

About the SDF

The Somaliland Development Fund (SDF) provides a single vehicle through which donors can support Somaliland's development goals. The SDF supports the Government of Somaliland (GoSL) filling a critical gap through funding projects that are fully aligned to the National Development Plan (NDP) 2012 -2016 while at the same time recognizing the role of GoSL in the delivery of basic services.

The SDF will also support GoSL's communication of results to build accountability and transparency. Furthermore, the SDF is designed to strengthen the state-citizenship relationship and enhance accountability and domestic revenue generation. This, in turn, should lead to more stability and prosperity in Somaliland.

Rationale

The need for a harmonised delivery mechanism to drive Somaliland's development forward is underpinned by a mutual desire on the part of the GoSL and donors to see improved core state functions, increased public service delivery, enhanced aid effectiveness and strengthened mutual partnership and accountability.

For this to be achieved, the extent to which external support increases the capacity of government institutions and promotes the use of government systems for delivery of these objectives is a key determining factor. The SDF presents the most suitable option for achieving these objectives, and is the only cross-sectoral programme disbursing funds and giving technical assistance at the central level. The GoSL and its development partners, based upon the targets and gaps identified by the NDP, decide priorities for SDF funding jointly. The SDF therefore provides the appropriate vehicle for enhancing the much needed and indispensable role of the GoSL.

A key and innovative feature of the SDF is its integration into the government's planning and budgeting processes and the gradual transfer of fund control from the Fund Manager to the GoSL. This will be done in distinctive phases based upon monitored progress against public financial management and revenue benchmarks.

The GoSL has expressed a preference for the use of SDF as a way to channel external support. This commitment to SDF is unsurprising since the fund was set up in large part because of willingness by the GoSL to improve aid effectiveness and move to innovative delivery mechanisms in ways that are tailored specifically to the Somaliland context.

The advantages attributed to the channelling of funds through SDF include:

- Provides for a shift in thinking and approach towards development cooperation in Somaliland. The aid effectiveness agenda requires development partners to work with national authorities to increase ownership, mutual partnership and trust, and this mechanism achieves that.
- Strengthens state-building by enhancing core state capacity makes greater use of government systems and processes to ensure better alignment with Somaliland priorities.
- Presents much lower transaction costs for donors and therefore better value for money. The Fund Manager is already in place.
- Lowers overhead means that projects supported through the SDF are guaranteed to have a greater impact, as a larger percentage of the support can be directly invested in a projects.
- The SDF reflects improved targeting through a prioritization process of the NDP, ensuring that the available resources are spent in areas in the greatest need.

Objectives

The Somaliland Development Fund (SDF) supports the Government of Somaliland (GoSL) filling a critical gap through funding projects that are fully aligned to the National Development Plan (NDP) while at the same time recognising the role of GoSL in the delivery of basic services. The anticipated impact of the Fund therefore is to contribute to a more stable and prosperous Somaliland.

The expected outcome of the SDF is improved and better-resourced core state functions for the people of Somaliland.

The SDF has four expected outputs, namely:

1. Improved government capacity to prioritise development objectives and to plan and budget development activities;
2. Increased funds and government capacity to delivery of state functions;
3. Increased government control of decision-making and the management of funds; and
4. Enhanced citizen awareness of government priorities, activities and expenditure.

Governance

The SDF has a two – tier governance framework which includes the Joint Steering Committee (JSC) and the SDF Secretariat.

Joint Steering Committee (JSC)

The JSC is currently composed of the Minister of National Planning and Development, the Minister of Finance and representatives from DFID and DANIDA. Technical advisors (TA) from the World Bank and the European Union act as advisors to the JSC, whilst the Civil Society representatives and non-contributing donors sit in the JSC as observers. The SDF Secretariat provides administrative support to the JSC. The main role of the JSC is to provide strategic oversight and approval of the SDF work programme and funding proposals and to ensure alignment of the SDF activities with the priorities set out by the National Planning Commission.

SDF Secretariat

The Secretariat is responsible for both the strategic and day-to-day management of the Fund. The Secretariat has full responsibility for managing the process of project identification, procurement, financial management, monitoring and evaluation, communication, knowledge management and coordination of technical assistance and auditing activities. The Secretariat operates from an office in Hargeisa, Somaliland. The Secretariat is managed by BMB Mott MacDonald, a private company competitively procured to provide Fund Management Services to the SDF

Donors and funding

The funding for the SDF is provided by DFID, DANIDA, Norway and the Netherlands. DFID announced additional funds at the Brussels Conference in September 2013. This is a clear demonstration of confidence and commitment on the part of contributing donors to the Fund. However, this fund is only 4.2% of the \$ 1.19 billion required for funding the National Development Plan.

Although the GoSL has also made significant strides in increasing its own domestic resources, as shown by notable rises in its year-over-year budget. However, government financing of the NDP and the sectors prioritized under the SDF is still relatively low because of limited utilization of existing sources of revenue. It is however expected that when PFM reforms begin to take shape the annual budget will be better planned and will free up resources for the government to spend on public services.