

SECTION 3 - TERMS OF REFERENCE

Fund Management and Technical Assistance for the Somalia Stability Fund II

Objective

1. DFID Somalia is seeking a Service Provider (SP), over a 42 month period to administer the second phase of the Somalia Stability Fund, with responsibility for:
 - a) Managing and reporting on Stability Fund funds and projects.
 - b) Providing technical assistance.
 - c) Supporting the Secretariat Office.

Introduction

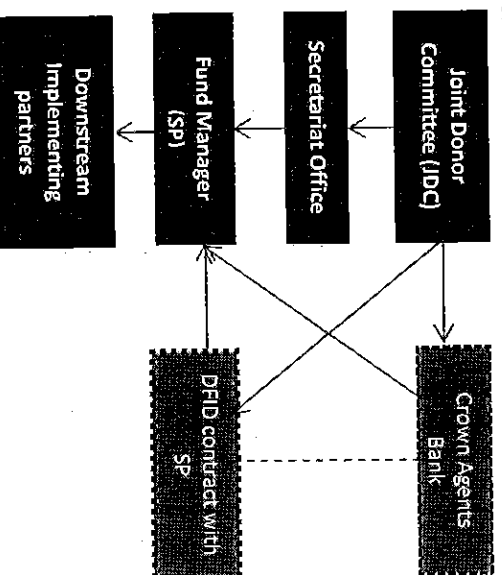
About the Somalia Stability Fund

2. The Stability Fund has been operational since early 2013. An interim management team was in place until August 2013, when the Stability Fund came under management of a Fund Manager company selected through an international competitive tender. That Fund Manager contract ends at the end of September 2016 and these terms of reference for 'Fund Management and Technical Assistance for the Somalia Stability Fund' are for a Service Provider (SP) to establish and run Stability Fund II.
3. The Somalia Stability Fund II will be a 42 month joint-donor funded programme from July 2016 to 31 Mar 2020. The new provider will need to liaise with the current provider to ensure a smooth handover as required.
4. The Stability Fund's goal is to work towards a peaceful, secure, stable Somalia. To achieve this, the Stability Fund aims to address the security, development and political drivers of conflict in a local area to achieve the following outcomes:
 - i) Legitimate, viable governance structures able to make and enforce rules locally.
 - ii) Existing and emerging conflicts brought to conclusion and risks of future conflicts mitigated.
5. The Stability Fund II is an ambitious and risk-taking programme, with a design predicated on flexibility and responsiveness. It operates according to a series of principles, which serve as sub-objectives and which are important for the Stability Fund's operations:
 - i) Be appropriate for the context:
 - Local ownership first
 - Understand the context
 - Engage with politics
 - Geographical focus
 - Attention to marginalised and vulnerable groups
 - ii) Work with others:
 - Partnership
 - Implement through Somali organisations and build Somali capacity
 - iii) Fund high quality projects:
 - Learn and adapt
 - Innovate
 - Deliver results and impact
 - Strong monitoring of project implementation
 - Transparency and clear communications
 - Value for money
 - Organisational Capacity

See Annex 1 – the Stability Fund II Design Document – for more detail on these principles.

Governance structure of the Stability Fund

6. The Stability Fund structure comprises the Joint Donor Committee, the Secretariat Office and the Fund Manager (the role filled by the SP). These three components are described below and the SP should refer to Annex 1 – the Stability Fund II Design Document for more information.



7. The Joint Donor Committee

Representatives from each of the Stability Fund's donors sit on the Joint Donor Committee. It meets each month and is facilitated by the Secretariat Office. Its role is to:

- Oversee the Secretariat Office
- Approve Stability Fund strategy
- Act as a forum for agreeing donor-wide issues, including policy sensitive projects.
- Discuss and agree on any structural changes to the Stability Fund
- Support the Secretariat Office's engagement with government counterparts

8. The Secretariat Office

The Secretariat Office comprises donor secondees and an analysis unit procured by the Fund Manager. Its role is to:

- Develop Stability Fund policy and strategy
- Represent the Stability Fund to external stakeholders and consult with key Somalia stakeholders – Government, Private Sector, Civil Society
- Make all programmatic decisions
- Approve technical assistance
- Oversee the Fund Manager
- Instruct the 3rd Party M&E provider (if available)
- Share analysis and report to the Joint Donor Committee

9. The Fund Manager

The Fund Manager consists of a team incorporating project management, financial management, knowledge management and communications. Primarily based in Somalia, its role is to (see paragraphs 13 to 26 for detailed scope and requirements):

- Ensure overall programme delivery and management (including monitoring, reporting, lesson learning, financial management, programme coordination and proactive risk management)
- Manage provision of Technical Assistance
- Support the Secretariat Office in setting the strategic direction of the Stability Fund
- Develop an effective working relationship with the SO to ensure successful implementation of SSF interventions.

10. Prog

rammatic decisions will be made by the Secretariat Office and executed by the Fund Manager. On all day to day matters regarding Stability Fund strategy, policy and operations the SP will be responsible to the Head of Secretariat Office (seconded by DFID).

11. DFID contract management



Department for International Development



The Fund Manager contract is managed by DFID on behalf of the other donors. On all contractual matters the SP will be responsible to the DFID Senior Responsible Office in DFID Somalia. This necessitates direct reporting to DFID on contract performance, milestones, and core compliance.

Recipients

12. The recipients of these services are the people and governing bodies of Somalia.

Scope

13. In fulfilling the core functions of the Fund Manager described in paragraph 9 above, the SP will:

Operations and procedures

- Administer funding approaches in line with the overarching Stability Fund II Strategy.
- Maintain an Operations Manual and supporting documentation setting out Stability Fund procedures for financial management, due diligence, risk assessment and mitigation, project selection criteria, proposal formats, reporting, M&E and audit.
- Establish project offices in Nairobi and Somalia and a team able to operate in potentially high risk areas (see paragraph 22-25 for further information on the requirement).
- Ensure a mechanism is in place to provide for analysis and strategic advisory support to the SO.

Project management

- Develop and manage projects selected and approved by the Secretariat Office, managing a large number of investments including high-risk and sensitive projects.
- Perform a risk assessment and due diligence on all potential projects and partners and develop the capacity of present and future Somali implementing partners to proactively implement the recommendations which arise.
- Performance manage Stability Fund implementing partners, closely monitoring delivery, and ensuring that lessons learnt inform both the future direction of the project and the wider portfolio.
- Facilitate verification of Stability Fund projects by DFID's independent monitoring programme and provide recommendations for continual improvement of M&E.

Financial management

- Manage all financial aspects of the Stability Fund, except the role played by Crown Agents Bank (CAB) (see Constraints and Dependencies). This includes all budgets, disbursements, value for money assessments and reporting, accurate financial forecasting, contracting, verifications, transfers to local partners.
- Inform the SO immediately upon suspicion of any fraud in Stability Fund projects.

Procurement

- Manage all procurement aspects of the Stability Fund. This includes developing a procurement manual for approval by DFID that must be in accordance with international best practice in procurement procedures and suitable for the context, as well as approving and monitoring procurement plans for all implementing partners.
- Manage the provision of technical assistance in Somalia when approved by the Secretariat Office (see paragraph 20-21 for more on the requirement).

Risk and Results

- Proactively maintain the Stability Fund's risk matrix, managing all technical, operational and financial risks, and contributing to management of reputational risks, escalating where appropriate and reporting back to the SO and contract holder.
- Maintain the SSF II results framework, tracking qualitative results aggregated from across the portfolio by area and sector.
- Commission an annual stakeholder-based assessment of Stability Fund effectiveness, conducted by a third party organisation.

Reporting

- See para 39-40 below.



Communications and Knowledge

- Manage the Stability Fund's external communications. This includes updating the communications strategy; maintaining the website, social media, newsletter etc.; advising implementing partners on the use of Stability Fund, DFID and other donor branding; producing results updates, bulletins, case studies etc.. Communications are done under the direction of and in partnership with the Secretariat Office.
- Manage the Stability Fund's information and knowledge to ensure accurate recording and justification of decisions, finances and project details and to ensure the SO, DFID and JDC have access to the information they require.

The Requirements

14. In its bid, the SP is required to present how it would address the specific requirements below. The SP should base its bid on a total fund size of £55m (see Constraints and Dependencies below). The SP should review and integrate the Stability Fund II Design Document (Annex 1). Suggestions for how to improve the Stability Fund II design are welcome. The SP will need to demonstrate the ability to take an adaptive and flexible approach to delivery and scale resources up or down depending on shifts in the context.

The Fund Management Team

15. The SP will provide long-term and short-term staff as required, and is expected to suggest its own structure and recruitment methodology.
16. The SP will put forward a proposed team structure and composition, including CVs for its core team. All staff in the proposal will be available on a non-exclusivity basis

17. DFID Somalia expects to see, as a minimum, positions and expertise covering the following:
- Senior programme management and team leader experience, particularly in fund management.
 - Excellent communication and relationship management skills.
 - Somali technical and programme management staff.
 - Experience of and ability to travel and work in Somalia.
 - Experience of successfully managing multi-donor funds, particularly in fragile states.
 - Experience of successfully delivering at pace in conflict affected and fragile states, in politically complex and high-risk environments, managing demands from multiple stakeholders.
 - Experience of applying conflict sensitive approaches and do-no-harm principles.
 - Experience of gender-sensitive programming.
 - Experience of successfully bringing together political, security and development issues
 - Financial management, compliance, procurement and due diligence experience.
 - Expertise in designing results frameworks, monitoring and evaluation, particularly for governance and conflict programmes in fragile states.
 - Expertise in delivering infrastructure in fragile contexts.
 - English and Somali language fluency
18. The SP will be required to design terms of reference for all staff. A predominance of Somali-speaking and Somalia-based personnel is preferable. Job descriptions and CVs are to be presented in the bid.
19. The SP should present a cohesive team. Problems in leadership, composition and management can greatly reduce the effectiveness of teams in the field, impacting negatively on programme delivery and staff turn-over. The SP must therefore demonstrate a clear rationale to team recruitment, composition and management that minimises these risks to implementation, and addresses issues if and when they arise.

The TA Pool

20. In addition to the core team, the SP will need to draw on relevant technical expertise that can operate in Somalia. Technical expertise will mainly be deployed at regional and district level but may include support to local governance/ conflict reduction/ stabilisation strategy at the Federal level. The SP should offer a broad range of expertise to cover likely



Stability Fund interventions. The SP should present evidence of its ability to source TA quickly through established networks; and appropriate sourcing and deployment approaches.

21. The TA Pool will have a ring-fenced budget capped at 2.5% of overall fund size, up to a maximum total of £2 million.

Project Offices

22. The SP is required to set up a project office (PO) to house the SO and any Nairobi-based SP staff. The SO will consist of 5 team members, but this is not fixed and room for expansion may be required. The successful bidder will be required to liaise with DFID ahead of and during inception to ensure the location and capacity of the PO is suitable and meets UK security requirements.

23. The SP must present plans for facilities, logistics and decentralised management structures to enable the SP to effectively cover a range of locations in Somalia including Mogadishu, Garowe, Kismayo, Baidoa, Dhusamareeb and Jowhar/Beletweyne. This could include establishing offices in these locations, it could mean sharing facilities of existing organisations, or it could mean regular staff travel to the regions.

24. Any office setup must be predicated on the potential for change, so that existing facilities can be wound up and new facilities opened in line with changing priorities and operations on the ground.

Security and Logistics

25. The SP should present a security and logistics plan and costs to enable regular travel and accommodation within Somalia.

Policy, operations and experience

26. The SP should articulate proposed approaches and methodologies in the technical response in line with the Scope as set out above. Responses should refer to relevant prior experience and demonstrate an understanding of best practice, particularly with reference to managing multi-donor funds and programming in fragile states. The response to tender should cover the following key areas:

- Proposed areas of intervention and suggested projects
- Proposed structure of the Fund
- Clear strategy for flexing and adapting to a changing context
- Project and grantee selection and management
- Gender and conflict sensitive programming
- Financial management
- Procurement
- Communications
- Results monitoring and evaluation
- Knowledge management

Constraints and dependencies

The Secretariat Office and Joint Donor Committee

27. Notwithstanding the direct contractual relationship the SP will have with DFID, the SP will report to and work under the auspices of the Secretariat Office (SO), which in turn operates under the Joint Donor Committee. The SO will provide the direction to enable the SP to solicit, assess and develop proposals with potential partners.

The pre-cursor to Stability Fund II

28. The Stability Fund is currently managed by a Fund Manager and has a set of existing documentation and on-going projects.
29. The SP will receive the existing Stability Fund Operations Manual and supporting documentation ahead of inception. The SP is expected to review and amend the Operations Manual as needed during inception.

30. The Stability Fund will have a set of on-going projects at the time the SP is contracted. The SP is required to take on the management and all other attendant responsibilities for these projects which are to be fully integrated into Stability Fund II during the SP inception period. The precise number and value of these projects is not currently known, but is not expected to exceed 30% of the first year's programme budget. During the three month handover and inception phase, the current Fund Manager will provide a full briefing for the new SP, as required. This will cover portfolio and project level risk as well as a detailed briefing on the projects to be handed over. All current documentation on Fund management and project management will be made available to the new SP.

Use of Crown Agents Bank to Manage Pooled Funds

31. The Stability Fund will use Crown Agents Bank (CAB) to manage the pooled donor funds through its existing Third Party Money contract with DFID. This is a pre-existing contract and costs for its operation are met centrally and will not be charged to the Stability Fund; CAB will make disbursements to implementing partners (and the Fund Manager for fees – where relevant) on instructions from DFID with approval of the named head of SO.
32. The SP will be reimbursed from the CAB account on presentation of appropriate documentation in line with standard DFID procedures.



33. The total size of the Stability Fund will be between £37.5 million and £80 million depending on donor contributions. These figures include the cost of the Fund Manager and the TA pool. The TA pool will not exceed 2.5% of the total Stability Fund size or £2 million (whichever is lower). In the event of an underspend this sum can be incorporated into the programme costs only with the explicit consent of the SO and the JDC. For the purpose of this procurement, bidders are expected to work on a total Stability Fund size of £55m, which is at the lower end of expected total donor contributions. Management costs will need to be clearly articulated in the bid proposal.

Independent Third Party Monitors

34. DFID will separately contract an organisation to conduct 3rd party monitoring of its programmes in Somalia. This 3rd party monitor would cover the Stability Fund SP, TA and investments and will work on instruction by DFID Somalia. The SP is expected to work effectively with the 3rd party monitors.

External Audit

35. The SP shall contract, through funds within the Stability Fund, an annual independent audit of the SP. The SP will agree TOR for this audit with DFID ahead of procurement and take the advice of DFID Somalia with regards to any existing arrangements in place for the procurement of external auditors.

Performance Requirements

36. DFID Somalia intends to link SP payments to the achievement of Key Performance Indicators (KPIs).

37. These KPIs will be agreed between DFID and the successful bidder during the post-tender clarification stage and during the course of the Inception period. DFID will have final authority to authorize payment in line with the agreed KPIs, following approval by the SO.

Reporting

38. In addition to direct reporting on the Stability Fund to the SO, the following progress reports will be prepared and sent to DFID/the Joint Donor Committee:

- An Inception Report detailing progress made during the inception period (see paragraph 42 for detailed requirements).
- A quarterly results, risk and finance snapshot which captures progress against the results framework, supported by at least 4 case studies; and flags any key risks and mitigating actions taken. This should also include a rolling workplan
- A detailed report every quarter/six months in an agreed format, which captures progress against the SSF II Strategy, expenditure, and delivery by geographic area and sector against the results framework and DFID logframe.

39. The SP will also be required to submit regular financial information as follows:

- Provide DFID/SO with a monthly report of funds disbursed and forecast per project, per fund window and per donor.
- Provide the SO with monthly (or more frequent) invoices breaking down claims approved by the Fund Manager Team Leader for disbursements to fund recipients and a total figure for payment by donor along with an assurance statement that all amounts claimed have been checked and verified.
- External audit reports including both financial and management reports and the management response for follow up.

40. At the start of the contract the SP will maintain weekly contact with the DFID Stability Fund programme leads to appraise them of pertinent issues as they arise. As the programme progresses this may be reduced to monthly meetings.

Timeframe

41. It is envisaged that the SP Contract will commence by 1 November 2016 and will run until 31 March 2020, to include set-up, inception and implementation periods. The three-month inception period will run in parallel with the current Fund Manager contract, as required, to allow for a smooth transition.



Phase	Time Frame
Set up and Inception	3 months
Implementation Period	39 months

42. The Contract will be issued for the full duration, but will be subject to a break point at the end of the inception period to ensure highest standard of deliverables, satisfactory performance, approved inception report and acceptable annual work plans. If DFID decides not to proceed to the full implementation phase, the Contract will be terminated at no cost to DFID with the design and associated work including intellectual property rights being transferred to DFID. In the event that DFID decides to proceed to the Implementation Phase, the contract may be reviewed and amended as required. This will include details of the services to be provided in the form of updated Terms of Reference.

Inception Period

43. Tasks that must be undertaken within this period include those listed below and those listed at Annex B to Section 4
- Office procurement, setup and staffing
 - Logistics planning and processes for Somalia travel
 - Review of risk assessment and mitigation procedures
 - Review of Operations Manual
 - Initial meetings with key stakeholders (in discussion with DFID/SO)
 - Strategy meetings with SO
 - Scoping and proposals for new interventions or extensions to existing/closing investments
 - A fully costed budget for the Implementation Period including the allocation of staff time and annual cash flows.
 - An annual workplan with milestones and action plan for implementation.
 - Details of proposed spending and delivery channels.
 - A risk assessment matrix with mitigation measures.
 - A monitoring and evaluation, results and reporting framework, which includes a plan for commissioning an annual stakeholder assessment of Stability Fund effectiveness by a third party.
 - Revised and updated DFID logframe.
 - Procurement procedures
 - Knowledge management strategy.
 - Updated communications plan.
 - Management of and contractual responsibility for ongoing Stability Fund projects.
 - Establishing links with CAB.
 - Structured handover (if required)
 - Integration of lesson learning from SSF Phase I evaluation and other key sources
 - Agreement with DFID on Milestones for Implementation Period
 - Payment proposal from ASI to be agreed with DFID based on Input and Output based payments that align with the Milestone proposals. Milestone payments must be based on Fees only and not include expenses.
 - Agreement with DFID on variable element of the task
 - The input required for both the Gender and Equality Advisor and the KMCU Lead.
 - Details and implementation of First round of savings based on economies of scale resulting from multiple contract award
 - Alignment of Rates across multiple contracts

Duty of Care

44. 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.

45. DFID will share available information with the Supplier on security status and developments in country where appropriate (initial risk assessment included in Annex 1). This will need to be updated in early inception). Suppliers should organise 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.



46. Travel advice is available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.
47. 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.
48. 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.

Annex 1 – Stability Fund II Design Document

Introduction

Somalia is often recognised as one of the worlds most failed states. However, recent political developments mark a turning point and the outlook for development and stability is arguably the best in 20 years. Promoting and consolidating stability is a priority for several reasons: the on-going plight of the population, the threat of terrorism both regionally and internationally, regional instability and migration flows, improving relations between the state and citizens, and piracy in the Gulf of Aden. To deliver stability, there is an urgent need capitalise on the window of opportunity offered by recent political gains.

The London Conference on Somalia (February 2012) concluded that support for local stability should be in accordance with the New Deal for engagement in fragile states and build on the stabilisation strategies prepared by relevant authorities. Improved coordination of international support to build stability and a need to integrate political, security and development initiatives was recognised. To that end, the Conference announced the establishment of a multi-donor Somalia Stability Fund and a set of principles to guide international support.

Since then, the Stability Fund has established itself as an important instrument for the international community to support stability in Somalia. It offers donors a means to respond rapidly and flexibly to the ebb and flow of opportunity that Somalia's complex operating environment presents, to integrate political and development interventions, and to improve the coherence and impact of international support to promote stability. Its original donors: UK, Netherlands, Denmark and Norway have been joined by Sweden and the European Union. And the Stability Fund is now operating and delivering results across Somalia.

This design document sets out the UK Department for International Development's (DFID) current perspective on the design for Stability Fund II. Some elements of the design, including the Goal, Outcomes, Principles, Key Attributes and Structure are rather fixed though DFID and the Stability Fund's other donors may make amendments to them in the future. Many of the other elements including Key intervention areas, Funding approaches, Results, Monitoring, Evaluation, Reporting, Risk and Value for Money are simply how the Stability Fund currently operates: DFID is open to suggestions and ideas for changes and improvements to this from Fund Manager applicants.

Goal

The Stability Fund is working towards a peaceful, secure, stable Somalia.

Outcomes

To achieve this goal, the Stability Fund aims to address the security, development and political drivers of conflict in a local area to achieve the following outcomes:

- i) Legitimate, viable governance structures able to make and enforce rules locally.
 - ii) Existing and emerging conflicts brought to conclusion and risks of future conflicts mitigated.
- The Stability Fund makes investments aimed towards achieving these outcomes.

Principles

The Stability Fund invests in projects that aim to achieve the outcomes above, and that are in accordance with the principles:

- Be appropriate for the context: local ownership first, understand the context, engage with politics, geographical focus, attention to marginalised and vulnerable groups
- Work with others: partnership, implement through Somali organisations and build Somali capacity
- Fund high quality projects: learn and adapt, innovate, deliver results and impact, strong monitoring of project implementation, transparency and clear communications, value for money, organisational capacity

Heading	Principle	Description
Be appropriate for the context	Local ownership first	For peace to be sustained it has to be home-grown, bottom-up and context-specific. The Stability Fund will avoid investments that impose external solutions. Instead it will focus on safeguarding, stimulating, facilitating and creating the space for societies to develop capacities to organise themselves and resolve their own problems.
	Understand the context	The Stability Fund appreciates that the social, political, security, developmental and geographical contexts for any intervention are critical, and that a poor understanding of the context makes doing harm more likely. It is essential that both implementing partners and the Stability Fund understand the context in



		which they are operating, and the contextual implications of their decisions and actions. The Stability Fund will invest directly in understanding the Somali context, and in other interventions that are based on a sound contextual analysis.
	Engage with politics	The Stability Fund is in part a political project. The means of achieving its objectives have inherently political elements at their core. Any investment decision the Stability Fund makes, must therefore be cognisant of the political factors affecting it, and the political implications it may have – at international, national, regional and local levels. The same applies to the investments themselves and their implementation.
	Geographical focus	The Stability Fund cannot deliver all of these outcomes across the whole of Somalia. It will look to make investments in locations where local government and security are at their weakest, but where there is potential to make progress. Particularly important will be the newly-recovered parts of Somalia, and other conflict-affected locations.
	Attention to marginalised and vulnerable groups	The Stability Fund will support interventions that engage marginalised and vulnerable groups in achieving the outcomes set out above.
Work with others	Partnership	The Stability Fund cannot deliver all of the above outcomes alone. It is not the only actor and the resources at its disposal are limited. It must work alongside and in partnership with other actors. Particularly important partners for the Stability Fund include, but are not limited to, the Federal Government of Somalia, the Government of Puntland, the Interim Jubbaland Administration, the Interim South West Administration, the Interim Galmudug Administration, and Somali civil society, the USAID Transition Initiatives for Stabilization (TIS) programme, the UN Joint Programme on Local Governance (JPLG), and members of the Community Safety and Peacebuilding Working Group. The Stability Fund will consider the investment decisions it makes in the light of the decisions and actions of the partners mentioned above and others. It will also make every effort to do no harm to the work of other actors (such as humanitarian actors) in its areas of operation.
	Implement through Somali organisations and build Somali capacity	The big majority of international assistance to Somalia is currently channelled through international organisations. The Stability Fund recognises that domestic Somali institutions (including private sector, civil society, NGOs and government bodies) are often well placed to design and implement programmes. Wherever possible the Stability Fund will implement directly through Somali organisations, and will aim to do so in a graduated way that matches levels of funding discretion over that funding with institutional capacity. The Stability Fund is also open to other ways of building the capacity of Somali organisations including provision of technical assistance and partnership with established international organisations.
Fund high quality projects	Learn and adapt	There is a growing body of evidence of what works and what doesn't in peacebuilding and statebuilding. Much of this evidence comes from outside of Somalia. The Stability Fund will invest in programmes that use high quality evidence, and in those that generate high quality evidence and adapt themselves in the light of it.
	Innovate	The Stability Fund is a flexible, adaptable programme. It will experiment, do things differently and try to find the limits of what is possible. In doing so, the Stability Fund will take care to learn lessons and share them with others.
	Deliver results and impact	Stability Fund interventions will deliver results. They will have clear theories of change and frameworks that set out what they will deliver, what impact this will have, and why.
	Strong monitoring of project implementation	Effective monitoring of project activities, outcomes and impacts will be an essential part of Stability Fund operations. In particular, the Stability Fund will aim to monitor both intended and un-intended outcomes. Individual investments the Stability Fund makes will have strong monitoring mechanisms embedded within them. In addition, the Stability Fund will employ independent third party monitors to verify implementing partner reports, and will consider more innovative ways of using technology to monitor projects and improve accountability to the Stability Fund.
	Transparency and clear communications	The Stability Fund will be open about what it funds, where it is operating, what is working, and what is not. It will communicate in Somali and in English, and to people in Somalia, to Somali diaspora, to the Somalia international humanitarian, development and political communities, and to the wider world.
	Value for money	The Stability Fund will invest in projects that will deliver good value for money. This means basing funding decisions on whether the costs of inputs are economic, whether these inputs will be efficiently used, and whether the project design is an effective way of achieving the desired outcome.
	Organisational	The Stability Fund will make its investments through organisations that can



Capacity	demonstrate their ability to manage Stability Fund finances and use them to deliver efficient, effective programmes. This includes the financial management, project implementation, human resource management, reporting and communications. The Stability Fund will use due diligence and fiduciary risk assessments to help determine this capacity, as well as reviewing project documentation. The Stability Fund may provide support to help develop this capacity and provide funding in a graduated way that is appropriate to the organisational capacity of the recipient organisation.
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Key Attributes

The Stability Fund has six key attributes that are essential to its operations:

- A capacity to deliver projects across Somalia including in some of the most challenging locations. This means it has people, offices, the ability to consult, contract, procure, manage, monitor etc.
- High quality political analysis that informs decision making.
- An appetite for flexibility, risk taking, innovation and giving Somalis significant authority – encapsulated by the Stability Fund's principles.
- Delegated decision making on projects to the Secretariat Office.
- Financial commitments from donors. It doesn't need fundraising for specific projects.
- The mandate to work on governance and conflict at a time when there is political and social will in Somalia to make significant progress.

However, the Stability Fund's key attribute is flexibility – the ability to adapt and change in response to evolving circumstances.



The Stability Fund currently manages a portfolio of 60 investments. These can be grouped into a number of broad themes. In reality, many investments will straddle more than one theme e.g. a community driven development project may strengthen governance structures at the village level, improve community safety through provision of solar street lights and support reconciliation by enabling community-based committees to mediate conflicts in the local area. It is therefore difficult to attribute total spend by theme.

i.

Support for state formation

The Stability Fund has been at the forefront of facilitating political settlements in the Somali regions – engaging in what are high-risk and politically challenging processes, essential to building the Somali federal state. The Stability Fund has financed state formation conferences in ISWA and Galmudug, and is preparing to support the Hiraan and Middle Shebelle process. In addition, the Stability Fund supported the constitution drafting process in Jubbaland.

ii.

Support to the interim administrations to develop core functions of state

Building on the support for state formation, the Stability Fund is now supporting the interim administrations to set up the institutions of government and (in time) to begin to deliver services. Starting with Jubbaland, the Stability Fund supported the establishment of a proto Ministry of Finance, Civil Service Commission and public financial management (PFM) system, alongside support for rehabilitation and construction of government buildings. A similar package of support is now being delivered in partnership with the Interim South West Administration and PFM support is also being rolled out to the Interim Galmudug Administration. Whilst support for PFM has been a critical component of SSF Phase I, the SSF was not set up to provide long-term institutional development support and this work will transition into a dedicated DFID programme from late 2016/2017.

iii.

Support for reconciliation and peacebuilding

Through investments in conflict resolution training, the provision of peacebuilding tools and facilitation of conflict resolution meetings, the Stability Fund has contributed to the peaceful management and resolution of numerous conflicts in Somalia. For example, through FCA the Stability Fund facilitated the Damala Hagarre Conflict Resolution Meeting in Sanaag region; as well as a number of reconciliation conferences which helped to lay the foundations for the successful Galmudug state formation process.

iv.

Community driven development

The Stability Fund is working with a number of partners to support community driven development projects in South Central Somalia, Sool and Sanaag, utilising participatory planning processes to strengthen local decision-making and governance structures and deliver a peace dividend in some of the most deprived areas of Somalia.

v.

Stabilisation

The Stability Fund is supporting implementation of the Federal Government's Stabilisation Plan, delivering reconstruction projects (clinics, water, fisheries) and supporting interim administrations in districts recovered from Al Shabaab, through careful analysis and community consultation and close coordination with local governance structures.

vi.

Support for improved livelihoods, particularly for youth

The Stability Fund is working with a range of private sector and NGO actors to improve economic development and livelihoods in South Central Somalia. The Fund particularly targets youth through employment intensive works programmes, vocational training and internship programmes, taking into account the specific needs of men and women, boys and girls.

vii.

Support for community safety and security

Whilst the Fund does not work in the area of large scale security sector reform or policing, it has invested in a number of community safety initiatives, principally through the introduction of street lighting in various cities across Somalia, improving security and opening up economic opportunities in the process.

Over the course of the next few months the SO will develop a Strategy for Stability Fund II in coordination with the JDC and government counterparts. This will seek to provide greater clarity on the expected intervention areas and measures of success, whilst retaining a strong focus on flexibility, innovation and risk-taking, which have been a hallmark of phase I and are central to the success of the Stability Fund to date.

Funding approaches

The Stability Fund currently employs three principal approaches to funding: Area-based, Partner-based and a Government window. In addition, a number of NGO projects were funded through a DFID-managed 'Rapid Disbursal Facility' before the Fund Manager was contracted, in order to provide some early results. The table below sets what each of three main approaches involves, why it was developed and some examples of interventions supported to date under each one. It has not yet been decided whether Stability Fund II will retain this structure. The approach to funding will be reviewed in light of the Stability Fund II Strategy and in consultation with the Fund Manager, to determine whether it is still fit for purpose or needs to be amended.

What is the approach?	Area-based	Sector-based	Government Window
Why take this approach?	The Stability Fund was created to design local solutions to local governance and conflict problems based on sound and continually-updated analysis of the situation on the ground, and constant adaptation to this analysis.	It gives the Stability Fund access to a wide range of organisations and ideas. It gives Somali entities a realistic chance of directly accessing funding and thereby builds domestic capacity.	This approach is a valuable addition to the other more bottom-up approaches the Stability Fund takes, and is appropriate given the legitimacy of the Federal Government as acknowledged in the New Deal and Somali Compact.
What sorts of things have been done?	The advent of federalism has created an important niche for the Stability Fund, both in its work to on the political processes to establish federal states as well as supporting the new interim federal states that are emerging.	It is a vehicle for bottom-up Somali-led and Somali-delivered solutions.	Lots of work under the MoI/FA Stabilisation Plan for areas recovered from Al Shabaab including- • Caretaker • Administrator Training • Programming in four
	Galkayo cross-green line streetlights. PFM with IJA. Puntland water for peace (construction of bore holes in	• Private sector • Youth economic opportunities • Media • Culture • Gender (x4) • Research	and



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	areas where there is ongoing conflict over scarce water supply).	evaluation	newly-recovered districts (Xudur, Warsheikh, Wajid, Barawe.)
	Community development in Baidoa. Support to ISWA state formation process.		MolFA Outreach to stabilisation districts
			Stabilisation Support Unit in the OPM
			Traditional Dispute Resolution in Ministry of Justice
Current proportion of portfolio	48%	17%	12%

Structure

The Stability Fund design and governance structure has been predicated on the need for flexible and swift decision making, while recognising the risks inherent in developing and managing projects and partners in Somalia.

The Joint Donor Committee

Representatives from each of the Stability Fund's donors sit on the Joint Donor Committee. It meets each month and is facilitated by the Secretariat Office. The Fund Manager also attends Joint Donor Committee meetings. Its role is to:

- Oversee the Secretariat Office
- Raise any issues that require attention with the Secretariat Office
- Monitor operational and financial progress, and receive and approve Stability Fund reporting
- Provide a mechanism for exchange of lessons learned.
- Act as a forum for agreeing donor-wide issues
- Approve Stability Fund strategy
- Approve contentious projects (the Joint Donor Committee defines which project types count as 'contentious')
- Discuss and agree on any structural changes to the Stability Fund

The Joint Donor Committee meets in Nairobi and makes decisions by consensus of donor members.

The Secretariat Office

The Secretariat Office comprises donor secondees and an analysis unit procured by the Fund Manager. Based in Nairobi, but traveling regularly to Somalia, its role is to:

- Develop Stability Fund policy and strategy
- Represent the Stability Fund to external stakeholders
- Maintain relationships and consult with Somali stakeholders, including government, donors, Stability Fund implementing partners and other actors.
- Make all programmatic decisions (except contentious projects which are referred to the Joint Donor Committee)
- Approve technical assistance
- Approve external communications
- Oversee the Fund Manager
- Instruct the 3rd Party monitoring provider (if available)
- Administer Joint Donor Committee meetings.

The Fund Manager

The Fund Manager consists of a team incorporating project management, financial management, knowledge management, communications and field staff based in Nairobi, Mogadishu and several locations around Somalia. The Fund Manager is the legal entity of the Stability Fund and as such does all the Stability Fund's contracting. Its role is to:

- Contract and administer projects selected and approved by the Secretariat Office
- Provide technical assistance in Somalia when approved by the Secretariat Office
- Provide day-to-day oversight of all implementing partners, including monitoring and financial appraisal
- Manage the Stability Fund's communications, under the direction of the Secretariat Office
- Develop the capacity of some investees and potential investees of the Stability Fund
- Report to the Secretariat Office, including regular financial and narrative reports.



It is important that the Fund Manager role remains distinct and separate from the decision-making body to avoid conflict of interest and to minimise the risk of financial leakage. Programmatic decisions will be handled by the Secretariat Office and financially executed by the Fund Manager.

Link to the New Deal

Over the last year, a formal aid coordination mechanism has started to function in Somalia under the New Deal. The Stability Fund plays a full part in the New Deal structure through the Secretariat Office attending the various Peacebuilding and Statebuilding Goal (PSG) Working Groups, particularly on Inclusive Politics as well as relevant sub-working groups. It also:

- Provides all project information to the Aid Coordination Unit and was included in the 2014 Copenhagen Report.
- Consults on Stability Fund programming plans through the PSG sub-working groups as appropriate, particularly the state formation sub-working group.
- Contributes to the cross-cutting issues set out in the New Deal Compact (capacity development, bringing tangible results to people, respect of human rights)
- Is also aligned with the Somali Compact Partnership Principles.

The Stability Fund is not at present an official instrument of the Somali Reconstruction and Development Fund (SDRF) alongside the World Bank, UN and African Development Bank Funds. However, it has recently been agreed that the Stability Fund will attend SDRF meetings in order to brief the SDRF on its activities and plans and take guidance from the general discussion. The Stability Fund will also present at relevant sub-working groups to consult on future plans.

Results

The Stability Fund results framework currently has three tiers:

Tier 1 – Somalia Impact. This first level of the results framework tracks the changes *towards a peaceful, secure, stable Somalia* to which the Stability Fund aims to contribute. These changes cannot be attributed to the Stability Fund and may only result from the collective action of Somali and international actors over the longer term. Establishing measures that give a meaningful indication of such Somalia-wide change is hugely challenging.

i) **Tier 2 – Stability Fund Outcomes.** Where possible, the Stability Fund aggregates progress towards its two high level outcomes:

a) *Legitimate, viable governance structures able to make and enforce rules locally.*

b) *Existing and emerging conflicts brought to conclusion and risks of future conflicts mitigated.*

The Stability Fund does not currently set targets for these outputs but some this is likely to be required under Phase II. Wherever possible tier 2 indicators are disaggregated by sex and the Stability Fund seeks to add additional tier 2 indicators in response to its evolving portfolio of projects.

ii) **Tier 3 – Stability Fund Management.** This tier is concerned with the effectiveness of Stability Fund's operational and organisational management. By improving the performance of its operational portfolio, the Stability Fund can increase its contribution to outcomes in Somalia and overall development effectiveness.



RESULTS FRAMEWORK	
Tier 1: Somalia Impact level	
Improved score for Somalia on the Ibrahim Index of African Governance (IIAG)	
No. of regions in South- Central Somalia part of a Federal State	
Tier 2: Stability Fund Outcomes	
Legitimate, viable governance structures able to make and enforce rules locally	
Number of governance structures supported:	
i) Federal	
ii) Federal State	
iii) Regional	
iv) District	
v) Community	
vi) Private sector	
Number of newly recovered areas worked in within 6 months of recovery:	
i) Communities	
ii) Local administrations	
Number of government officials trained:	
i) Male	
ii) Female	
Number of people directly involved or consulted in decision making on policies and investments that affect them and their communities:	
i) Male	
ii) Female	
Existing and emerging conflicts brought to conclusion and risks of future conflicts mitigated	
Number of people trained in conflict resolution and applying those skills :	
i) Male	
ii) Female	
Number of conflicts managed peacefully:	
i) Intra district	
ii) Inter district	
Number of youth receiving education, vocational training, or economic opportunities:	
i) Male	
ii) Female	
Tier 3: Stability Fund Management	
Number of direct implementing partners that are Somali organisations	
Value of funds approved directly to implementing partners that are Somali organisations	
Percentage of Stability Fund investments which have passed Somalia- based due-diligence assessments	
Number of districts in which SSF or independent monitors have done monitoring or assessments.	
Number of projects subject to either field team or third-party verifications in previous year.	
Public profile and engagement:	
i) Website visits	
ii) Twitter followers	
iii) Total SMS feedback	
Number of people using SMS feedback system in past 6 months:	
i) Text	
ii) Voice	

It is acknowledged that the Stability Fund Results Framework needs to be refreshed, in order to better aggregate qualitative results from individual projects and more effectively measure the contribution the Fund is making to strengthened governance and conflict reduction and mitigation outcomes, including in specific target geographies e.g. the interim regional administrations. An improved approach to results measurement in line with the new Strategy will be a key focus of Stability Fund Phase II.



Monitoring

The Stability Fund has a four-pronged approach to project monitoring:

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

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

Evaluation

The Stability Fund has a three-pronged approach to evaluation:

- i)
 - It has established a Research, Analysis and Development Evaluations Group (RAADE) in a Mogadishu-based think tank to conduct impact evaluations of individual Stability Fund projects while at the same time building domestic Somali capacity to conduct such evaluations. RAADE has this year completed baseline assessments of the Fund's community driven development investments in Sool and Xudur, a women's leadership investment in Bossaso, a fishing sector assessment in Kismayo, and youth income and expenditure analysis for the youth centre investments in Bossaso and North Galkayo; and a final evaluation report for the Fund's RDF investment with DRC in Mogadishu. While the first year of RAADE's work focused on investment level research and analysis, going forward in 2016 RAADE is expected to conduct a more high-level evaluation of the Fund's portfolio. This entails three workstreams:
 - a)
 - To design, plan, and implement an evaluation of the SSF's portfolio to learn where and how investments are or are not supporting positive systemic changes that enhance local governance and contribute towards the resolution and mitigation of conflict;
 - b)
 - To produce an independent, high-quality research paper examining the scope and impact of existing and planned development initiatives by other actors in Somalia to inform future Fund investments; and
 - c)
 - To conduct a perceptions survey to assess the change in perceived levels of conflict and stability, alongside the representativeness and responsiveness of local government; and a series of key informant interviews to provide an overall assessment of SSF effectiveness.
 - ii)
 - DFID has commissioned an independent evaluation of the Stability Fund as a whole. This evaluation will take place in the first half of 2016, and will inform ongoing Stability Fund operations and the SSF II Strategy.
 - iii)
 - The Stability Fund was subject to a formative evaluation in late 2012. This made a series of recommendations on issues such as communications, monitoring and learning that were incorporated into the Stability Fund principles and design.

Reporting

The Stability Fund produces a report every six months covering:

-
- Narrative summary of overall progress towards the high level outcomes
- Donor pledges and disbursements
-
 - Portfolio summary including a breakdown of:



- Investments by approach
- Investments by location
- Investments by theme
- Procurement details:
 - Completed procurements
 - Planned procurements
- Results and M&E
- Case Studies
- Communications
 - Completed communications
 - Planned communications
- Fund Management details
- Value for Money
- Risk analysis and strategy
- Project summaries

Communications

The Stability Fund has an active communications function. The core message it aims to put across is:

- Somalia is on the up. Peace and stability are growing in the regions. The Stability Fund and its donors are contributing to this positive trend.

It also communicates the following ongoing messages:

- The Stability Fund is a multi-donor fund supporting peace and stability in Somalia. Its objective is to support representative and responsive local governance and the resolution and mitigation of conflicts.
- The Stability Fund is innovative, flexible and responsive to the changing context in Somalia.
- The Stability Fund's decisions are guided by our principles of learning, knowledge sharing, capacity transfer, local ownership, transparency and accountability.
- The Stability Fund has a diverse range of investments in different regions and sectors giving priority to conflict-affected and newly-recovered areas of Somalia.
- The Stability Fund is only able to do these things because of the support of its donors.
- Other actors – domestic and international – are also making a positive contribution to peace and stability in Somalia -

The primary audiences for the Stability Fund's communications efforts are:

- Federal Government of Somalia and Regional authorities
- SSF Donors, Local and international Partners
- Somali community in Somalia and abroad

And the secondary audiences are:

- Potential SSF donors
- General population in donor countries

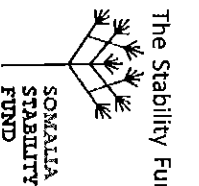


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The Stability Fund uses wide range of products and outlets to reach different targeted audiences. The produces include bi-monthly newsletters, direct emails, images, advertisements, announcements, human interest articles, slogan, logo, videos, calls for concept notes and blogs. It does this through its website (www.stabilityfund.so), email marketing tools to an extensive distribution list, social media (especially twitter.com/stability_fund and www.facebook.com/stabilityfund.so), SMS feedback system (www.stabilityfundfeedback.so), Somali and International Media.

The Stability Fund's visibility is guided by its principles and situational awareness across Somalia. There will be occasions when – for security or political reasons – the Stability Fund must keep a low profile. The Stability Fund's principle of 'Local Ownership First', requires the Fund to balance its own visibility, donor visibility and partners' external communications (including government partners). The Stability Fund guides and advises its implementing partners' communication strategies and policies. The Fund's visibility is responsive to the wide range of investments across Somalia, conscious of the political, security and social nature of the different regions across Somalia.



The Stability Fund's slogan is "Himilo iyo Horusocod" meaning "Vision and Progress" embodying the Funds principles. The Stability Fund logo is inspired by the Dragon tree (*Dracaena Ombel*) which is native to Somalia. The leaves of the tree are designed to look like hands; and the interwoven nature of the branches alludes to the fact that the Fund brings people together and succeeds through facilitating working partnerships.

The Stability Fund uses various online analytics tools on a monthly and a biannual basis to analyse trends and response to its communications efforts.

Gender

The Stability Fund has a gender strategy that guides its operations and decision making. However, there are broadly speaking two ways in which the Stability Fund contributes to gender equality:

- i) Integrating gender throughout the whole portfolio. This means disaggregating results by sex, conducting gender audits on projects and paying particular attention to the differing opportunities for and impacts on men and women in Stability Fund projects.
- ii) Issuing specific gender calls under the partner-based approach.

Risk

Managing risk effectively is a pre-requisite for achieving impact in fragile and conflict-affected environments, as well as an essential element of an organisation's Duty of Care towards its staff and partners in such environments. The Stability Fund takes risk seriously, and uses the following risk management tools in an active and structured fashion.

The below risk matrix is the central risk management tool, and is considered by Stability Fund project management to be a live document, evolving as both the Fund's presence in Somalia, and the Somali context itself, evolve. It takes into account the real-time security, political and economic trends of Somalia, and guides planning, operational presence in-country, profile and perception management, and stakeholder engagement work.

Risk Identification and Analysis

Risks are identified early and proactively monitored through Fund Manager project management and security personnel, allowing a pre-emptive escalation in mitigations to protect the Stability Fund, its staff and its donors from any increase in risk. Stability Fund staff routinely ask the following questions:

- What are the risks to the effective management of the Fund (technical, security, political and fiduciary)?
- What are the risks to relations with counterparts, whether Government or investees?
- What are the risks to the reputation and perception of the Stability Fund?
- What are the risks to physical safety of Fund personnel and their families?
- What are the risks to the communities in which we are investing? Will the investment increase the risk of conflict?

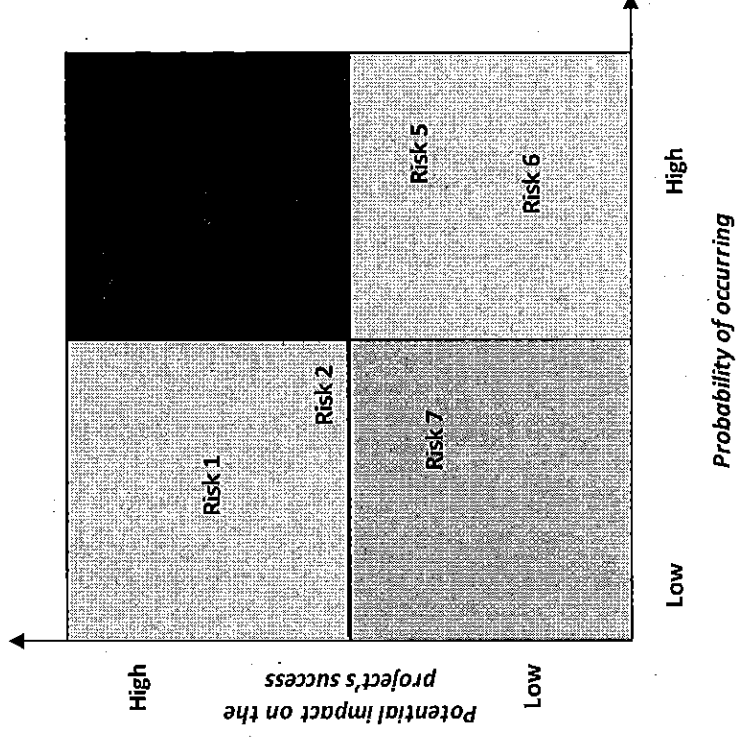
Once specific risks have been identified and analysed, they are assessed on two separate vectors:

- Probability of risk occurring; and
- Likely impact on project's success should it occur.



Once given a probability and likely impact, they can be assigned an overall level of risk, and understood within the below framework, where we have placed examples for indicative purposes. This enables Stability Fund management to clearly identify the level of risk each issue poses, and to prioritise appropriately.

Risk assessment and categorisation

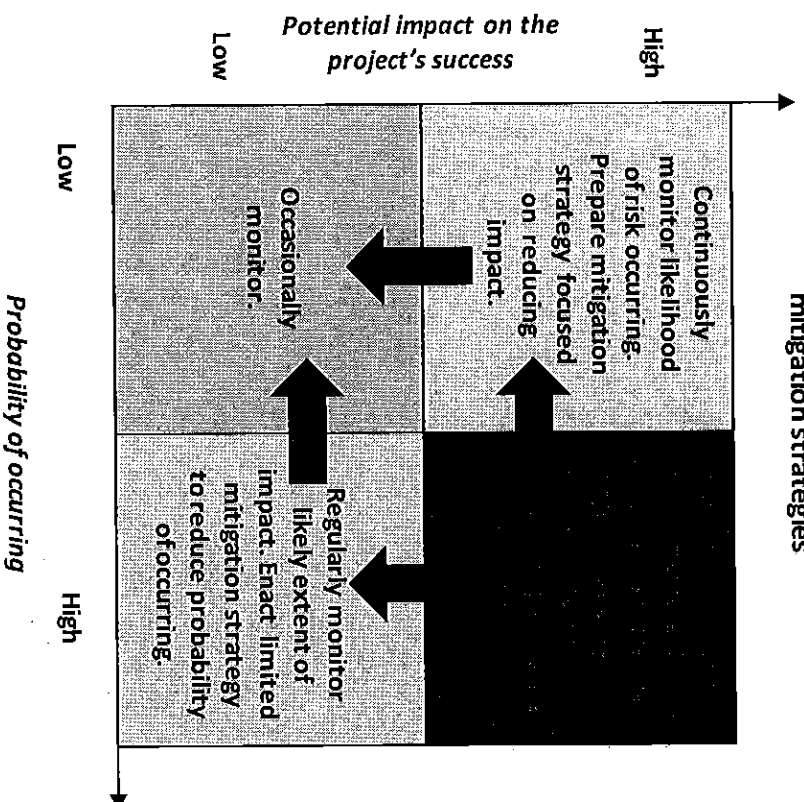


Active Risk Management

Both the categorisation of a specific risk according to the above framework, and its particular characteristics, then guides how Stability Fund management approaches the active management of that risk: most importantly, this means the selection and implementation of mitigation strategies intended to both:

- a) Reduce the probability of a particular risk affecting the Fund and its personnel, and
- b) Reduce the expected impact of a risk to the Fund and its personnel should it occur.

Development of monitoring and mitigation strategies



The risk matrix below outlines the most significant risks to the Stability Fund as a whole. Supplementary to this, the Stability Fund draws up a separate risk matrix, in conjunction with partners, for each specific investment/activity the Fund engages in.



RISK MATRIX

POLITICAL			
Risk	Likelihood	Impact	Mitigation strategy
1. Fund fails to understand and work with the political realities in Somalia.	Low		Involve Federal and State level political actors in strategic and technical decision making. Employ Political Adviser with access to senior figures in the government (federal, regional and district levels) full time, in order to ensure adequate focus on political engagement. Stability Fund has now established itself as an engaged and informed actor in Somalia, lowering our assessment of this risk.
2. Communities are not engaged in decision making process.	Low		Community engagement mechanisms built into all programming decisions, primarily through activities of Somalia Country Team. Concept notes and proposals scored on level of community engagement in programming.
3. Federal and regional government structures supported by Fund are not sufficiently inclusive.	Medium		Political Economy analysis (which includes analysis of the inclusivity of political processes supported by the Fund in various regional state formations) conducted prior to investment to inform programme viability and design. Diverse portfolio approach mitigates criticism of supporting one actor (government) over another (i.e. civil society, private sector etc.). Retain focus on learn and adapt approach – i.e., listen to criticisms, respond appropriately.
4. Political changes disrupt or reduce development and reform momentum.	Medium	Medium	Fund operates through diverse actors, mitigating total closure of portfolio if political context worsens/becomes unviable. Multilateral approach spreads risk of approach changing due to individual donor priorities/approaches. From experience it has become clear that significant political turmoil during the period did not have a significant negative impact on Fund delivery.
5. Fund activities cause disputes/conflict between state level and central administration.	Medium	Medium	Political Adviser to facilitate consensus-building between state and federal levels Engage JDC, where appropriate, in sensitive state versus federal issues.
6. Fund activities do not align and/or work against other sector strategies and programmes in Somalia	Medium	Medium	Cooperate where possible with projects where clear scope for overlap or opportunity for synergy exists (e.g. TIS project). Stakeholder analysis conducted prior to significant support in any sector.
7. Rivalries within government structures paralyse decision making and result in obstruction of Government-led programmes	Medium	Medium	Stakeholder analysis conducted prior to programming; potential spoilers identified and strategies for mitigation devised. Multiple stakeholders engaged in process and investments designed in a manner such that they are not reliant on any one actor. From experience it has become clear that significant political turmoil during the period did not have a significant negative impact on Fund delivery.



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		Medium	Capacity assessments conducted as part of investment decision making process: Where possible, support provided to sustainably address any capacity deficit. Investments postponed or withdrawn where capacity is too low.
8. Insufficient capacity of govt counterparts to keep pace with technical delivery			Expertise drawn upon to evaluate investment options in calls for proposals. Proposals evaluated against sustainability of investment. Performance of investees will be evaluated primarily on outcomes, rather than outputs. Beneficiaries engaged throughout process (from initiation & design through to implementation & close-out) to maximise local ownership. Proposals evaluated against sustainability of investment (e.g. contributions in-kind from community and loans are used where possible in programming). Use local suppliers and businesses to the maximum extent possible. Maintenance plans built into infrastructure investments.
9. Investments produce unsustainable outcomes (e.g., no jobs for trained youth)	Low		Direct investments in private sector will take account of potential winners/losers in relevant market. Implementing partners will be encouraged to consider market effect of significant procurement (e.g. infrastructure).
10. Communities and/or government structures become dependent on external assistance rather than building own ownership of investment process	Medium	Medium	Build in balanced risk assessment and investment decision making into Fund procedures and controls. Ensure there is a clear investment strategy in place that guides a diversified portfolio approach to investment, preventing reactivity and short-term thinking in investment decision-making. Build-in procedures and controls to ensure that single-sourcing and fast-tracking of partner/project mobilisation is subject to close scrutiny. Donors have proven themselves to be effective and collaborative partners, and appreciate the Fund's unique and flexible approach.
11. Fund investments distort markets	Low	Medium	A multifaceted, comprehensive and systematic approach to monitoring of all investments, including: o quarterly technical and financial reporting by investees o Somali Country Team visits to field locations; 3rd party monitoring and verification; SMS beneficiary feedback system; o general networks in Somalia
12. Donor pressure to spend rapidly or to back particular partners and/or projects undermines quality of investment performance and their conflict sensitivity as well as the Fund's efforts to distance itself from 'business as usual'	Low		
13. Investees fail to deliver satisfactory results and impact commensurate with the risks	Medium		

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		Medium		Medium	Financial risk management tools employed systematically to all investments, including:	
OPERATIONAL & FINANCIAL	14. Misappropriation of funds, or grossly inefficient use of funds, by investees and their sub-investees	Medium	Medium	Medium	- o due diligence risk assessment - o expenditure verifications - o spot checks - o quarterly financial report validation - o annual financial report audit/validation	
	15. Anticompetitive practices may lead to overpayment	Medium	Medium	Medium	For major procurements (e.g. infrastructure) the Fund will conduct detailed assessment of market players & market functions (e.g. borehole drilling cartels, overpriced solar lighting).	
	16. Increase in security costs in response to deteriorating security situation	Medium	Medium	Medium	Selection of security provider with the ability to rapidly increase protective measures at pre-defined cost which is held in contingency	
	17. Exceptions to standard financial procedures are made for security reasons	Low	Medium	Medium	Exceptions are clearly documented and signed off by the Director of Stability Fund.	
	18. Loss of key Stability Fund personnel	Medium	Low	Low	All staff employed on fixed term contracts. Competitive salaries, performance management and development and above market working conditions provided. Emphasis on the morale of the team. Roles in team defined in way to enable multiple individuals to perform a function.	
REPUTATIONAL	19. Stability Fund personnel accused of malfeasance	Medium	Medium	Medium	All staff trained and familiar with Stability Fund code of ethics. All staff pass a rigorous recruitment verification process. Complaints investigated rigorously.	
	20. Stability Fund viewed as lacking in transparency or practicing favouritism	Medium	Medium	Medium	Strong communications strategy, including Twitter/Facebook feeds and website, which outlines who we are/how we work. Rigorous process for evaluating proposals. Balanced portfolio approach mitigates accusations of preferential treatment.	
	21. Stability Fund viewed as lacking accountability by Somalis	Medium	Low	Low	Large part of portfolio allocated to community driven investments and feedback from beneficiaries is actively encouraged (e.g. via SMS feedback/website). Proposals are scored on involvement of local communities in decision making. Careful evaluation of investments at all stages. Graduated roll-out of new types of investments to enable learning and adaptation.	
	22. Investments fail and damage reputation of Fund	Medium	Low	Low	Low profile maintained; branding has been avoided as much as possible. Our office locations are away from UN/government locations and meeting points. Close management of staff engagement in higher risk Government-related work. Increased physical protection measures commensurate with increasingly political work of the Fund. Branding, communications and personnel firewall maintained between the Fund and other SP projects in Somalia.	
	23. Stability Fund becomes target for attack by AS due to the nature of its operations, its staff and its associations with other organisations	Medium	Medium	Medium	Further information available in the security risk matrix. To be circulated shortly. Non-resident staff movements are severely restricted.	
POLITICAL	24. Stability Fund staff and operations are put at risk through collateral exposure to an attack against another target (e.g. AS attack on UNCC or VBIED at airport main gate in Mogadishu)	Medium	Medium	Medium		
	25. Stability Fund staff become sick and unable to gain access to medical care	Low	Low	Low	MoU with UN to gain access to their medical facilities in case of emergency. Comprehensive travel/medical cover for all staff, enabling rapid medevac. Emergency procedures for evacuation. All international staff accompanied by a designated individual with training in advanced emergency first responder and trauma first aid.	



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Value for Money

Achieving value for money (VfM) is a fundamental consideration of the Stability Fund's approach to delivering results. The Stability Fund uses a range of indicators, including financial savings, ratios and other performance measures, to ensure VfM throughout the portfolio. It reviews VfM in relation to the fund's individual investments as well as how the fund itself is managed.