



Somaliland Development Fund - Phase 2 (SDF2)

Operational Guidelines

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**MINISTRY OF
FOREIGN AFFAIRS
OF DENMARK**
Danida



Kingdom of the Netherlands



Table of Contents

- List of Abbreviations ii
- 1. Introduction 1
 - 1.1. The Somaliland Development Fund..... 1
 - 1.2. Development Partners 2
 - 1.3. Objective of the Operational Guidelines 2
- 2. Guiding Principles and Operational Policies 3
 - 2.1. Guiding principles..... 3
 - 2.2. Operational policies 4
- 3. Governance Structure 5
 - 3.1. Introduction 5
 - 3.2. Joint Steering Committee..... 5
 - 3.3. Programme Board..... 6
 - 3.4. Fund Manager..... 7
- 4. Project Implementation Modalities 9
 - 4.1. Project Implementation Structure..... 9
 - 4.2. Roles and responsibilities 9
- 5. Project Identification and Preparation 12
 - 5.1. NDP2 prioritisation 12
 - 5.2. Concept notes 12
 - 5.3. Project proposals 12
- 6. Project Implementation 14
 - 6.1. Phase 1: feasibility 14
 - 6.2. Phase 2: design 14
 - 6.3. Phase 3: Implementation 15
 - 6.4. Phase 4: Handing over 15
- 7. Project Procurement 16
- 8. Financial Management and Accounting..... 17
- 9. Monitoring, Evaluation and Learning 18
- 10. Risk Management 19
- 11. Communication 20
- Annex 1 – Operational Policies i
 - Annex 1.1 – Ethics Policy ii
 - Annex 1.2 – Safeguarding Policy iii
 - Annex 1.3 – Equality, Diversity and Inclusion Policy..... iv
 - Annex 1.4 – Health, Safety and Security Policy v
 - Annex 1.5 – Privacy and Data Protection and Information Security Policy..... vi

List of Abbreviations

| | |
|-------|---|
| CA | Contracting Authority |
| DFID | Department for International Development |
| GoSL | Government of Somaliland |
| JSC | Joint Steering Committee |
| MDA | Ministry, Department, Agency |
| MoFD | Ministry of Finance Development |
| MoPND | Ministry of Planning and National Development |
| MoU | Memorandum of Understanding |
| NDP2 | National Development Plan 2 |
| PB | Programme Board |
| PH | Project Holder |
| SDF | Somaliland Development Fund |
| SDF2 | Somaliland Development Fund – Phase 2 |
| STE | Short-Term Expert |
| VfM | Value for Money |

1. Introduction

1.1. The Somaliland Development Fund

Somaliland's National Development Plan 2 (NDP2) provides the medium-term strategy for achieving a stable, democratic, and prosperous country for the period 2017 to 2021. However, implementation of the NDP2 is confronted with a major funding gap. The NDP2 is costed at USD 2.1 billion for 2017-2021, whereas projections indicate that the level of investment available from the Government will be low, with around USD 12 million available in 2017, and up to USD 81 million over the full five-year period. This will require the Government to leverage more external funding to realise the aspirations of the people of Somaliland as set out in the NDP2.

The Somaliland Development Fund (SDF) was established in 2012 to provide a single vehicle through which development partners could support Somaliland's development goals. During the period 2013-2017, the SDF supported 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 recognizing the role of GoSL in the delivery of basic services. During the period 2013-2018 (Phase 1), the SDF provided USD 60m for the funding of 12 projects throughout Somaliland. The funding was provided by DFID, DANIDA, Norway and the Netherlands.

The Somaliland Development Fund – Phase 2 (SDF2) covers the period 2018 – 2023. SDF2 is conceived as an inclusive economic development programme. It supports the GoSL in delivering infrastructure that is relevant for inclusive economic development. It focuses on sustainable investments that spur job creation and fast growth, while at the same time laying the foundation for long-term resilience and development, leading to a more stable and peaceful Somaliland. SDF2's ambitions are fully aligned with the NDP2 and also reflect the priorities set out in Somaliland Vision 2030.

The objectives of the SDF2 are threefold:

- Support increased inclusive economic growth through investment in productive, strategic infrastructure to enhance economic growth and revenue generation.
- Strengthen and maintain the capabilities of the government of Somaliland to prioritise and manage the sustainable and equitable development of Somaliland's infrastructure.
- Support strong government ownership of development priorities aligned with the National Development Plan.

SDF2 focuses on sustainable infrastructure investments. It will only invest in projects that are supported by robust Operations and Maintenance (O&M) systems and budgets, thereby ensuring the longer-term sustainability of economic assets. This will also require more thorough economic analyses, while at the same time addressing regional equity and social inclusion with a particular focus on girls, women and youth.

SDF2 will continue putting a heavy emphasis on skills transfer. Continuous support to strengthening the skills of civil servants through a learning-by-doing approach will ensure that the Government is consolidating

its existing capacity to plan and manage SDF2 investments. SDF2 will also look at the broader skills sector, working to strengthen Government capacity as well as the wider workforce in the infrastructure and productive sectors.

The SDF2 continues to be touted by the GoSL as the preferred aid instrument for the Government post Somaliland Special Arrangement of the New Deal. Like in SDF1, all support will be aligned with government priorities as defined in Somaliland's second National Development Plan (NDP2) 2017-2022. While building upon the foundation of SDF1, SDF2 will have some distinctive features:

- No greater use of country systems but retaining shadow systems through a Fund Manager.
- Health and education are relatively well-supported sectors, and therefore the focus should be on infrastructure rather than service delivery.
- The SDF phase 2 will focus on infrastructure investments that are sustainable and supported by operations and maintenance systems and budgets.

1.2. Development Partners

The SDF has been identified as one of the multi partner funds that can be used as a development investment vehicle for both aid delivery and operationalising government systems. The Department for International Development (DFID) is acting as lead development partners. Other Development Partners supporting the SDF2 are Denmark and the Netherlands. The SDF2 is governed by a Memorandum of Understanding.

1.3. Objective of the Operational Guidelines

These Operational Guidelines provide the overall framework for the implementation of the SDF and as such, are the basis for all processes and procedures for the management of the SDF. Any changes to the Operational Guidelines require approval from the Joint Steering Committee.

2. Guiding Principles and Operational Policies

2.1. Guiding principles

The following Guiding Principles will be applied for programming and implementation of the Fund. These Guiding Principles build upon the Programming Principles from Phase1, however, have been refined based on the overall strategic objectives of the Fund.

- **Government ownership:** The SDF will involve all the key stakeholders in the planning, design and implementation of the SDF. Whilst this will be crucial for the implementation and management of the Fund, it will also enhance the longer-term ownership and sustainability of the initiatives that are funded.
- **Government of Somaliland priorities:** Priorities for investment shall be guided by the NDP2. The SDF2 shall be used for both investment and non-investment expenditures with the balance optimised to ensure that capacity, operations and maintenance and service delivery objectives are met. The SDF will fund an appropriate balance of programmes across regions and a balance between rural and urban areas.
- **Aligned with government systems:** While promoting government ownership, external control will be maintained through an external appointed Fund Manager who is responsible for the day-to-day management and administration of the Fund. To the extent possible, the SDF will align its systems and procedures as much as possible to government systems, and as such, strengthen capacity of key government stakeholders. The SDF will seek to understand the local context, draw local expertise and knowledge and combine this with international best practices to come up with solutions which are suitable and sustainable for the Somaliland service delivery problems.
- **Sustainability:** SDF investments will have a strong focus on long-term sustainability and ensure that budgets for operations, maintenance and recurrent costs of these investments are incorporated into GoSL's planning and budgeting cycles. To ensure that GoSL is not overburdened with costs associated with new infrastructure, the SDF2 prefers to support rehabilitation of existing infrastructure.
- **Ethics, transparency and accountability:** The SDF will act in an ethical, transparent and accountable way. We will consider the timing, sequencing and location of interventions for their potential conflict impact and will be responsive and flexible to changing requirements. The process of prioritisation and selection of programmes and projects shall be transparent and encourage mutual accountability between the Government and the development partners.
- **Safeguarding:** The SDF is committed to safeguarding against Sexual Exploitation and Abuse and Sexual Harassment (SEAH) and to ensure that all involved in the SDF take all reasonable steps to prevent harm, particularly SEAH, from occurring; listen to those who are affected; respond sensitively but

robustly when harm or allegations of harm occurs; and learn from every case. The SDF will work with all implementing partners to promote minimum safeguarding principles.

- **Conflict sensitive programming:** The SDF is committed to Conflict Sensitive Programming, seeking to consciously avoid or minimise negative impacts and maximize the positive impacts of any project of programme in the communities it is working. The SDF Conflict Sensitive Programming Framework provides for the overall framework for conflict sensitive programming and will be applied to all SDF-funded projects.
- **Gender Equity and Social Inclusion:** The SDF is committed to Gender Equity and Social Inclusion (GESI) programming by considering women and men's different needs, interests, concerns and barriers to their participation in SDF-funded projects. The SDF Gender Equity and Social Inclusion Framework provides for the overall framework for gender equity and social inclusion and will be applied to all SDF-funded projects.
- **Climate change and environmental protection:** The SDF will seek to promote the use of environmentally friendly and low carbon technologies, taking advantage, for example, of Somaliland's abundant solar resources and need for off-grid solutions, and placing it on a sustainable low carbon path. The SDF Environmental and Social Assessment Framework provides the overall framework of environmental and social impact assessment and will be applied to all SDF-funded projects.
- **Health, safety and security:** The SDF is committed to supporting the health, safety and security of all stakeholders it works with, and committed to integrate health, safety and security into all projects it supports.
- **Privacy and data protection:** The SDF is committed to meeting legal and regulatory obligations under privacy and data protection laws and respecting the rights of the individuals whose personal information are processed. The SDF is committed to meeting legal and regulatory obligations for information security and maintaining a balance between effective information sharing and managing associated risks.
- **Ensuring value for money (VfM):** The implementation and management of the SDF will maintain the principles of value for money (economy, efficiency, effectiveness and equity). Specifically, the Fund will be managed in a way that ensures obtaining the maximum benefit with the resources available and based on a clear results framework. The SDF will also provide high quality management support for initiatives that focus on improving the quality of service delivery. The SDF will support initiatives in key areas where maximum impact is predicated based on evidence.

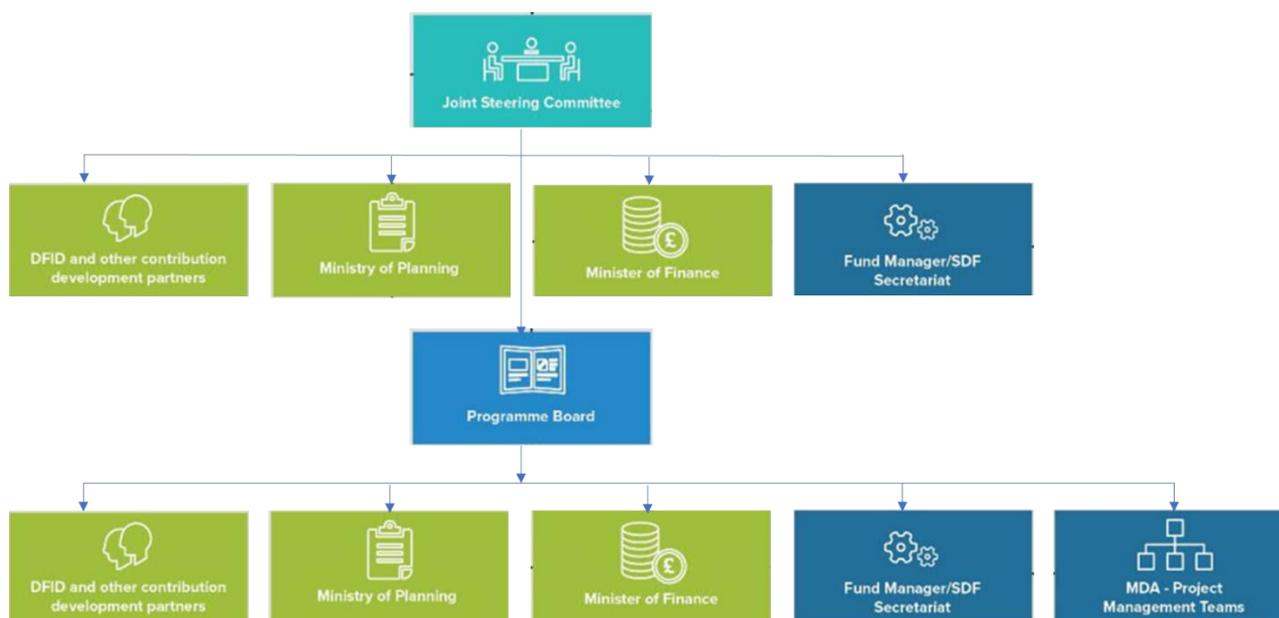
2.2. Operational policies

In order to actively promote these guiding principles, a key set of operational policies have been developed. Individuals and organisations receiving funding from the SDF, will be required to confirm their adherence to these policies as part of the contractual arrangements. The Operational Policies are attached as Annex 1.

3. Governance Structure

3.1. Introduction

The SDF2 governance structure is composed of the Joint Steering Committee (JSC) and the Programme Board, whereas the Fund Manager is responsible for the day-to-day management of the Fund; the Fund Manager also provides the Secretariat to the JSC.



The National Planning Commission is an inter-ministerial body which decide on government development priorities but is not formally a part of the SDF governance structure.

3.2. Joint Steering Committee

The SDF Joint Steering Committee is the Fund’s strategic decision-making body and provides oversight and strategic guidance to the operations of SDF2.

The JSC is composed of the Minister of National Planning and Development, the Minister of Finance and representatives from contributing Development Partners. The JSC is chaired by the Minister of Planning and National Development, and co-chaired by a representative from one of the Development Partners. At its own discretion, the JSC may invite third parties to act as observers to meetings of the JSC. The Fund Manager provides the Secretariat to the JSC. The JSC will convene on a quarterly basis, or more often if required.

More specifically, the JSC will:

- Monitor and review the implementation of the SDF2 in order to track progress made against the overall strategic objectives of Fund

- Provide strategic guidance to and oversight of the Fund Manager on the management of the Fund
- Review recommendations from the Programme Board and provide response on a regular basis
- Review and approve concept notes and project proposal proposed by the Government of Somaliland for funding based on appraisal notes
- Review and approve annual budgets against overall resource envelope
- Review and approve workplans and reports from the Fund Manager
- Review, approve and monitor the implementation of the operational guidelines
- Review, approve and monitor the implementation of programme frameworks
- Review, approve and monitor the implementation of the risk management framework
- Review, approve and monitor the implementation of the communication strategy
- Review, approve and monitor the implementation of the monitoring, evaluation and learning framework
- Commission independent performance reviews and evaluations of the Fund's operations
- Commission external annual audits
- Take decisions on deviation from approved guidelines, frameworks and strategies if and when required

The detailed mandate and operations of the JSC are described in a separate Terms of Reference. The JSC will review its Terms of Reference at a regular basis.

As Secretariat to the JSC, the Fund Manager will be responsible for the preparation of meeting agenda's, circulation of documents, and preparing minutes of each meeting.

The SDF Chair will be supported by a full-time SDF Focal Point. The SDF requires intensive input of the Minister of National Planning and Development as the Chair of the JSC and the SDF host in Somaliland. This comes in the form of approval of key documents such as contracts but also in addressing issues emanating from the day to day running of the SDF at national and regional levels. The SDF Focal Point will support the Minister of National Planning and Development in discharging his responsibility of guiding the SDF Secretariat as well as timely communication to the SDF implementing Ministries and Agencies. The SDF Focal Point reports to the Minister of National Planning and Development and works closely with the SDF Fund Manager. The SDF Focal Point will provide a quarterly report to the JSC on his activities.

3.3. Programme Board

The Programme Board (PB) is the Fund's forum for coordination, information sharing and learning, and will review project related issues and tracking progress against objectives of SDF-funded projects. The Programme Board is not a decision-making forum but can make recommendations to the JSC which is the SDF decision-making body.

The Programme Board will be chaired by Director General of the Ministry of Planning and National Development, co – Chaired by the DG of the Ministry of Finance Development. The other members will include DGs, Project Managers and Technical Advisors from the implementing Ministries, Departments or Agencies (MDAs), Project Officers from contributing Development Partners, and the SDF Secretariat.

Specifically, the Programme Board will have the following responsibilities:

- Review the implementation reports of the SDF2-funded projects in order to track progress made against the overall objectives of these projects

- Identify key issues, risks, delays and any other implementation problems and ensure actions for addressing them are agreed and communicated to the respective Ministers and Head of Agencies from the implementing MDAs are aware of them
- Review and discuss decisions and recommendations taken by the JSC
- Report all strategic issues requiring JSC intervention to the JSC after each meeting.
- Provide input into SDF2 Learning Agenda and in consultation with the SDF Secretariat organise sites visits on a quarterly basis for sharing of lessons
- Identify overlaps in projects between MDAs and ensuring that activities are implemented in a complementary manner

The detailed mandate and operations of the Programme Board are described in a separate Terms of Reference. The Programme Board will review its Terms of Reference at a regular basis – any changes will require approval from the JSC.

The SDF Focal Point will, with technical and administrative support from the SDF Secretariat, act as the Secretary to the Programme Board, responsible for the preparation of meeting agenda's, circulation of documents, preparing minutes and making follow-ups on implementation of agreed action.

3.4. Fund Manager

The Fund Manager is responsible for the day-to-day management and administration of the Fund. The Fund Manager, BMB Mott MacDonald, is contracted by DFID and contractually responsible to DFID for the management of the Fund.

The Fund Manager is headed by a Team Leader acting as the designated Fund Manager, and a full-time team of technical specialists. The full-time team is supported by a range of short-term technical experts for the provision of high-quality, punctual support. The Fund Manager's team reports to the assigned Project Director from BMB Mott MacDonald. The Project Director is also responsible for managing the contractual relationship with DFID.

The Fund Manager is responsible for the day-to-day management and administration of the Fund. More specifically, the Fund Manager will:

- Provide the Secretariat to the JSC
- Act as the SDF2 Contracting Authority
- Support the implementation of all SDF2-funded projects and assess progress made against the overall objectives of these projects
- Monitor the overall implementation of the SDF2 and assess progress made against the overall objectives of the Fund
- Support the Government of Somaliland in the prioritisation of projects to be proposed for funding
- Support the Government of Somaliland in development of concept notes and project proposals
- Prepare appraisal notes of concept notes and project proposals
- Prepare and manage the annual budget against the overall resource envelope
- Prepare and implement the annual work plan of the SDF2
- Prepare regular progress reports on the implementation of SDF2-funded projects and overall status of the Fund
- Develop and implement the operational guidelines
- Develop and implement the programme frameworks

- Develop and implement the implementation of the risk management framework
- Develop and implement the communication strategy;
- Develop and implement the monitoring, learning and evaluation framework
- Support the JSC in commissioning independent performance reviews and evaluations of the Fund's operations
- Provide the required support to the JSC for commissioning of external annual audits.

4. Project Implementation Modalities

4.1. Project Implementation Structure

The SDF2 recognises the principles of government ownership and alignment with government systems and therefore opts for government-led implementation of projects. However, external control will be maintained through the Fund Manager who is responsible for the day-to-day management and administration of the Fund.

The SDF2 also recognises that it should provide avenues for active involvement of the other government stakeholders in the implementation of the projects. In order to meet these requirements, all SDF-funded projects will follow a standard project implementation structure:



- Fund Manager / SDF Secretariat
- Ministry of National Planning and Development
- Ministry of Finance Development
- Ministries, Department and Agencies
- Implementing Partners

4.2. Roles and responsibilities

4.2.1. Fund Manager

The Fund Manager will act as the SDF Contracting Authority. Specifically, the Fund Manager will:

- Provide oversight on the implementation of projects implemented by Project Holders on behalf of the JSC
- Manage all procurement activities related to the implementation of the projects including contracting of Implementing Partners

- Manage all financial management activities related to the implementation of the projects including payments to Implementing Partners
- Provide support to the Project Holders in managing the projects
- Ensure that Project Holder have appropriate organisation, systems and procedures in place for the management of projects
- Provide the required capacity development support

4.2.2. Ministries and Agencies

The Ministries and Agencies will act as Project Holders, responsible for managing the project on behalf of GoSL. Specifically, the Project Holder will:

- Implement the project according to the provisions stated in the approval letter and project proposal, and in line with these Operational Guidelines and related manuals and frameworks approved by the JSC
- Provide the day-to-day management of the project including management of Implementing Partners
- Participate in the procurement process specifically the preparation of tender documents and participation in the Procurement and Evaluation Committee
- Receive invoices from Implementing Partners for checking and onward submission to the Fund Manager
- Monitor the progress of project implementation
- Report monthly to the Fund Manager on the progress of project implementation
- Participate in meetings of the Programme Board

Due to the responsibility for project implementation, Project Holders are required to have a Project Management Team (PMT).

The PMT will be headed by a full-time Project Manager. The main role of the Project Manager is:

- Represent the Project Holder
- Manage overall project implementation including planning and monitoring of activities, ensuring that all activities are implemented in a timely, effectively and efficiently way
- Manage Implementing Partners including co-signing of contracts and contract variations
- Perform administrative functions foreseen in the project including the co-signing of Payment Requests submitted by the Project Holder to the Fund Manager

The Project Manager shall be a qualified subject-matter specialist. The detailed Terms of Reference (ToR) and required qualifications for the Project Manager will be prepared by the Fund Manager and agreed with the Project Holder. The Project Holders' Minister or General Manager will propose three candidates meeting the requirements stipulated in the ToR from within the MDA to the Fund Manager. The Fund Manager will review the qualifications of the candidates and interview the candidates together with the SDF Focal Point for consensual decision making. The Fund Manager will issue a letter to the Project Holder with the outcomes of the review and interview. If one of the candidates are found suitable, the selected candidate will be appointed as Project Manager by the Project Holder and seconded to the PMT. If no suitable candidate is identified, candidates will be identified through an external competitive recruitment following standard procurement procedures.

Due to their responsibility as Project Manager, the Ministry will ensure that the Project Manager will be released from all other duties within the MDA.

The Project Manager will be supported by a Project Administrator and a Technical Advisor. The main role of the Technical Advisor is to:

- Act as counterpart to the Project Manager and support him/her in the overall project implementation including planning and monitoring of activities
- Support the Project Manager in planning and supervision of Implementing Partners delivering the project activities timely, effectively and efficiently
- Support the Project Manager in the administrative functions foreseen in the project including co-signing of Payment Requests submitted by the Project Holder to the Fund Manager
- Provide on-the-job coaching and training to members of the PMT

The main role of the Project Administrator is support administrative functions of the Project Management Team including general office administration, finance, procurement and logistics.

The Technical Advisor and Project Administrator will be recruited on a competitive basis following standard SDF procurement procedures.

It is expected that PMTs will be supplemented by thematic technical officers as may be deemed necessary depending on the nature of the project. These positions will be identified in the project proposal and be recruited on a competitive basis from within the MDA as per same procedure for the recruitment of the Project Manager. If no suitable candidate is identified, candidates will be identified through an external competitive recruitment following standard procurement procedures.

Remuneration of seconded staff will be in line with directives provided by the Civil Service Commission, and subject to approval by the JSC. The Fund Manager will develop a Performance Management System to monitor and assess performance of all PMT-staff.

4.2.3. Ministry of Planning and National Development and Ministry of Finance Development

The Ministry of Planning and National Development (MoPND) and the Ministry of Finance Development (MoFD) will act as Government Project Partners to ensure coherence with national planning systems and budget cycles. Specifically, the Government Project Partners will:

- Provide guidance to the Project Holders in the implementation of the projects
- Witness contracts issued to Implementing Partners
- Ensure that project budgets are properly reflected in government systems (national planning, national budget).

4.2.4. Implementing partners/contractors

Projects will require a range of implementing partners for the provision of services, goods and works. Implementing Partners will be sourced on a competitive basis as a default position, and may consist of private sector entities, non-state entities, UN-agencies and/or individual consultants.

5. Project Identification and Preparation

The SDF provides funding for projects prioritised by the GoSL on the basis of the National Development Plan (NDP). The project preparation process entails project prioritisation, development of concept notes, and development of project proposals.

5.1. NDP2 prioritisation

The Minister of Planning will propose sectorial priorities from the NDP2, identified by the Government of Somaliland. The relevant Ministries and Agencies will be requested to provide concept notes for review.

5.2. Concept notes

5.2.1. Development of Project Concept Notes

The Project Concept Note (PCN) is a brief description of a project prepared by the MDA that is to be presented for consideration for funding. The Fund Manager will provide MDAs with appropriate templates and support in the development of concept notes.

5.2.2. Appraisal of Project Concept Notes

The Fund Manager will appraise all concept notes based on a checklist agreed with the Joint Steering Committee. The Fund Manager will submit the appraisal reports to the JSC for review. The JSC will make the following decisions:

- Approve the concept note, thereby committing it for further development
- Defer decision on the concept note, requesting the MDA to make adjustments and resubmit
- Reject the concept note

Decisions on the Concept Notes will be communicated by the JSC to the relevant Ministries and Agencies.

5.3. Project proposals

5.3.1. Development of Project Proposal

The MDA will lead on the development of the project proposal with support from the Fund Manager. The MDA will ensure that staff is available from within the MDA.

The Fund Manager will provide MDAs with appropriate templates for development of the project proposal to ensure consistency and harmonisation across projects.

The Fund Manager will identify suitable short-term technical expertise funded from the Project Preparation Facility; the selected STE will be agreed upon with the Project Holder. The STE will work closely with the MDA counterparts in the development of the proposal. The STE will also be required as part of their responsibilities to devote part of their time to strengthen the capacity of the counterpart. The ultimate responsibility for delivering the full proposal will be with the MDA.

5.3.2. Appraisal of Project Proposal

The Fund Manager will appraise all project proposals based on a checklist agreed with the Joint Steering Committee. The Fund Manager will submit the appraisal reports to the JSC for review. The JSC will make the following decisions:

- Approve the project proposal, thereby formally allocating resources to the project
- Defer decision on the project proposal, requesting the MDA to make adjustments to the project proposal
- Reject the project proposal.

6. Project Implementation

The approved project proposal will be the basis for the implementation of the project. The Project Holder will be responsible for the day-to-day management of the project whilst the Fund Manager will provide oversight and external control as outlined in Section 4 (Implementation Modalities).

Following the logical framework of the project, all activities will be organised in key outputs. For all outputs, implementation will follow four consecutive phases. The Fund Manager will prepare a Project Implementation Manual which details how each of these phases shall be implemented. Below, a summary of these phases is presented.

6.1. Phase 1: feasibility

This stage includes the conduct of all the feasibility studies to verify that project assumptions are correct and the outputs are viable and achievable. Depending on the nature of the project, the foreseen studies may include:

| No | Activity |
|----|------------------------------|
| 1 | Institutional feasibility |
| 2 | Operational sustainability |
| 3 | Environmental sustainability |
| 4 | Gender and Social Inclusion |
| 5 | Conflict Sensitivity |
| 6 | Financial sustainability |
| 7 | Community Ownership |
| 8 | Land ownership |
| 9 | Technical feasibility |

Relevant feasibility activities should be completed prior to the commencement of the further design of the activities. Activities which do not meet the feasibility requirements will be referred back to the Project Holder for further development or substitution. Only after the successful completion of the feasibility phase, the activities foreseen in the design phase will be implemented.

6.2. Phase 2: design

This stage will include all design activities and it is aimed to prepare the documents necessary to procure and implement the outputs. Depending on the nature of the project, design activities may include:

| No | Activity |
|----|-----------------------------|
| 1 | Detailed topographic survey |
| 2 | Engineer calculations |
| 3 | Drafting |
| 4 | Bill of quantities |

| | |
|---|--------------------------|
| 5 | Technical specifications |
| 6 | Training programmes |
| 7 | Terms of references |

Results of the design activities will be reviewed and endorsed for use in the implementation phase. The related implementation of activities can only start after the successful completion of the design phase.

6.3. Phase 3: Implementation

For the actual implementation of the activities, a range of implementing partners will be sourced for the provision of services, good and supplies. Each project will use a combination of the following modalities to ensure that activities are implemented in a timely, efficient and effective way:

- **Contract management:** The PMT and Fund Manager will pro-actively manage the contracts to ensure that implementing partners comply with contractual obligations and work plan
- **Field visits:** The PMT and Fund Manager will jointly or individually undertake extensive field visits to monitor activities and implementing partners on the ground
- **Financial control:** The PMT and Fund Manager will verify the financial implementation reviewing actual expenditure (budget execution) against estimated planned costs
- **Risk assessment:** The PMT and Fund Manager will analyse quarterly impediments and constraints, identifying and analysing their factors (internal and external to SDF support) and consequences related to project activities.

6.4. Phase 4: Handing over

A project is not completed until all foreseen outputs are up and running, management agents are appointed and measures for Operations and Maintenance are put in place. During this phase, the Project Holder will put in place all measures necessary to assure the operationalisation and sustainability of the outputs. Depending on the nature of the project, some handing over activities could include:

| No | Activity | Target |
|----|--|--|
| 1 | Management after handing over | Service contract compliant with sector Act and Regulations signed by the LM and the management agency. This should outline all the operations and maintenance and financial sustainability aspects. |
| 2 | Hand over certificate for outputs | Contractors, national and international NGOs, International Agencies are to submit to the relevant PH and the SDF Secretariat a hand over certificate for project outputs acceptance and endorsement. |
| 3 | Hand over certificate for assets and investments | Contractors, national and international NGOs, International Agencies are to hand over to the relevant authorities all assets with a purchase value higher than 1000 GBP purchased in the framework of SDF. The hand over certificate signed for acceptance by the relevant authority is to be delivered to SDF Secretariat in hard copy duly signed and stamped by both parties. |
| 4 | Training certificates | Attendances list and statistics disaggregated by gender, final examination certificates stating the level of capacity achieved. Evaluation of the results against the foreseen indicators. |

During the hand over phase the SDF Secretariat will evaluate the results achieved by all projects and will supervise the effective commissioning of all infrastructures. Final payments will only be made after handover of all implementation related documents (to be specified in the contracts) to the SDF Secretariat.

7. Project Procurement

Projects will require a range of implementing partners for the provision of services, goods and works. Implementing Partners will be sourced on a competitive basis as a default position, and may consist of private sector entities, non-state entities, UN-agencies and/or individual consultants.

The SDF2 foresees continuation of the procurement procedures under SDF 1. The SDF2 Procurement will be based largely on the World Bank procurement practices which is an accepted best practice in many jurisdictions as it provides the necessary safeguards against the fiduciary risks as well as providing a robust procurement system.

The overall objective of procurement is to allow the SDF to procure high quality goods, works and services as economically as possible. This objective is best achieved through transparent, formal competitive bidding:

- For the procurement of goods and works, civil works, International Competitive Bidding (ICB) is the procurement method encouraged for use in the majority of cases. Under ICB, cost is the primary factor in determining a winning bid. Other methods for procuring goods and civil works include National Competitive Bidding and International Shopping.
- For the selection of consultants, Quality- and Cost-Based Selection (QCBS) is the method encouraged for use in the majority of cases. Under QCBS, proposals are evaluated based on both their technical merit and price. Other methods for selecting consultants include Quality-Based Selection (QBS) and Least-Cost Selection.

The detailed procurement policy and procedures required to manage all procurement of the SDF are outlined in a separate Procurement Manual. Any revisions of the Procurement Manual will require approval from the JSC.

8. Financial Management and Accounting

The SDF Fund Manager has the fiduciary responsibility for all funds of the SDF. As such, the Fund Manager must ensure that funds are used for their intended and specific purposes. To this end, all funds should be administered and supervised in accordance with due diligence to economy, efficiency and effectiveness, and compliance with the financiers' financial management policy and guidelines.

The basic principles of the SDF Financial Management and Accounting are to:

- Ensure that all financial transactions are properly recorded and supported by proper and authentic supporting documents like quotations, invoices and receipts.
- Ensure that funds are used only for their intended purposes in an efficient and economical way;
- Ensure that funds are properly managed and flow smoothly, adequately, regularly and predictably in order to meet the objectives of the fund;
- Enable the preparation of accurate and timely financial reports to provide the SDF with information it needs to meet its fiduciary responsibilities;
- Enable fund management to monitor the efficient implementation of the projects;
- Safeguard the Fund's assets and resources.

The detailed financial policy, procedures and guidance required to manage the financial activities of the Somaliland Development Fund are outlined in a separate Financial Management and Accounting Manual. The Financial Management and Accounting Manual provides provisions for:

- Banking arrangements
- Donor Contributions
- Budgets and forecasts
- Expenditures
- Accounting and records
- Reports
- Internal control and audit

Any revisions of the Financial Management and Accounting Manual will require approval from the JSC.

9. Monitoring, Evaluation and Learning

Monitoring, Evaluation and Learning (MEL) is an essential component of the accountability system between all stakeholders in the SDF, including the Project Holders, the Secretariat, the Joint Steering Committee, and the Development Partners. The MEL system should therefore provide rigorous criteria against which the progress and success of the SDF can be measured and assessed, but also provide essential information to allow flexible, continuous internal learning by both the SDF and GoSL, iterative improvement of SDF project development and early indications of overall impact of the SDF. The system should therefore also be an effective management tool and detect critical implementation glitches in achieving milestones and provide appropriate recommendations that will help improve the SDF's performance.

The detailed monitoring, evaluation and learning framework is outlined in a separate MEL Framework. It provides provisions for:

- SDF2 results framework
- Monitoring
- Evaluation
- Learning
- Reporting

Any revisions of the MEL Framework will require approval from the JSC.

10. Risk Management

The SDF2 is a complex programme involving many stakeholders, projects and activities in multiple locations, and a continuous evolving external environment.

Risk management is not about eliminating all risks, but understanding and managing risks effectively, especially those risks that pose the greatest threat to SDF, and which can be controlled. A good risk management strategy should allow SDF to effectively constrain risks to acceptable levels, take informed decisions, and have increased confidence that we can achieve the desired outcomes. Risk management should therefore continuously assess risks, minimising those under our control, and putting in place mitigation measures for residual risks. It should also be appropriate and proportionate to respond to the identified challenges.

The SDF2 Risk Management Strategy is based on DFID's approach to Risk Management under its Smart Rules and composed of three key tools that are used to identify, monitor and risks.

- **Risk Register:** To identify and monitor risks for the overall programme delivery set-out in the six risk categories. Mitigation strategies for each risk will be developed and reviewed on an ongoing basis;
- **Delivery Chain Map:** To identify and visualize the delivery chain model of the programme including the various tiers of partners, how funding flows, and how risks are managed throughout the chain;
- **Due Diligence:** To identify and minimize risks of using downstream partners in the ESRES2 Delivery Chain.

The detailed approach for risk management is outlined in the SDF Risk Management Framework. Any revisions of the Framework will require approval from the JSC.

11. Communication

The Somaliland Development Fund (SDF) aims to contribute to a more stable and prosperous Somaliland by funding projects that are fully aligned to the NDP2. Communicating about how SDF supports government initiatives designed to stimulate inclusive stable economic and social development for all citizens is a crucial part of the overall programme design.

The overall objective of the communication strategy is to demonstrate how SDF supports government initiatives designed to stimulate inclusive stable economic and social development for all citizens. In this context, the rehabilitation of infrastructure — the physical works — is not an end in itself but rather the tangible expression of how government tackles the persistent economic issues that affect citizens. SDF2 helps actualise where government can intervene most effectively in the economy for everyone's benefit. The “product/solution” that the communication strategy sells to stakeholders and beneficiaries is the process of taking a government-led, user-responsive, project from initiation through to completion and handover. This process follows the Project Life Cycle as laid out in these guidelines.

SDF2 communications will be led by the Ministry of Planning. It will be led by a full time Communication Specialist. The Minister of Planning will remain the SDF2 mouthpiece to the public. Hence all strategic messaging to the public relating to GoSL position will be handled by the Minister of Planning through regular press briefs. The Communication Specialist will operationalise the Communication Strategy through development and implementation of quarterly Communications Plans. The Communication Specialist will develop content and messages with support from Project Management Teams in line ministries and the SDF Secretariat. The Communication Specialist will lead the commissioning of external media production partners and will be responsible for overseeing their product, ensuring it is accurate and delivered on time.

The detailed approach for communication is outlined in the SDF2 Communication Strategy. Any revisions of the Framework will require approval from the JSC.

Annex 1 – Operational Policies

1. Ethics Policy
2. Safeguarding Policy
3. Equality, Diversity and Inclusion Policy
4. Health, Safety and Security Policy
5. Privacy and Data Protection and Information Security Policy

Annex 1.1 – Ethics Policy

Our commitment

The SDF is committed to promoting the highest standards of ethical behaviour and requires all involved in the SDF to act in accordance with its ethical principles.

Our approach

We will therefore:

- Comply with all relevant legal and other regulatory requirements, and respect the customs and culture, of each country in which they work and comply with national and international trade restrictions.
- Commit to promoting the highest standards of ethical behaviour and act in accordance with their ethical principles.
- Not offer, give, solicit or accept any bribe (cash or other inducement) or facilitation payment, or engage in any corrupt practice.
- Prohibit the payment of donations to political parties or charities to obtain a business advantage.
- Work to continually improve anti-bribery systems and practices.
- Commit to achieving these standards with their supply chain.
- Base relationships with suppliers, subcontractors and other business partners on mutual respect and good governance.
- Commit to carrying out due diligence to evaluate the bribery risk and ethics of clients, suppliers, subcontractors and other business partner and will withdraw from contracts when unethical business practices are suspected.
- Commit to make their communications, marketing and publications factually correct, ethical and fair.
- Commit to promoting fair employment and paying at least the local national living wage where this exists to their staff.

Annex 1.2 – Safeguarding Policy

Commitment

The SDF is committed to safeguarding against Sexual Exploitation and Abuse and Sexual Harassment (SEAH) and to ensure that all involved in the SDF take all reasonable steps to prevent harm, particularly SEAH, from occurring; listen to those who are affected; respond sensitively but robustly when harm or allegations of harm occurs; and learn from every case. The SDF will work with all implementing partners to promote minimum safeguarding principles.

Approach

We will therefore:

- Comply with all relevant legal and other regulatory safeguarding requirements here they exist and if not, at minimum meet the provisions of the safeguarding declaration in this document.
- Act in compliance with the principles of safeguarding as laid out in the UN Convention on the Rights of the Child.
- Not tolerate any form of abuse or exploitation. Are committed to acting ethically and with integrity to safeguard staff, the people they serve in general, and children and adults at risk of harm in particular.
- Have a zero-tolerance approach to all forms of modern slavery and human trafficking.
- Provide an environment that fosters the exchange of information, views, and ideas that is free of any fear of retaliation and protects whistle-blowers.
- Put in place and enforce measures and controls that demonstrate our commitment to see that abuse and exploitation are not taking place in SDF-supported activities. This include requirement for all individuals and organisations working with the SDF to sign a safeguarding declaration as part of the contractual arrangements.
- Seek to build safe working environments through recruitment, selection and vetting processes, including background checks, disclosure statements and referees.
- Require all individuals and organisations working with the SDF to sing safeguarding declarations as part of the contractual arrangements.

Annex 1.3 – Equality, Diversity and Inclusion Policy

Commitment

The SDF is committed to creating an inclusive environment and promoting equality, diversity and inclusion.

Approach

We will therefore:

- Comply with all relevant legal and other regulatory requirements dealing with equity, diversity and inclusion
- Commit to complying with local labour practices as contained in the local labour law and with International Labor Organization policies.
- Commit to creating an inclusive working environment, providing equal opportunities for all staff, and stakeholders to participate in and benefit from the project, and ensuring no current or prospective employee or stakeholder is disadvantaged because of their:
 - i. Age
 - ii. Clan or caste
 - iii. Class
 - iv. Colour
 - v. Disability
 - vi. Gender identity
 - vii. Marital status
 - viii. Nationality
 - ix. Parental status
 - x. Race or ethnic origin
 - xi. Religious belief
 - xii. Sexual orientation
 - xiii. Veteran status

Annex 1.4 – Health, Safety and Security Policy

Commitment

The SDF is committed to supporting the health, safety and security of all stakeholders it works with, and committed to integrate health, safety and security into all projects it supports.

Approach

We will therefore:

- Comply with all relevant legal and other regulatory health, safety and security requirements
- Commit to supporting the health, safety and security of all their employees and to ensuring that high standards of health, safety and security at work are embedded to keep everyone safe all the time.
- Take all reasonable and practical measures to eliminate hazards and minimize the risk to staff or others, both to whom they have a duty of care and those who may be affected by their works such as local communities and users, with particular concern for those who are disabled, elderly, or otherwise vulnerable.
- Commit to integrating health, safety and security into everything they do to achieving zero harm, and to continually improve their systems and practices.

Annex 1.5 – Privacy and Data Protection and Information Security Policy

Commitment

The SDF is committed to meeting relevant legal and regulatory obligations under privacy and data protection laws and respecting the rights of the individuals whose personal information are processed. The SDF is committed to meeting legal and regulatory obligations for information security and maintaining a balance between effective information sharing and managing associated risks.

Approach

We will therefore:

- Commit to meeting all relevant legal and regulatory obligations under privacy and data protection laws and respecting the rights of the individuals whose personal information they process.
- Ensure that their services and operations support their processing of personal information in a secure and legally compliant manner.
- Commit to adhere to principles of lawfulness, fairness and transparency, purpose limitation, data minimization, accuracy, storage limitation, integrity and confidentiality, and accountability.
- Commit to meeting their legal and regulatory obligations for information security and maintaining a balance between effective information sharing and managing associated risks that could lead to security breaches.
- Commit to ensuring confidentiality, integrity and availability of information, as well as security of offices and storage of archived information.

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