cost centres (activities and outputs) in the rows and cost types (e.g. personnel, equipment, etc.) in the columns.*

<b>Output/direct costs</b>	<b><u>Costs A (\$)</u></b>	<b><u>Costs B (€)</u></b>	
District stability, employment skills and entrepreneurship strengthening (BDSESES) project, Baidoa, South West State	<u>\$64,551</u>		
Catalysing Economic Development and Livelihoods in Adado, Galmudug	<u>\$200,000</u>		
Youth Employment, Human Capital and Private Sector Development, Elbarde, Hudur and Dinsoor Districts, South West State	<u>\$202,000</u>		
Economic Development and Livelihood Support for women, youth and rural households, Jowhar, Hirshabelle	<u>\$34,354</u>		
Development of Agricultural Resources and Youth Economy Livelihoods (DARYEL), Balacad	<u>\$92,236</u>		
Re-accelerated Action for Jobs and Opportunities (RA-JO), Guriceel, Galmudug.	<u>\$246,235</u>		
Multi-Region: Human Capital Development Mechanisms (HCDM)	<u>\$110,228</u>		
<b>Overheads</b> (Fund manager fees/expenses)	<u>\$132,945</u>		
<b>Total</b>	<b><u>\$1,082,549</u></b>	<b>EUR 963,500</b>	

100% payment will be done as the project ends December 2020 and DFID can be paid up fully

### **5.3 Monitoring**

The Stability Fund has a four-pronged approach to project monitoring that will continue in Phase II:

- One of the key roles of Somalia-based Fund Manager staff is project monitoring. The teams in Mogadishu, Garowe, Baidoa and Kismayo visit project sites and monitor implementation.
- Under a separate business case, DFID has made has a contract with a private company to provide independent third-party monitoring of projects in Somalia. This is made available to the Stability Fund to conduct project verification visits.
- The Stability Fund has established an SMS/voicemail beneficiary feedback system: [www.stabilityfundfeedback.so](http://www.stabilityfundfeedback.so). The system allows beneficiaries to comment on Stability Fund projects and for the Stability Fund to communicate back to those beneficiaries.
- All implementing partners are required to provide regular progress reports – usually quarterly but sometime more regularly.

The Fund Manager is responsible for collating all information from the Stability Fund's monitoring mechanism, reporting problems and progress to the Secretariat Office. An online knowledge management system is in place to manage this data.

Among the findings of the 2016 Independent Evaluation is that monitoring is concentrated at the investee level and at the input-activity-output level, with little cross-portfolio focus. It found that SSF monitoring and learning is generating information with a high tactical value, but it is not adequately informing strategic decisions. More emphasis needs to be placed on aggregating results at the program level, with one option being contracting an independent entity to conduct this work on behalf of SSF, providing learning which can inform strategic decision making.

#### **5.3.1 Narrative and financial reports**

The performance decision tree outcome is outcome 9. We require narrative and financial reports but as the current contribution is for a period only less than one year, it has been decided to merge the annual narrative and financial reporting requirement with the final reporting requirement, meaning that the annual report for the final period can be submitted jointly with the overall final report. Additionally, the final report must include a robust lessons learnt section for each of the 7 investments for the lifespan of the Economic development portfolio. This is the most essential part of the narrative report and must be thorough.

These reports will be subject to annual independent review.

### **5.3.2 Audit opinion**

The fund manager provides an annual audit, which will be part of the assessment of the performance of the activity.

### **5.3.3 IATI – International Aid Transparency Initiative**

Plans for DFID to upload information has been agreed upon. The auctioning of this BEMO is contingent to the IATI update by DFID (and not ASI).

### **5.3.4 Annual plans and other reports**

DFID is required to provide lessons learnt report, that covers what the economic development portfolio has done over its life span and what lessons have been learnt so far. They will additionally provide a final lessons learnt on the completion of the project.

### **5.3.5 Monitoring calendar**

<b>Report type</b>	<b>Any specific requirements*</b>	<b>Period</b>	<b>Submission by</b>
<b>Annual plan</b>			
<b>Narrative*</b>	<i>Summary of achievements, lessons learnt so far and outline of activities for 2020</i>		<b>01 July 2021</b>
<b>Narrative IATI</b>		<i>Quarterly</i>	<b>September 30, 2020 and December 31, 2020</b>
<b>Final narrative**</b>	<i>This project was ongoing from 2018 and reporting will be done on the program as a whole</i>	<i>2018- 2020</i>	<b>01 July 2021</b>
<b>Final financial</b>	<i>Financial reports will be developed for the amount that NL provided only</i>	<i>2020- 2020</i>	<b>01 July 2021</b>
<b>Final Audit</b>		<i>2020- 2020</i>	<b>01 July 2021</b>

### **5.3.6 Evaluations**

No evaluations have been made, reference to previous reports have been done.