

Section 3

TERMS OF REFERENCE

FUND MANAGER FOR THE SOMALILAND DEVELOPMENT FUND

PHASE 2

1. INTRODUCTION

1.1 The Department for International Development (DFID) manages the majority of the United Kingdom's development assistance to poor countries and leads the United Kingdom's work to end extreme poverty, building a safer, healthier, more prosperous world. DFID's approach to international development is focused on delivering results, transparency and value for money in British aid particularly in fragile and conflict-affected states.

1.2 At the United Nations General Assembly in 2016, the UK Prime Minister committed UK support for Somalia and Somaliland's long term security and international partnership. The Somaliland Development Fund (SDF) phase 2 is strongly aligned with this commitment to support a stable and secure Somaliland with improved economic opportunities resulting in better livelihoods for the people of Somaliland.

1.3 DFID is seeking a Fund Manager to provide programme management, monitoring and administrative support for the SDF phase 2. The SDF phase 2 is an economic development recovery programme. It aims to increase inclusive economic opportunities in Somaliland and build on the existing SDF (2013-2017) which is delivering a portfolio of mainly infrastructure results – such as rehabilitated roads and water supply – and which closes later this year. Economic development represents Somaliland's route out of poverty. Somalilanders are entrepreneurial people with diaspora contacts throughout the world and this investment in economic recovery will help to re-build war torn infrastructure and enable the private sector to continue to invest and create jobs.

1.3 The SDF phase 2 is expected to be multi-donor – the current donors are Netherlands, Norway and Denmark – and leverage in contributions similar to the UK's £25 million. All support will be aligned with government priorities as defined in Somaliland's National Development Plan (2017-2022).

1.4 The SDF phase 2 objectives are:

- i. Support increased inclusive economic growth through investment in productive, strategic infrastructure to enhance economic growth and revenue generation.
- ii. Strengthen and maintain the capabilities of the government of Somaliland to prioritise and manage the sustainable and equitable development of Somaliland's infrastructure.

- iii. Support strong government ownership of development priorities aligned with the National Development Plan.

1.5 In the business case development three major changes from the first phase of the SDF are envisaged going forwards:

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

1.6 The SDF phase 2 will be delivered and managed by a private sector managing agent and subject to an OJEU selection process. No UKAid finance will be put through government systems and the SDF phase 2 will work alongside the World Bank's financial management and civil service reform programmes to strengthen Somaliland's institutions.

2. ROLE OF THE FUND MANAGER

2.1 To implement and manage SDF phase 2, DFID seeks a Fund Manager with a proven track record in achieving results.

The Fund Manager will:

2.2 Fund Set Up and Standard Operating Procedures: The Fund Manager will establish and implement SDF phase 2 as a flexible and adaptive multi donor fund to meet the programme's objective as set out in the business case. The Fund Manager will set up project delivery mechanisms, procedures, management and reporting systems.

2.4 Secretariat: The Fund Manager will provide secretariat support for the SDF phase 2 governance structure including organizing and supporting regular decision-making and management meetings. The Fund Manager will respond promptly to the needs of the contributing donors and the government. The Fund Manager will set up office facilities and recruit all required administrative and finance staff as well as establish a pool of selected national and international experts to support programme implementation.

2.4 Financial Management: The Fund Manager will manage the SDF phase 2 budget including accurate forecasting and planning; preparation of funding agreements; accounting and financial reporting; compliance with relevant operating policies and procedures; and ensuring full transparency and accountability.

2.5 SDF 1 Transition Projects and Developing SDF phase 2 Portfolio: The Fund Manager will manage the transition of SDF phase 1 projects to completion while developing a new pipeline of projects under SDF phase 2 as prioritized and agreed with the National Planning Commission. Innovative ways of project development are sought that draw on analysis from the first phase of the SDF and fully incorporate a political understanding of project partners, clan and equity. A proposed subset of sectors will be presented to the National Planning Commission as a 'menu' in late 2017. This will give time for a pipeline of new projects to be developed towards the year-end and enable a seamless transition from the current SDF in the first quarter of 2018.

2.6 Procurement: The Fund Manager will lead, monitor and manage all SDF phase 2 procurement and expenditure activities to ensure they are carried out in line with the principles of value for money and transparency. In consultation with the donors and the government, the Fund Manager will prepare technical specifications, terms of reference and bidding documents for SDF phase 2 projects and ensure the use of international best practice in procurement procedures. The Fund Manager will address gender, disability and conflict sensitive issues during all procurement stages. The Fund Manager will assist government partners in reviewing and evaluating procurement documents received, and guide the process of engaging consultants and contractors. The SDF partners are expected to establish similar sustainable procurement regulations in their system in line with the draft procurement law.

2.7 Capacity Building: The Fund Manager will develop and implement a skills transfer strategy to support capacity strengthening of the government staff with a focus on youth. The Fund Manager will partner with participating line ministries and agencies to identify short-term assistance needs as well as long-term local resources that can help successfully deliver this strategy.

2.8 Operational Management: The Fund Manager will develop benchmarks, standard operating procedures, annual logframe, and workplans in consultation with donors and Government.

2.9 Monitoring and evaluation: The Fund Manager will monitor and evaluate SDF phase 2 initiatives in close consultation with line ministries, including reviewing performance reviews and undertaking monitoring visits. Evidence on the use of government systems in FCAS is limited. This intervention will use its monitoring and evaluation systems to build up a better body of evidence on the use of government systems in Somaliland. Real time citizen perception surveys should be better used to support project implementation.

2.10 Knowledge sharing: The Fund Manager will ensure the smooth flow of information between all key stakeholders (DFID as the contract holder, donors and the government) about the prioritization, identification, procurement, design and implementation of SDF phase 2 development initiatives.

3. **RECIPIENTS:**

3.1 The primary recipients of SDF phase 2 are the government of Somaliland, government ministries, departments and agencies. The Somaliland public will be the ultimate beneficiaries of improved service delivery from their government.

4. **SCOPE OF WORK FOR BIDS TO CONSIDER AND CHALLENGE**

4.1 DFID intends to contract a Fund Manager to transparently and efficiently manage SDF phase 2. SDF phase 2 is a 4.5 year programme (2017 - 2022), with a possible extension, and an indicative budget of GBP 25 million (DFID funds). The SDF phase 2 is a multi-donor fund and DFID will seek to leverage contributions from other donors of similar scale to the first phase. For example, from 2013 to 2017, Danida contributed GBP 23.9 million, the Netherlands contributed GBP 3.2 million and Norway contributed GBP 3 million.

4.2 A stronger and more capable Somaliland government remains the overarching goal. But government commitment to reform of its internal systems over the last 5 years has been limited, manifested by the government's inability to complete a PEFA self-assessment. This weak commitment to addressing high levels of fiduciary risk and weak government capacity – as detailed on the table below – are the main reasons why DFID is not proposing a greater use of country systems but **retaining shadow systems through a Fund Manager**.

	PRIVATE SECTOR OVERSIGHT	GREATER USE OF GOVERNMENT SYSTEMS
PLANNING	Government leads, aligned with NDP (subset of), prioritise sector and projects, more directive than SDF1, Ministry project prioritisation and preparation	Full control delegated to government, priorities chosen from the complete NDP with some influence by donors, Ministry project prioritisation and preparation
FINANCE	No funds through Treasury, innovate by using a small reimbursable imprest account to test systems, financial, contract management, audit and overseen by managing agent, "on plan" and "in budget". Learning from WB PFM.	PEFA used to establish baselines, IFMIS used as part of wider PFM programme, aiming towards sector budget support and managed financial aid, integrated into budget processes "on plan" and "on budget". Bridge to WB PFM.
PROCUREMENT	Tender board involved, Ministries involved, but managing agent remains the decision-maker and	Procurement Bill implemented and procurement decentralised to Ministries, government

	guardian of the process.	taking decisions, managing agent supporting.
CIVIL SERVANTS	Increasing the capability of Ministries, WB programme links with wider civil service systems, skills development partnering with the Civil Service Institute for Ministers, Directors and middle managers and UK National School of Government International oversight.	Increasing the capability of Ministries, WB programme links with wider civil service systems, skills development partnering with the Civil Service Institute for Ministers, Directors and middle managers and UK National School of Government International oversight.

4.3 The Fund Manager is, however, expected to consider whether any transfer of responsibilities can take place during SDF phase 2. How, for example, can the SDF phase 2 reciprocate if the next Government delivers a stronger reform agenda with commensurate increase in government capability?

4.4 **Skills development** of core civil servants will be a focus of the SDF phase 2. Government has requested that skills development must also cater for Ministers and Directors drawing, possibly, on continued support from the UK's National School of Government International. This programme is well placed to pilot innovative and scaled up PFM reforms currently being delivered by the World Bank's Multi-Partner Fund.

4.5 Somaliland has extremely poor opportunities for employment, especially among its youth. Youth unemployment stands at just under 70 percent. Evidence from the first phase of the SDF shows an absence of local Somaliland skills related to infrastructure. There is no easy fix on jobs, but in low income countries with high underemployment like Somaliland, education can help a transition from informal to formal jobs if skills shortage is a supply side constraint. The SDF phase 2 should look at apprenticeship models, and consider developing partnerships – such as with the existing vocational training centres in Hargeisa and Burao – to address specific skills gaps linked to the investments in infrastructure for young Somalilanders.

4.6 Improving the longer-term **sustainability of economic assets** through a focus on operations and maintenance of infrastructure investments will feature strongly in the SDF phase 2. The DFID appraisal drew on the DFID-funded “Infrastructure and Cities for Economic Development Somalia Infrastructure” study conclusions, in particular:

- Plan for the sustainability of assets
- Consider community based approaches for monitoring
- Track value for money continuously
- Track the political economy and gender continuously.

4.7 Infrastructure is expensive to build, and the economic and social benefits will only surmount the costs if it can be used for a number of years post construction.

Somaliland's infrastructure remains dilapidated after years of neglect so focusing on the sustainability of existing infrastructure takes the pragmatic approach of **infrastructure financing of existing stock only**, and not unnecessarily over-burdening the Somaliland state. An overview of our appraisal is shown in the table below.

REHABILITATION	NEW INFRASTRUCTURE
With the Somaliland state still struggling to safeguard existing infrastructure, rehabilitating existing roads, agricultural pathways, and water supplies draws from the lessons of infrastructure globally and explicitly from the Somalia Infrastructure Study.	New infrastructure, in particular roads, is a central part of the national development plan. Key investments are likely to stem from the road from Tog Wajaale to the port of Berbera. The half built road to Erigavo in the eastern regions also requires significant further investment.
Focus on <u>existing</u> infrastructure and provide financial space for a recurrent cost window to support those SDF1 projects that continue to need mainly recurrent cost support for sustainability. This could include options for ring fencing future recurrent costs either in the government budget or future follow-up programmes.	Focus on <u>new</u> infrastructure and provide financial space for a recurrent cost window to support those SDF1 projects that continue to need mainly recurrent cost support for sustainability. This could include options for ring fencing future recurrent costs either in the government budget or future follow-up programmes.
Engage with Ministries and parastatals' operations and maintenance systems and budgets. This will require tailored capacity building and willingness by government to be transparent about its budgeting processes for operations and maintenance.	The scale of the Berbera road investment (~\$300 million), and the Erigavo road are outside of the financial resources available for the UK and would limit the SDF to a single investment. The Berbera port deal with Dubai Ports World still has many unanswered questions and political risks.

4.8 An increasingly **sector wide approach** is required from the Fund Manager for SDF phase 2 to consider the following issues:

- a) To date, SDF 1 has only funded the provision of water quality, rather than a wider suite of water, sanitation and hygiene measures. This is in line with the focus on economic development (with water important to drive agricultural productivity). However, other evidence suggests a more holistic approach may be more effective, particularly if health outcomes are a key objective. The SDF phase 2 might give further consideration as to whether a wider WASH approach can and should be taken.
- b) There is a remaining evidence gap regarding the extent to which improved road infrastructure in Somaliland results in increased economic activity and improved livelihoods. It is also not clear on the extent to which increased trade and transport will result in adverse impacts such as increased HIV transmission, which is sometimes seen with other similar programmes. Further work will be needed in SDF phase 2 to fill this evidence gap, while the project design will need to give further consideration to minimising any adverse impacts.
- c) Livestock is one of the most important sectors of Somaliland economy, accounting for about 60% of the GDP and about 85% of foreign export earnings. There is considerable cross border trading of livestock, and improved road infrastructure is likely to significantly lower the costs of such trade, as well as reducing the costs of bringing produce to domestic markets. While such transport infrastructure will help reduce travel times, there is a risk that such gains may largely accrue to Ethiopian and Saudi exporters, those associated with the Berbera port and a relatively small part of society.

4.9 ICAI commended DFID's use of infrastructure to address challenges in FCAS environments, and recommended further expansion of this approach globally to build cohesion and prevent conflict. The Fund Manager should demonstrate how they will monitor this and add to the global evidence base.

4.10 The economic benefits and estimated number of beneficiaries are expected to be significant per UK£ spent. The SDF phase 2 projects will all include **robust economic analysis and cost benefit analysis at approval stage**. For example an illustrative basic economic development recovery portfolio might estimate that an £8million investment in the roads sector could benefit over 400,000 people, likewise an £8million investment in water and sanitation could benefit 140,000 people.

4.11 Geographically, the SDF phase 2 will exclusively target Somaliland with an **equitable spread of projects across the regions**. Evidence to date shows that the National Planning Commission is committed to a fair distribution of effort and resources across Somaliland. In the current SDF equity has been considered across clan, geography, urban/rural with a relatively even spread of interventions across Somaliland. The eastern regions of Sool and Sanaag carry the greatest level of risk and challenge. Consideration might be given for an explicit financial allocation for both Sool and Sanaag regions in the SDF phase 2 with due regard for doing no harm and subject to thorough conflict sensitivity.

4.12 Gender needs to be considered at the early stage to enable different groups to participate in the construction and delivery of programme infrastructure. In particular,

girls and women are conspicuous by their absence in decision-making for infrastructure in Somaliland. Water, energy and road infrastructure are mainly private sector-run and Board composition usually excludes women. In practical terms, the SDF phase 2 should pro-actively include women, such as:

- a) Implementing partners being judged using additional criteria to calculate the number of women in their delivery teams;
- b) Government project management units including x% women;
- c) Project planning, budgeting and ongoing maintenance will include extensive community consultation.

4.13 Consider whether a jobs figure can be incorporated into annual reporting.

5. MANAGEMENT ARRANGEMENTS

5.1 Strong government ownership will be retained for this basic economic development recovery programme alongside improved strategic decision-making. However, we encourage bids to explore the make-up and strategic guidance provided to the National Planning Commission which showed some limitations during the first SDF phase. The Commission has a tendency to fall back on politically motivated rather than strategically driven decisions. The Fund Manager might consider a broader remit to provide strategic planning tools and support for the National Planning Commission. The structure of the National Planning Commission may also change once Somaliland's Presidential election takes place in November 2017.

5.2 New project decisions will be aligned with the National Development Plan 2017-2022, so this terms of reference will not pre-empt that decision making process. One proposed improvement is to provide the National Planning Commission with a proposed subset of sectors – see table below as an initial proposal – in late 2017 and a potential financial envelope for each investment list. This change is driven by the National Planning Commission's tendency to share resources across too many sectors rather than strategic decision-making linked to gaps in the national Budget. This will give time for a pipeline of new projects to be developed towards the year end, and enable a seamless transition and overlap from the first SDF to this basic economic development recovery programme in the second half of 2018.

PROPOSED INFRASTRUCTURE SECTORS FROM THE NDP (2017-2022)
Agriculture, Livestock, Nutrition
Hectares of land conserved or rehabilitated
Additional production of staple food in the water catchment areas and storage
Livestock and Fisheries processed
Water and Sanitation
Cu M water p/day available for distribution in urban water systems
rural water points constructed/rehabilitated
% people reporting improved access to water in Boroma / Las Anod
Transport
Km. roads – rural and national – rehabilitated
Reduced travel time, and reduced accidents on roads

5.3 The Fund Manager will have overall oversight of the SDF phase 2 project portfolio. The Fund Manager will be responsible for coordination with donors, government and partners. Coordination in the first phase of the SDF was via two key coordination structures detailed below that bidders should interrogate and re-design to ensure a fit for purpose SDF phase 2 governance structure:

a) *Joint Steering Committee* – to provide strategic guidance and advice to the Fund Manager. The joint steering committee is chaired by the Minister of National Planning, the Minister of Finance, and donors. Formal observers included the WB, EU and civil society. However, the Ministry of Finance engaged ad hocly in the current SDF, the WB and EU rarely attended the meetings, and civil society struggled to find its niche role.

b) *Programme Board* – to meet regularly and provide project level oversight and feed common issues up to the joint steering committee. The Board was introduced in year 2 of the first SDF but never managed to draw out common themes to feed up to the joint steering committee to consider. It lacked both leadership and an established function.

5.4 A detailed monitoring and evaluation framework should be developed. Data collection in Somaliland is a major challenge and the Fund Manager will need to develop an understanding of what data they will be able to collect and to design the

indicators accordingly. This should include an innovative approach to collecting citizens perceptions of the SDF and possibly wider issues as well.

5.5 The Secretariat Office will include one donor secondee. A DFID A2 staff member (equivalent) will be posted to the Fund Manager's secretariat office. The precise terms of reference will be agreed during the inception phase.

5.6 The expected management fees provided to the implementing partner are expected to fall to no more than 15% in SDF phase 2. This is in line with the expected size of the SDF phase 2 fund, the reduced complexity of a fund in its second phase, and the trajectory of management costs to date. The administration and indirect project costs are expected to remain in line with current costs between 7%-9%. Bids should clarify the proposed management fee (staff numbers, expected travel costs, etc.) rather than an unsubstantiated percentage management fee. The management fee will be interrogated and benchmarked against other DFID programmes.

5.7 Strategic management of different donor currencies. The SDF lost significant financial resources in the first phase as a result of a large depreciation of the Euro and UK Pound against the US Dollar. Bids are expected to show how they might mitigate against such losses in the SDF phase 2.

5.8 The Fund Manager should embrace DFID aspirations of linking payments to delivery and performance. Bidders should suggest options which are the best fit for the programme, but not forcing in milestones which are not feasible. Hybrids will be considered where we can see the logic and value of these and how they fit with agreed results. Bidders are encouraged to focus on how you can help DFID manage the contract using key performance indicator and robust reporting. Based on this analysis we also encourage bidders to consider an appropriate invoicing system – ideally based on quarterly milestone payments.

6. SKILLS AND EXPERIENCE REQUIREMENTS

6.1 The Fund Manager will provide long-term and short-term staff as required, and is expected to suggest its own structure and recruitment process. Staff will comprise an appropriate mix of national staff and international expertise demonstrating the skills and experience to undertake the requirements of the programme. Strong knowledge of the local context and operating environment is required.

6.2 In constituting its team, the Fund Manager may partner with a number of suppliers to work as a consortium. Consortium bids will be required to nominate a lead agency to represent the consortium in any communication with DFID and its partners. Consortium bids will also be expected to demonstrate how they ensure coherence and consistency across the range of organisations.

6.3 The Fund Manager will put forward CVs for its core team and propose an ideal composition for any other personnel it feels are needed. Key personnel in the SDF phase 2's programme management team will include Team Leader/Fund Manager

and a Programme Manager. DFID expects to see, as a minimum, positions and expertise covering the following:

- i. Team leader experience, particularly in fund management.
- ii. Excellent communication and relationship management skills.
- iii. Somaliland technical and programme management staff.
- iv. Experience of and ability to travel and work in Somaliland.
- v. Experience of successfully managing multi-donor funds, particularly in fragile states.
- vi. Experience of politically complex and high-risk environments, managing demands from multiple stakeholders.
- vii. Experience of applying political economy, conflict sensitive approaches and do-no-harm principles.
- viii. Experience of gender-sensitive programming.
- ix. Experience of successfully bringing together political, security and development issues.
- x. Financial management, compliance, procurement and due diligence expertise.
- xi. Expertise in designing results frameworks, monitoring and evaluation, particularly for governance and conflict programmes in fragile states.
- xii. Expertise in delivering infrastructure in fragile contexts.
- xiii. English and Somali language fluency

6.4 The Fund Manager will have relevant management and finance expertise, and technical capacity (preferably in the provision of management oversight).

7. DONOR CONTRIBUTIONS TO THE FUND

7.1 SDF phase 2 will be a DFID funded programme and there is strong possibility for other donors to contribute to the programme once the Fund Manager is identified. It is anticipated that the programme duration will be increased by an additional two years and the value of the fund is also anticipated to increase by GBP 10 million with the possibility of additional funding from other donors once the programme is in implementation. The additional contributions by other donors will increase economies of scale and a reduction in % management costs.

7.2 The overall DFID budget for SDF phase 2 is GBP 25 Million over 4.5 years (2017 - 2022). However, the contract value will be for GBP 24 Million with GBP 1 Million being ring fenced for Monitoring and Evaluation purpose. The Fund Manager will be sourced through an OJEU tender process.

7.3 In anticipation of additional funding to SDF phase 2 from other donors, DFID proposes to open a Third Parties Money Account to receive and hold donors' pooled funds. DFID will open a bank account with Crown Agents Bank (CAB) to manage the

pooled donor funds through its existing Third Party Money contract. This is a pre-existing contract between DFID and CAB and costs for its operation are met by DFID centrally.

7.4 The Fund Manager will be reimbursed from the CAB account on submission of appropriate documentation in line with standard DFID procedures. On a quarterly basis, the Fund Manager will provide DFID with a breakdown of claims received from fund recipients/partners and a total figure for payment along with an assurance statement that all amounts claimed have been checked and verified. DFID will issue the payment to the Fund Manager through the CAB account for onward payment subject to cross-checking and receipt of all necessary assurances. The exact process for approval and sign off will be clarified during contract negotiation.

7.5 Reimbursement will occur ideally on a quarterly basis. Requests for payment from the CAB will reach DFID from the Fund Manager on the last day of each quarter. It should be noted that DFID expects to see economies of scale in using CAB to provide account management, disbursement and reporting services to SDF phase 2.

8. TIMING AND BREAK POINTS

Phase	Time Frame
Inception Period	6 months
Implementation Period	42 months

8.1 The contract will run for four years (48 months) from 2018 - 2022. There is a possibility of a 24-month minimum extension which will be agreed between the DFID programme team and the Fund Manager subject to programme requirements, performance of the service provider and availability of funding.

8.2 The contract is expected to commence on September 2018 and will run until December 2022 to include inception and implementation periods. The first half of the six-month inception period will run in parallel with the current SDF's Fund Manager contract which ends in 12 September 2018 to allow for a smooth transition. The outgoing Fund Manager will arrange an appropriate handover to the next Fund Manager by providing all systems, documents and records that pertain to the SDF programme before the end of the current term (30 September 2018). The next Fund Manager is expected to inherit and build as much as possible on existing SDF programme systems.

8.3 The 48 months contract (2018 – 2022) will have a break clause after an inception phase of 6 months and annual reviews during the implementation phase of the contract period to review the performance of the Fund Manager. Movement from the inception to the implementation phase will be subject to satisfactory performance, and approval and acceptance of the implementation phase milestones

by DFID.

8.4 DFID will directly contract performance reviews of the programme, including annual reviews and third party monitoring. Findings from these exercises will inform contract performance reviews.

8.5 The Fund Manager will commit to being fully prepared in the event any decision that is made to scale up (increase) or scale down (decrease) the scope of the Programme (i.e. in relation to the Programme's inputs, outputs, deliverables, outcomes and fund management – and associated reimbursement) during the course of the contract. DFID reserves the right to scale back or discontinue this contract at any point (in line with our Terms & Conditions), if it is not achieving the results anticipated.

8.6 DFID reserves the right to amend programme budget in line with any scale up/down of the programme.

9. *OUTPUTS*

9.1. *INCEPTION PHASE*

9.1.1 This phase will focus on establishing the Fund Manager's approach to managing SDF phase 2 as well as completing an effective handover with the existing Fund Manager, ensuring all current and previous SDF projects are comprehensively transferred with good communication and no break in delivery.

9.1.2 The Fund Manager will inherit a number of projects that were stopped as a result of a freeze on Danish resources because of delays in the Somaliland Presidential election in early 2017. The Fund Manager will be expected to review the project documentation and enable all projects to be put out to tender by the end of the inception period.

9.1.3 The Fund Manager will propose key performance indicators (KPI) in its bid which will be agreed with DFID during the post-tender clarification stage, prior to formal contracting. These key performance indicators will be reviewed and tested during the inception phase. Potential indicators might include:

- Publication of Roads Development Agency and Hargeisa Water Agency maintenance budgets published on their websites
- Number of Kms of roads maintained/rehabilitated
- Number of water points connected
- Quality cost benefit analysis per project intervention design

9.1.4 The Fund Manager will be required to link proposed KPIs to the fees for services rendered. These KPIs will ensure that the management of the contract is undertaken as transparently as possible, with a clear understanding of roles and responsibilities between the DFID team and the Fund Manager.

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9.1.6 It is anticipated that the deliverables for the Inception phase may, among others, include the following:

Milestone 1: Guidelines and systems		
Key deliverables ToR	Reports to be delivered	Timeline
a. Development of standard operational guidelines	Operational guidelines	Month 6
b. Set up of SDF Operational Systems	Operational systems	
c. Develop Value for Money strategy	Value for Money strategy	
d. Develop risk matrix and delivery chain map	Risk management strategy	
Milestone 2: Diagnostic Studies		
Key deliverables ToR	Reports to be delivered	Timeline
a. Undertake relevant diagnostic studies	Political Economy Analysis Report	Month 4
	Conflict Analysis report	
	Gender and Social Inclusion report	
	Environmental and Social Assessment Framework	
Milestone 3: Monitoring, Evaluation and Learning		
Key deliverables ToR	Reports to be delivered	Timeline
a. Review of Theory of Change	Reviewed Theory of Change	Month 4
b. Develop communication strategy	Communication Strategy	
c. Develop M&E strategy	M&E Strategy	
Milestone 4: Projects		
Key deliverables ToR	Reports to be delivered	Timeline
a. Finalise development of initial pipeline of projects	Closure of SDF1 projects	Month 4
	Start-up of Transition Projects	
		Development of a minimum 5 concept notes to be presented to the SDF2 Joint Steering Committee (JSC) for approval
Milestone 5: Preparing for implementation phase		
Key deliverables ToR	Reports to be delivered	Timeline
a. Develop and finalise log frame and costed work plan	Inception Phase Report	Month 6
b. Develop final KPIs/deliverables for implementation phase		
c. Preparation of implementation phase work plan		
d. Production of inception Report		
Milestone 6: Management/Administration		
Key deliverables ToR	Reports to be delivered	Timeline
a. Mobilisation Management Team	Four progress reports	Month 1-6
b. Joint Steering Committee (JSC)		

mobilisation		
c. Delivery Inception Phase on time & within budget		

9.1.7 Inception report – A draft inception report will be submitted within three months and the final report within six months to DFID and the SDF phase 2 governance structure for approval. The final inception report will give a detailed breakdown of anticipated activities for SDF phase 2 and make recommendations on any changes in activities for delivery.

9.2 IMPLEMENTATION PHASE

9.2.1 Movement from the inception to the implementation phase will be subject to satisfactory performance, and approval and acceptance of the implementation phase milestones and outputs by DFID.

9.2.2 Following acceptance of the Inception Period deliverables, the Fund Manager will be responsible for the delivery of the outputs and related activities of the SDF phase 2, as identified in the logframe. The Fund Manager will monitor progress against milestones and track assumptions, and will advise DFID and the SDF governance structure accordingly.

9.2.3 All logframe outputs and milestones will be finalised during the inception phase and form the basis of the SDF phase 2 monitoring framework.

10. FINANCE MECHANISM

10.1 At the tender evaluation, bidders should set out an initial framework for outputs and milestones based contract. DFID Somalia will take a view on this during post-tender clarification and, if necessary, during the design phase of the programme. Any such assessment will take account of VFM, the likelihood of such an approach adding real value, a system for independent verification of results and the willingness of the supplier to take on the risks of delivery.

10.2 A DFID encourages a phased hybrid approach. DFID will consider part-input-financed payments during inception where deliverables are less certain. As the Fund Manager transitions from Inception to Implementation Phase, it is expected that payments will be aligned to logframe outputs and milestones. DFID reserves the right to periodically review the payment model to ensure it reflects programme needs.

10.3 Funding is expected to flow to the Fund Manager, who would manage any payments to sub-contractors or other related suppliers. Invoices will be submitted on a monthly or quarterly basis; based on an assessment of need by DFID of the Fund Manager; and supported by a financial report on expenditure incurred and forecast expenditure for the coming period.

10.4 Payment will be made upon satisfactory delivery of the results. At bidding stage, bidders are encouraged to make provisions in their commercial tenders to ensure that at least part of their fees is linked and subject to performance. The Fund Manager will be required to commit 10% of fee payments against achievement of deliverables. The withheld amounts will only be released upon the satisfactory achievement of deliverables.

10.5 The Fund Manager will agree with DFID a process of assessment. DFID will be consulted for feedback on the deliverables every quarter and remedial action will be taken by the Fund Manager through the year where required.

10.4 The Fund Manager will be flexible and adaptable to the potential upscaling of the programme should DFID increase the level of funding available to the programme and other donors contributing additional funding to SDF phase 2.

11 REPORTING

11.1 Contractually, the Fund Manager will be required to report to DFID Senior Responsible Owner (SRO) on all technical matters and have a joint reporting responsibility to DFID and the revised SDF phase 2 governance structure participants.

11.2 DFID and the revised SDF governance structure participants will initially hold formal monthly meetings with the Fund Manager during inception and quarterly during implementation. These will include regular performance progress reviews and updates against a programme risk management matrix as well as a physical and financial progress assessment based on latest reporting.

11.3 The Fund Manager will initially submit quarterly financial reports to accompany the quarterly reports. These should provide a clear and detailed breakdown of activities against the workplan, fees and expenses.

11.4 Should the Fund Manager procure assets, DFID will require that they maintain an asset register, and seek a decision from DFID on what to do at the end of the programme.

12 BRANDING

12.1 UK Aid Branding suppliers that receive funding from DFID must use the UK aid logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Suppliers should also acknowledge funding from the UK government in broader communications but no publicity is to be given without the prior written consent of DFID. A branding discussion will be held with the Supplier and the Implementing Partners. Given the sensitive nature of the study and work, the supplier should seek prior consent from DFID before using the logo or acknowledging funding. This will also be captured on the visibility statement and agreed prior to contract signature.

13 TRANSPARENCY

13.1 DFID requires suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate subcontractors, sub-agencies and partners. It is a contractual requirement for all suppliers to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this DFID. Further information is available from: <http://www.aidtransparency.net/>





14 BACKGROUND INFORMATION

14.1 Somaliland, which declared independence in 1991, is not formally recognised but has relative political stability. The government of Somaliland has ensured sustained peace and stability since the late 1990's. Despite its statelessness, Somaliland has all the institutions of a nation state: an executive, civil service, judiciary, parliament and military. However, half of its \$250 million national budget is still spent on security costs, for an estimated population of 3.5 million people¹, and it has one of the lowest rates of domestic revenue in the world estimated at 7% of GDP².

14.2 The UK has close historical links with its former protectorate of Somaliland, notably through its large UK diaspora dating back to the 19th century. These links, mixed with the ability to deliver development assistance, led to the majority of UKAid being provided in Somaliland during the 2000's.

14.3 Somaliland is one of the poorest parts of the world. Statistics for Somaliland are relatively few on most human development indicators but it remains at the bottom of almost every global data set. The table below displays some key Somaliland statistics.

Somaliland Facts and Figures³

-  **GDP in 2012 \$1390.9** = ranking it 4th lowest in the world
-  **High trade deficit** = financed by exports, aid and remittances
-  **Under investment** = gross fixed capital formation is 11.1% (almost world's worst)
-  **Very open economy** = imports/exports to GDP at 91.5% (7th highest in Africa)
-  **High unemployment** = employment to population ratio 23%, youth 5%

¹ City population

² WB Economic Update 2015

³ The World Bank Somaliland Economic Conference presentation and PER, 2014



Urban poverty rate is 26% = same as Ethiopia



Rural poverty rate is 38% (Ethiopia is 30%)



Inequality is high compared to neighbouring countries



Access to water is 43% urban and 3% rural, neighbouring countries ~ 66%

14.4 Somaliland has a closed deals business environment, which generally delivers limited employment opportunities. More inclusive economic growth could maximise the opportunities for poor people to participate in the growth process on terms that benefit them⁴. But this kind of growth runs counter to the political settlement, and many argue that it is more important to get growth started rather than to persist in trying to 'open up' the deals environment at this stage⁵.

14.5 In order to create more jobs the Somaliland economy needs to diversify. Livestock remains the main economic sector, followed by wholesale and retail. Rebuilding infrastructure, implementing reforms, and building human capital are critical to supporting economic diversification.

14.6 DFID's inclusive growth diagnostic identified the absence of a legal and regulatory framework in Somaliland resulting in markets dominated by monopolies and elite capture of state assets. Access to finance is limited the Parliament has repeatedly rejected new banking legislation to enable the creation of a formal financial sector, crucial for sustainable access to finance.

14.7 The government of Somaliland has recently signed a deal with Dubai Ports World to operate and invest up to \$500 million in the Berbera port, which represents a major opportunity and risk. This could have a transformational impact on the inclusive economic growth potential of Somaliland if handled well.

14.8 Improved infrastructure for the benefit of all Somaliland's citizens, especially the poor and the disadvantaged, can enable more participation in economic activity. This can have a multiplier effect of strengthening civic engagement, rebuilding public confidence in government institutions, and contributing over the longer term to state legitimacy.

15. DUTY OF CARE

15.1 The Supplier is responsible for the safety and well-being of their Personnel (as defined in Section 2 of the Contract) and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

⁴ OECD, 2006

⁵ Lant Pritchard, Effective States and Inclusive Growth, 2014

15.2 DFID will share available information with the Supplier on security status and developments in country where appropriate (initial risk assessment attached as Annex 1 to this ToR). Suppliers should organize appropriate briefing for their personnel on arrival in-country. All such Personnel must register with their respective Authorities to ensure that they are included in emergency procedures.

15.3 This Procurement will require the Supplier to operate in conflict-affected areas and parts of it are highly insecure. The security situation is volatile and subject to change at short notice. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region, where they judge security permits, in order to deliver the Contract.

15.4 The Supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the Contract. The Supplier must ensure their personnel receive an appropriate level of training.

15.5 The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

15.6 Tenderers must develop their Response and Tender (if invited to Tender) on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix prepared by DFID (Annex 1). They must confirm in their Response that:

15.6.1 They fully accept responsibility for Security and Duty of Care;

15.6.2 They understand the potential risks and have the knowledge and experience to develop an effective risk plan; and

15.6.3 They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

15.7 If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your bid will be viewed as non-compliant and excluded from further evaluation.

15.8 Acceptance of responsibility must be supported with evidence of Duty of Care capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence, interested Suppliers should respond in line with the Duty of Care section to the duty of care questions below.

15.9 Please state 'yes' or 'no' to each of the **Duty of Care questions** detailed below in the boxes provided. Please refer to any information provided on Duty of Care within the Terms of Reference, Additional Information Documents before completing this section.

15.10 Your responses must be supported by evidence (no more than 2 A4 pages) attached as a separate Annex and must include a statement confirming that you (as the Lead Organization) fully accept responsibility for Security and Duty of Care (including any personnel and subcontractors) throughout the life of the contract. The supplier must demonstrate their capability to take on this responsibility in terms of knowledge, experience and resources.

15.11 DFID reserves the right to clarify any aspect of this evidence or to request additional evidence/information where we deem appropriate.

15.12 If you are unwilling to accept responsibility or are assessed by DFID as not having the capability to provide Security and Duty of Care for any contract awarded under this procurement, your tender will be excluded from any further Technical Evaluation and Scoring.

15.13 **Note:** this assessment of supplier capability does not form part of the Technical Evaluation and Scoring and should not be viewed as DFID setting any standard of Duty of Care requirements, which is for the supplier to determine.

15.13.1 Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?

15.13.2 Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?

15.13.3 Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?

15.13.4 Have you an appropriate mechanism in place to monitor risk on a live/on-going basis (or will you put one in place if you are awarded the contract)?

15.13.5 Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis

15.13.6 Have you appropriate systems in place to manage an emergency/incident if one arises?

**DFID Overall Project/Intervention
Summary Risk Assessment matrix**

Project/intervention title:

Location: **SOMALILAND**

Date of assessment: **03 May 2017**

Assessing official: **Alan Lee**

Theme	DFID Risk score	DFID Risk score	DFID Risk score
	Hargeisa, Berbera	Borama, Burao	Other Parts of Somaliland
OVERALL RATING	3	4	4
FCO travel advice	3	4	4
Host nation travel advice	Not available	Not available	Not available
Transportation	3	4	4
Security	3	4	4
Civil unrest	2	4	3
Violence/crime	3	3	3
Terrorism	3	4	3
War	1	1	3
Hurricane	1	1	1
Earthquake	1	1	1
Flood	1	1	2
Medical Services	3	5	5
Nature of Project/ Intervention			

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1 Very Low risk	2 Low risk	3 Med risk	4 High risk	5 Very High risk
			SIGNIFICANTLY GREATER THAN NORMAL RISK	

