

Governance, Social Development, Conflict and Humanitarian PEAKS Consortium led by Coffey International Development

# Final Report ©

Somaliland National Development Plan Prioritisation



# Final Report ©

V.1.1



UK Department for International Development  
Somaliland National Development Plan Prioritisation  
Somaliland NDP Prioritisation - Mission 4 Project Extension  
Contract Numbers: 40065550 and 40072785

In Partnership with Crown Agents  
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November 2013

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Rohan Burdett, Principal



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# Somaliland National Development Plan Prioritisation Project

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Alex Park and Peter Portier

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November 2013

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**Final Report**



*British Expertise International Awards 2013:  
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## List of Abbreviations

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ARTF	Afghanistan Reconstruction Trust Fund
BPC	Budget Policy Committee
C/B	Cost/Benefit
CB	Capacity Building
CoA	Chart of Accounts
COFOG	Classifications of the Functions of Government
DAD	Development Assistance Database
DANIDA	Danish International Development Cooperation
DFID	Department for International Development
EU	European Union
FRS	Federal Republic of Somalia
GoSL	Government of the Republic of Somaliland
ID	International Development

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IGAD	Intergovernmental Authority for Development
IRR	Internal Rate of Return
JPLG	Joint Programme of Local Governance and Decentralised Service Delivery
JSC	Joint Steering Committee
LM	Line Ministry
MDA	Ministry, Department or Agency
MDG	Millennium Development Goals
MoF/MoFi	Ministry of Finance
MMcD	Mott McDonald
MoNPD	Ministry of National Planning and Development
MoU	Memorandum of Understanding
MSS	Minimum Services Standard
MT F/B/E F	Medium Term Fiscal/Budgetary/Expenditure Framework
NDP	National Development Plan
NDPP	Nation Development Plan Prioritisation
NPC	National Planning Commission
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
OS	Organisational Strengthening
PCM	Project Cycle Management
PEA	Political Economy Analysis
PEAKS	Professional Evidence and Applied Knowledge Services
PESTLE	Political, Economic, Sociological, Technological, Legal, Environmental
PFI	Public Finance Incentives
PFM	Public Finance Management
PP	PowerPoint
PPP	Public Private Partnership
PU	Planning Unit
PSG	Peacebuilding and Statebuilding Goals
RBM	Results Based Management
SBF	Somaliland Business Development Fund
SDF	Somaliland Development Fund



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SIDP	Somalia Institutional Development Project
SL	Somaliland
SSA	Somaliland Special Arrangement (New Deal)
SWOT	Strength, Weakness, Opportunity, Threat
TA	Technical Assistance
ToR	Terms of Reference
TPV	Third Party validation
UNDP	United Nations Development Programme
V&A	Voice and Accountability
VfM	Value for Money
WB	World Bank

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Clear guidance and instant feed-back throughout the mission was provided by DFID, Pauline Seenan, Team Leader, Wealth, Health & Humanitarian Section Somalia, and Angus Miller, Somalia Governance Advisor, and DANIDA, Marie Pedersen Haug, First Secretary Somalia Development Team. Briefing from the diaspora especially Ayan Mahamoud helped to orient us to the politics and culture of Somaliland.

## 1. Executive Summary

This report describes the implementation of a project to assist the Government of the Republic of Somaliland (GoSL) to prioritise the sectors, programs and projects in the National Development Plan (NDP) for potential financing from the Somaliland Development Fund (SDF). The SDF is intended to provide a coordinated framework for multi-donor funding which can provide meaningful financial support to the prioritized needs of Somaliland

The project was implemented using a process consultancy approach designed to ensure a high degree of developmental credibility while building political consensus. The focus of the project was to provide support to the National Planning Commission, the Ministry of National Planning and Development (MoNPD) and certain target Ministries of the Government of the Republic of Somaliland (GoSL) in developing an approach to selection of priority projects.

During the assignment the consultants and counterparts developed a series of tools which assisted the government to understand prioritisation choices and individual ministries to provide justification for the priority of their projects. This involved the development of sector strategies, project concept documents together with systems and procedures to support institutionalization. Technical support and coaching was given to ministers and officials. Additional training inputs were delivered through workshops.

The project successfully identified projects in five sectors totalling US\$ 11m to be funded by the SDF over two years. These projects were endorsed by government and donors in August 2013 and are now being implemented by a fund manager contracted to assist GoSL.

Further details of the assignment are described in the body of the report with the appendices containing technical documents, tools, and guidelines.

While the project was a success, certain organizational vulnerabilities were identified during implementation which may become more serious issues if they are not addressed in the medium term.

## 2. Introduction

This *final* report describes the implementation of the Somaliland National Development Plan Prioritisation Project between 1 March and 6 September 2013.

The **main objective of this project** was to assist the GoSL to prioritise the sectors, programs and projects in the NDP for potential financing from the SDF. The SDF is a nascent multi-donor trust fund established by Danish International Development Cooperation (DANIDA) and Department for International Development (DFID) with initial funds of \$50m for the period 2013-2016.

The total value of programmes and projects planned in the NDP for 2012 to 2016 is USD 1.19bn. Therefore GoSL requested assistance from the SDF to help them determine the priorities within the limits of the SDF. The focus of the project was to provide support to the National Planning Commission, MoNPD and certain target Ministries of the Government of the Republic of Somaliland (GoSL) in developing an approach to selection of priority projects.

During the project period the Government and DANIDA/DFID conducted a procurement exercise to select the Somaliland Development Fund Manager – a managing agent engaged to support GoSL in *implementation* of the SDF for such activities as detailed project planning and design, procurement and contracting, implementation, monitoring and evaluation. The consultants' work is being developed further under that contract.

The terms of reference for this assignment together with the addendum terms for a 4th mission extension, mainly to maintain the momentum generated and ensure proper hand-over to the new SDF Manager, are included in Appendix A. The complete background to the project is contained in the inception report dated April 2013. Interim progress reports were issued in June and August 2013. This report covers the whole assignment including recommendations for future action

## 3. Background

### **Somaliland Development Fund (SDF)**

The SDF is a collaborative approach to financing and managing efforts, with regard to the development needs of Somaliland, jointly initiated by the DFID and DANIDA. The Fund is intended to provide a more directed approach for multi-donor funding which can, within a simple donor harmonization framework, provide meaningful solutions to the prioritized needs in Somaliland. The Somaliland Government's National Development Plan provides a solid basis for the way in which the Fund will operate, and donors are able to contribute to it with the intention of creating "*a critical dividend to stability and ... a significant contribution to the country's development.*"

The SDF will initially be funded for three years from 2012-2015.<sup>1</sup>

In order to ensure that donor activities, outside those funded through the United Nations, are coordinated and better reflect the priorities of the GoSL, DFID and DANIDA have supported the establishment of the Somaliland Development Fund, designed to be a multi-donor trust fund to be jointly managed by donors and the GoSL. The SDF will support the GoSL to meet its developmental priorities as expressed in NDP. The SDF will also promote aid effectiveness by introducing improved SDF results-based project designs and implementation modalities, and by

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<sup>1</sup> STATT. *Consultation on the Somaliland Development Fund*. Final Report. July 2012

promoting more streamlined coordination with other donor programs in Somaliland, including those of the World Bank (WB) and the United Nations Development Programme (UNDP).

The overall objective of the Fund is: To support the Government of Somaliland to meet its developmental priorities, as expressed in the National Development Plan. The specific objectives of the Fund are to:

- Generate and attract other funds available for Somaliland
- Improve aid effectiveness and the public financial management system
- Address the national priorities as outlined in the financial management system
- Address the National Development Plan
- Contribute to public institutional building and employment creation
- Increase public trust, accessibility, and sustainability
- Contribute to better coordination monitoring and evaluation
- Develop programs contributing to employment creation
- Build institutions and public management reforms.

## 4. National Planning in Somaliland

### 4.1 Governance

At face value the governance of national planning in Somaliland is hierarchical with the main actors being the National Planning Commission (effectively a cabinet sub-committee) and the Ministry of National Planning and Development. The Ministry of Finance is currently responsible for the operating budget of the government and domestic revenue. Capital investment, especially external donor funds, is the responsibility of MoNPD. At the time of writing a “road map” for PFM is being prepared to guide GoSL towards an integrated approach for management of public finances. However, for the next three years of the SDF, the lead national capital investment budget planning entities will be the NPC and the MoNPD. Figure 1 captures the above description and gives oversight on the hierarchical breakdown into Ministry, Department or Agencies (MDA) and in NDP pillars, sectors and projects.

In practice the planning context is much more dynamic and bottom-up driven. Firstly there is a whole range of private sector initiatives that complement the services provision role normally played by a Government and that cover all major NDP sectors, health, education, roads, electricity, and potable water. Secondly, there is an active International Donor and NGO community, who interact in many instances directly with the sector line ministries, or even directly with selected local communities.

The emergence of the SDF provided the MoNPD with an opportunity to make an inventory of all these initiatives, and to seek coordination mechanisms that would enhance synergy and greater aid effectiveness. Horizontal integration at the national planning level is maturing with good coordination between state and non-state actors particularly in the social sectors that have received the largest proportion of donor investment in recent years. Other sectors are well developed in terms of needs assessment but will require on-going external support from private and donor-supported partners to implement their programmes. To date, we have not explored the breadth and quality of horizontal integration at district and community level as this is beyond our terms of reference.

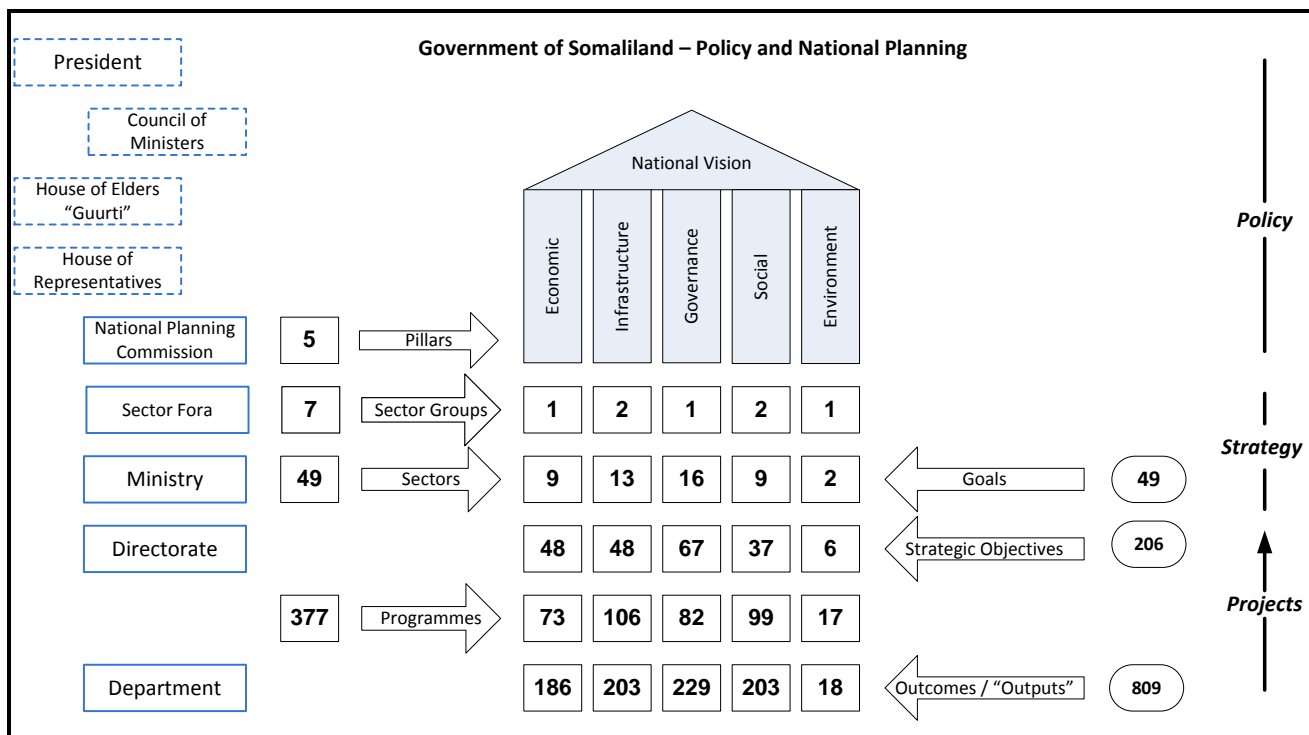


Figure 1 - Hierarchy of governance

Deliberate regional planning is also pursued within the remit of the MoNPD and this is currently a work in progress. The degree of vertical integration between national policy and plans and regional, district and community governance entities is also unclear to us. While the successful democratic elections in Somaliland ensure equitable representation of popular concerns in parliament and elsewhere, it seems to us that government to citizen and citizen to government communications related to national policies and plans has scope for improvement.

#### 4.2 National Development Plan (NDP)

The focus of activities supported by the Fund is therefore the National Development Plan (NDP). The NDP has five pillars: Economic, Infrastructure, Governance, Social and Environment. Within these pillars there are 49 sectors – each with a matching MDA. While the total number of MDAs may appear to be sub-optimal relative to the task of managing the state, there are important political and social reasons for this large number of posts. It should also be noted that the staff complement of ministries, at least at national level, is relatively modest.

In order to improve management and coordination of key sectors, the government and implementing partners have created intermediate sector coordinating fora. These are chaired by government with co-chair and secretariat support from the implementing partners and non-state actors. Anecdotal evidence indicates that the functioning of these fora is variable, with the social sectors having a greater capability / maturity profile.

Although the NDP is accepted across government, there was some criticism of the extent of consultation with central government and lack of outreach to regions more generally, when it was first published. The MoNPD is working to improve this situation. Clearly a key strength of the NDP is its adoption of a common format, language and structure for sectoral plans. Of course, this may pose some difficulties for certain implementing partners and NGOs whose internal rules require the use of different planning formats.

## 5. Report on Project Tasks

### 5.1 Overview

The consultants' terms of reference described certain project tasks. All of these contributed to a higher level objective, namely to assist the government to prioritise the NDP for SDF funding. The project tasks are interlinked and with overlapping boundaries but it is nevertheless helpful to list here each task:

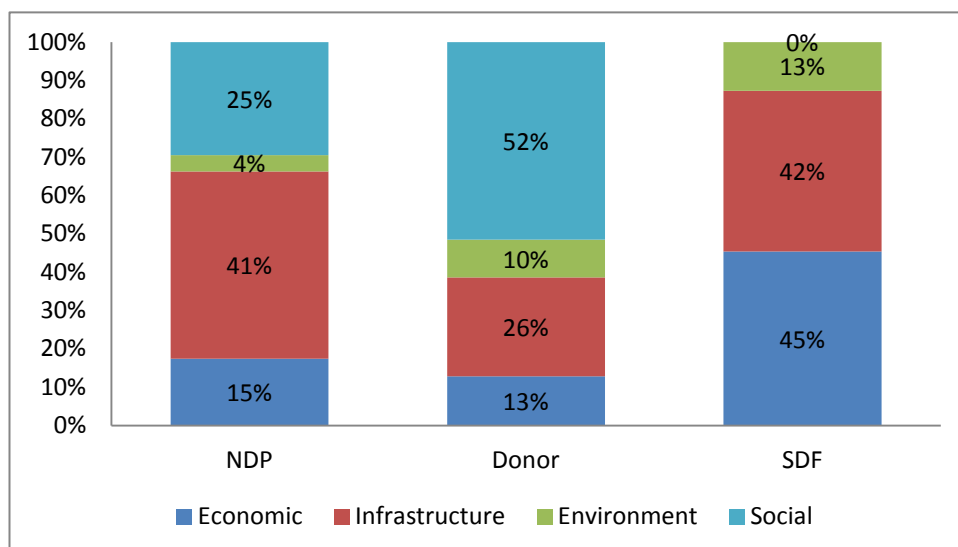
1. Develop an approach to the prioritisation of the NDP;
2. Alignment of the prioritized programmes to donor plans;
3. Establish a consistent approach to sector strategy development;
4. Develop a mechanism for capturing the external budget;
5. Facilitate meetings of, and support to NPC;
6. Work with Line Ministries and Sector Fora; and
7. Support the development of four sector frameworks.

An additional task became part of the final month's work namely - maintaining the momentum created and handover to SDF Manager. The following sections therefore describe the implementation of the project from pillar to project priorities rather than against each task.

It should be noted that during the identification of priority projects, capacity-building activities also took place. The NDPP TA assignment was not "extractive" but followed a process-consultancy approach whereby the participating line-ministry, DP and NGO stakeholders were facilitated with a range of tools and techniques, that enabled them to identify their own strengths, weaknesses and development priorities, to present these in formats that could be further processed for SDF funding, and to identify their capacity and capability strengthening requirements, needed to implement their priority projects. The main report provides general guidance whereas the appendices provide detailed and specific guidance in the form of detailed instructions, formats, and templates, which can be used to (1) further develop the sector strategies and project proposals identified, and to (2) repeat the NDPP assignment process in other sectors.

### 5.2 An Approach to the Prioritisation of the NDP

There were many challenges in developing a prioritisation approach for the Government. The parameters for prioritisation were set out in informal discussions between DANIDA/DFID prior to the start of this assignment. In anticipation of the SDF, the government had prepared a list of priority projects in July 2012 totalling USD 50m spread across the five pillars of the NDP. However, DANIDA/DFID felt unable to assess the context of, and justification for, the projects in the absence of sector strategies. DFID had already financed strategic planning processes for the health and education sectors but minimal planning had taken place in other sectors.



Therefore the DANIDA/DFID asked the government to develop priority projects in a sectoral context which in turn would be consistent with the NDP. Secondly, the DANIDA/DFID did not wish to support investment in only one sector (or pillar) as they believed this could deter additional potential donors from investing in the nascent SDF. Despite OECD attempts to harmonise donor participation in trust funds,

Figure 2 - Comparison of relative investment in NDP, SDF and Donor funds.



many donor's domestic political agendas exhibit varying degrees of sectoral bias. It was agreed that it would not be in the long term interest of the government and DANIDA/DFID to have a narrow, single sector investment strategy.

Having said that, there was evidence from both anecdotal and emerging government research that existing donor investment was skewed in favour of the social and governance pillars. Figure 2 compares the relative investment in the NDP, SDF and Donor funds. As can be seen, 52% of donor funds are directed at the social sectors and 26% at infrastructure.

Within the government, there was to be a strong desire to invest in infrastructure (especially roads, power and water) which had suffered from neglect since the secession of Somaliland. This is reflected not only in the composition of the NDP but also in the apparent popular support for this policy. Figure 3 shows the sectoral allocation of the 2012 Government budget across the sectors.

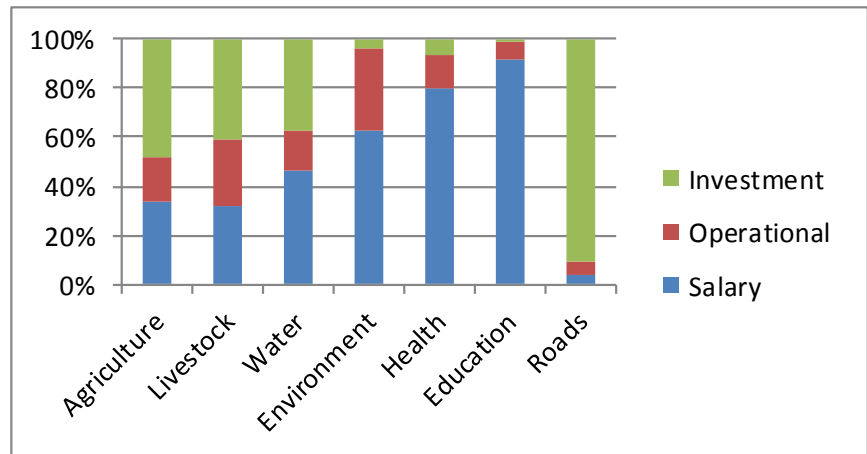


Figure 3 - Sectoral allocation of the 2012 Government budget across sectors

Finally, there is neither a public sector investment programme nor any significant capital budget for the Government. This means that the theory and practice of strategic investment is neither embedded in any existing PFM systems nor the current institutional culture of government.

This means that the SDF might be seen by some officials as the de facto Government Capital Budget rather than a trust fund with a balance of capital, recurrent and other potential funding windows found in other countries. The current SDF donor policy is to establish a balanced portfolio, and therefore SDF policies and procedures should be designed by keeping these factors in mind.

The terms of reference and the business case for this project included statements which were incorporated into a principle based systems approach with the following principles:

1. For SDF but applicable to normal government systems e.g. planning and budget cycle
2. "Future proof" – to allow for additional donors and eventual migration to an MTBF
3. Appropriate to existing *capacity* in GoSL but build additional *capability* for GoSL
4. Inclusive, consultative

This systems approach was geared towards explicit decision-making by defining the responsible authority, inputs and outputs at each stage in the process, and by use of appropriate supporting tools.

- Governance /management
- Inputs and outputs
- Management tools – to help make choices
- Approved by majority decision of NPC

This resulted in a six step process at Pillar, Sector and Project level, to identify priority projects (see Table 1).

Prioritisation Approach – based on hierarchy of development				
	LEVEL	DESCRIPTION	TOOL	AUTHORITY
1	Pillar	prioritize (ordinal/cardinal) ranking on the basis of (criteria) "synergy and complementarity" effect of one pillar on the other	Cross impact matrix	NPC
2	Pillar	review pillar and sectoral investments (government, private and donor) to understand priorities and gaps	Government and donor flows	NPC
3	Sector	prioritize (ordinal/cardinal ranking) on the basis (criteria) of the effect, outcome and impact of a sector	18 factors for state building	NPC
4	Sector	select $n$ (= 5) top priority sectors on the basis of (criteria), available capacity and deadline of the NDP/SDF prioritization assignment	18 factors for state building	NPC
5	Project	prioritization of objectives (outcomes) on the basis (criteria) of a strategic planning process using situational analysis and advice from sector actors	strategic plan and template	Ministry
6	Project	selection and prioritization of projects on the basis (criteria) of strategic fit within sectoral objectives	project concept and appraisal matrix	NPC

Table 1 - Six step process to priority projects

These six steps are described in more detail in the following sections.

### 5.2.1 Pillar prioritisation

	Economy	Infrastructure	Governance	Social	Environment
Economy		45	40	40	36
Infrastructure	45		35	37	31
Governance	40	35		39	35
Social	37	32	36		38
Environment	41	28	27	32	

Figure 4 - Results of pillar prioritisation

In July 2012 and December 2012 the NPC had met to debate SDF priorities, therefore the consultants anticipated some resistance to a third prioritisation meeting. However, the project timeline presented to the NPC indicated that the months of July / August would see the initiation of real project activity based on the prioritisation process and this reassured sceptics of the commitment of Danida/DFID to the SDF.

During the NPC March meeting the ministers were introduced to the pillar prioritisation tool. This simple cross-impact matrix has the advantage of having a limited number of variables while producing clear results with a visible pattern.

The cross impact matrix examines relationships between pairs of variables. Each member of the NPC was asked to score the impact of the variables on each

other (high impact = 3, medium impact = 2, low impact = 1, no impact =0). The aggregate high scores (45 in Figure 4) show that the impact of infrastructure on the economy and vice versa represent the pillars with the greatest synergy and complementarity. In other words, improving the economy will improve infrastructure and improving infrastructure will improve the economy. The impact of the environment on the economy (its negative impact on production and sustainability) was also reviewed. After some discussion, the NPC accepted this result. This is unremarkable given the repeatedly stated preference of the government for infrastructure investment. Further explanation of the cross impact tool and the cross relationships can be found in Appendix F1.

Following this exercise the NPC commissioned the consultants to determine sector priorities within pillars.

### 5.2.2 Sector prioritisation

After discussion with MoNPD, a tool was developed to examine the impact of sectoral investment on various state building criteria, particularly with respect to fragility. Eighteen criteria were selected from the SDF project document, the NDP, the New Deal and state building models:

- Increases Political Stability
- Builds Social Cohesion and National Identity
- Preserves & Reinforces Shared Cultural Values
- Improves National Security
- Promotes International Recognition
- Increases Social Justice and Rule of Law
- Contributes to transparent and accountable government
- Improves PFM esp. macro fiscal planning, revenue enhancement
- Contributes to Economic Growth & Market Regulation
- Improves Trade
- Addresses Youth employment Issues
- Food security increased
- Improves Infrastructure Services
- Improves Public Service Delivery
- Balances urban / rural and central / district concerns
- Invests in Human Capital & Skills Transfer
- Improves Natural Resource Management
- Improves Environmental Protection and Impact

These criteria incorporate not only national concerns such as enhanced international recognition and youth employment, but also donor concerns over justice and equality. Criteria are consistent with state building principles (e.g. Institute for State Effectiveness, Ghani and Lockhart), those emerging from the Busan High Level Conference on Aid Effectiveness and the Peacebuilding and Statebuilding Goals (PSGs) of the New Deal as shown in table 2 below.

	18 Criteria for Determining Sector Investment Priorities																	
	Increases Political Stability	Increases Social Justice and Rule of Law	Contributes to transparent and accountable government	Improves PFM	Addresses Youth employment Issues	Invests in Human Capital & Skills Transfer	Improves Public Service Delivery	Balances urban / rural and central / district concerns	Builds Social Cohesion and National Identity	Improves National Security	Contributes to Economic Growth & Market Regulation	Natural Resource Management	Environmental Protection and Impact	Improves Infrastructure Services	Preserves & Reinforces Shared Cultural Values	Improves Trade	Promotes International Recognition	Food security increased
<a href="#">Somaliland NDP / Political Priority</a>	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<a href="#">SDF Objectives</a>	YES	YES	YES	YES	YES	YES	YES	YES										
<a href="#">10 State Functions</a>	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES				
<a href="#">Paris, Accra, Busan Principles</a>			YES	YES			YES		YES						YES			
<a href="#">New Deal</a>	PSG, FOCUS	PSG	PSG	PSG	PSG	TRUST	TRUST			PSG	PSG	TRUST	TRUST			PSG		
S=Social Services P=Political E=Economic	P	P	P	E	E	E	S	P	P	P	E	E	S	S	P	E	E	S

Table 2 - Criteria for determining sectoral priorities

Although the tool developed was relatively simple and followed the style of the pillar prioritisation tool, it caused some problems for the staff in line ministries. Each ministry was required to complete a series of spreadsheets covering the 50 sectors of the 5 pillars. Like the pillar tool, the sector prioritisation tool asked the question, “if we can develop the sector, what impact will this have on each of the 18 state-building factors”? Whereas the pillar tool required only 20 boxes to be completed, the sector tool required some 900 boxes to be completed by each of the 17 members of the NPC. Despite facilitation by the consultants, this level of detail may have proved too daunting for some ministries. Therefore there were some delays in the processing of the forms which necessitated intervention and expediting by MoNDP staff.

The value of this tool is that it provides a quantitative representation of judgements made by ministries. In future, the objectivity of these judgements could be enhanced by devoting more time to explanation, discussion and facilitation of the manner in which sectoral investment will impact upon each of the 18 factors. Again, like the pillar tool, the sector tool is only intended to provide guidance to the NPC rather than definite evidence.

An example of the spread sheet completed by NPC members is shown in Appendix F2.

The results of the survey were tabulated using the 15,300 data/response items. Analysis revealed a consistent pattern of priorities within pillars as shown in figure 4.

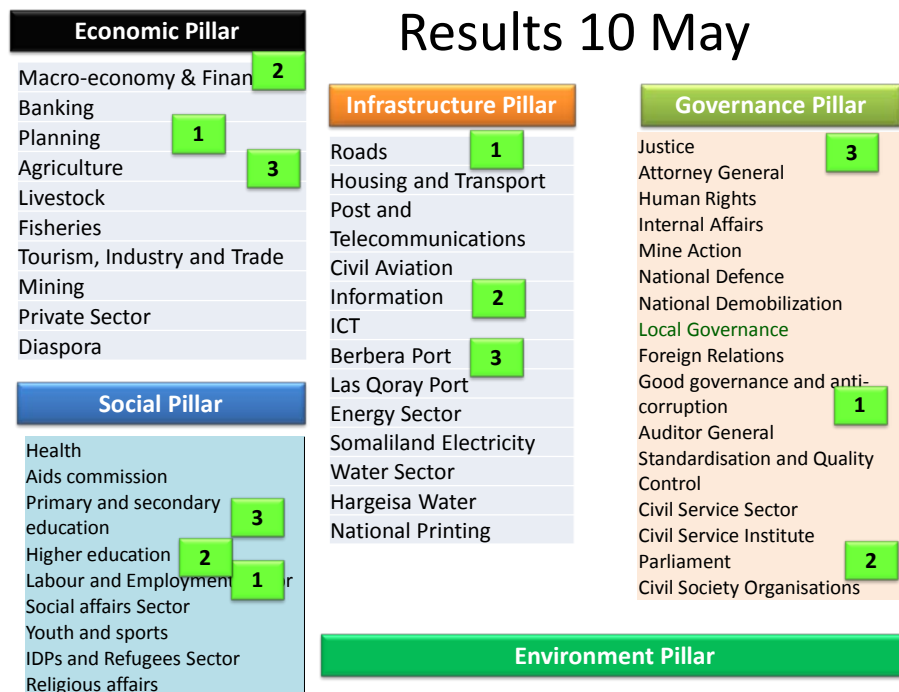


Figure 5 - Sector prioritisation results

At the 10 May NPC meeting there was extensive discussion on the results of the exercise. Individual lobbying by ministers for their own interest groups was balanced with more measured contributions concerning national priorities.

The pillar prioritization exercise had highlighted the primary importance of the economic and infrastructure pillars. During discussions on the Economic pillar priorities it was recognised that both Planning and Macro-economy & Finance sectors were already receiving assistance from the donor community while the other productive sectors remained neglected. Of these, the agriculture sector was identified by the NPC for further work on prioritisation. Because of the perceived importance of the relationship between agriculture and livestock, the consultants were asked to examine these sectors together.

Within the infrastructure sector, Roads emerged as the number one priority followed by Information and Berbera Port. After discussion the NPC elevated the Water sector to a higher priority.

Although the *pillar* prioritisation exercise identified Infrastructure and Economy as the most important, the *sector* prioritisation also looked at Governance and Social pillars.

Governance pillar, like economic had received a high level of support from government and donors. Furthermore, the NPC considered that improvements in governance did not require a high level of capital investment in order to achieve the objectives. Instead, these could be achieved through enhanced political will to implement pro-governance policies – a low cost strategy.

There was considerable debate over the results from the Social pillar. Many NPC members thought health should be a higher priority but others were of the view that health and education had received the most from government and donor funds in recent years (see Section 4.2).

The consultants were asked to pursue the theme of employment (in particular youth employment) in all subsequent work.

Finally, the NPC discussed the environment pillar consisting of two sectors, conservation and disaster management. As environment is a pillar on its own, this automatically elevates it to the status of national priority. The consultants were asked to work with the environment sector actors to develop the framework for further consideration.

### 5.2.3 Sector strategy development

Having agreed the priority sectors, the consultants were commissioned by the NPC to run consultative workshops to develop sector strategy frameworks. It was understood that the health and education sectors had produced *model* strategies with the donor and consultants' support over 12-18 *months*. The prioritization team had only 12-18 *hours* in which to work with sector actors to produce sector frameworks. These became known as "*sector strategies lite*."

The sector strategies were developed using a template (Appendix F4) to guide the work of the sector groups. Figure 1 shows the sector fora positioned between the NPC and the line ministries. Sector fora are chaired by the government and membership includes UN partner agencies, NGOs, consultants and academia representatives. Currently, the work of the fora is largely devoted to sector coordination – providing an information sharing venue for agents active in the sector. There is a limited degree of strategic planning undertaken by these fora although they are becoming increasingly active, meeting every one of two months.

The composition of sector groups is important for all aspects of sector management from planning, through implementation and monitoring to evaluation and coordination. This point is elaborated further in section 5.4.

Sector workshops were arranged by the MoNPD to take place over two four-hour sessions at a training venue shown below. Attendees came from ministries, UN agencies, NGOs and academia.

The word "sector" is applied liberally in development planning and is most often used to describe a level between pillar and ministry (e.g. the transport sector is higher than aviation, road, rail or sea). In the Somaliland NDP there is a one to one match between sector policies and ministries. This means that e.g. Las Qoray port (an autonomous agency) is a sector on "equal status" with Health or Agriculture. There are therefore 49 sectors and 49 ministries, departments or agencies.

This high number of ministries is sub-optimal from a theoretical viewpoint but allows parliament and the presidency to balance clan rivalry with ministerial portfolios. This is an important factor in the political stability of Somaliland.

Ministers accrue political capital and clan status from their ministerial portfolios, and not currently from their chairmanship or membership of sector fora.

Box 1 - Use of "Sector" in Somaliland

Meeting	Session	Sub-session	Session Name	Session theme(s)	Step
			<b>Meeting 1</b>		
1	1	1	Introductions, Purpose and Objectives	Why are we here: SDF, NDP prioritisation, Timescale	1
1	1	2	Review of NDP process	NDP structure, vision, mission, values (exercise)	2
1	1	3	Situational analysis	PESTLE intro	2
			<b>Tea break</b>		
1	2	1	PESTLE brainstorming	Brainstorm factors,	2
1	2	2	PESTLE Grouping	Classify under PESTLE	2
1	2	3	Sector SWOT	Map onto SWOT	2
1	2	4	Sector Strategy Contents and Structure	What should there be in a sector strategy?	2
1	2	5	Results of 1.2.4 and work book intro	Revelation	2
			<b>Lunch</b>		
			<b>Meeting 2</b>		
2	1	1	Development Strategy, Objectives and Capacity	Inputs, process, outputs	3
2	1	2	Sector Stakeholder and Beneficiary Mapping		3
2	1	2	Logical framework	Outcomes and objectives	3
			<b>Tea break</b>		
2	2	1	Capacity and capability	Can we do it? Should we do it? Who is helping / can help?	7
2	2	2	Review and next steps	Reviewing project portfolio against outcomes, proposal template, concepts, appraisal	
2	2	3	Implementation	Implementation, Monitoring, Reporting, Performance	8
				Reviews and Accountability	

Figure 6 - Sector Strategy Formulation Workshop agenda

In order to be as productive as possible the sector workshops were designed to use the existing NDP material and other source documents as inputs. Each sector group was then asked to undertake a SWOT and PESTLE situation analysis and out of this confirm existing or develop new strategies.

The workshops reviewed existing strategies, plans and legislation and extracted priority sector objectives.

The outputs from group work populated the first draft of the sector strategies which were refined in subsequent sectoral and line ministry meetings.



Figure 7 - Sector planning workshop

It should be recognised that these workshops showed that senior officials in ministries had a very clear understanding of the (NDP) priorities and how projects would fit into these strategic priorities. Some ministries provided lists of projects at these meetings.

We also observed that in some sectors, the key actors were not in government but in UN agencies, NGOs or freelancers. This indicates strengths as well as weaknesses. In the case of some ministries they are heavily reliant on third parties to provide them with technical and practical support in drafting strategies and projects.

To guide this process the consultants developed Sector-Strategy and Project-Prioritization Workbook which includes a number of tools and templates (see

Appendix F).

In addition, the Workbook contains a Toolkit for Sector Coordination which covers the objectives of coordination as well as detailing roles and responsibilities, and systems and procedures. The MoNPD has started to use this Workbook to guide their coordination activities.

After the conclusion of the sector workshops the consultants left Somaliland for 3 weeks during which the Ministries were asked to develop the sector strategies. This meant that the capacity and enthusiasm of Ministries could be compared and contrasted after returning to Hargeisa. In general, the output exceeded expectations partly due to the fact that there were a number of policy and strategy documents already in existence. Of course, the quality and level of output varied across the five sectors.

### 5.2.4 Priority Project Development

In compliance with the aid effectiveness principle of “country ownership”, the SDF donors have not specified conditions on the use of funds, merely stating:

*“The Fund will attempt to address issues of sustainability, increase ownership of the development agenda and build capacity to generate revenue and manage public finances by progressively handing over fund control to the Government of Somaliland over time.”*

However it was understood by the consultants that the donors would be unhappy if all the resources were applied to just one sector. Furthermore, DFID and DANIDA had different indicative annual commitments which meant that not all the \$50m was available for programming during 2013 (see table below).

DONOR	2012/13	2013/14	2014/15	2015/16	Totals
DFID	0.78	8.10	9.35	12.46	30.69
Danida	0.93	8.72	9.66	TBD	19.32
Others					
<b>Total SDF (USD)</b>	<b>1.71</b>	<b>16.83</b>	<b>19.01</b>	<b>12.46</b>	<b>50.01</b>

Table 3 - Indicative Annual Commitments to SDF by Donor

In order to provide guidance for GoSL on project size (value), the MoNPD and the consultants asked the ministries to prepare three to four project concepts compliant with sectoral priorities. The projects were to be consistent with existing ministry plans and the NDP and should be possible to complete during the initial 1-2 year period envisaged for the first phase of SDF operation (2012-2014).

To help the ministries do this the consultants held meetings with key staff in each priority ministry to introduce a project concept template<sup>2</sup> (see Appendix F)

Ministries were asked to complete project proposals and present these to the NPC and the JSC at the end of June. This gave the ministries approximately 2 working weeks to complete this task assisted by supporting actors from the sector fora (UN agencies, NGOs and, of course the MoNPD and consultants).

The priority projects were presented to the JSC on 3 July in Hargeisa. PowerPoint presentations were made by Ministers assisted by their senior management team, this being a clear demonstration of Government ownership. Due to a cabinet re-shuffle it was not practical to hold a NPC meeting prior to the JSC. The table on the following page lists the priority projects submitted to the JSC.

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<sup>2</sup> It should be noted that MoNPD and the consultants used the term “project concepts” for these project templates to distinguish them from full project proposals also known as “ready-to-go projects”. Clearly both these terms may be open to interpretation. Some projects appear to be easier to understand conceptually than others. The idea of road project from Hargeisa to Berbera is clearly understood even if the functional parameters are not specified. In this case the concept does not need further elaboration for ordinary citizens to understand the project. However, in order to implement this project a contractor will need specifications, performance criteria (standards), budgets, timescales, bills of quantities and so on. At the other end of the continuum to “project concept” is this “ready-to-go project” – so called because the project dossier contains every document needed for all parties to start the project. Between the opposing ends of the scale there are various stages of project maturity.



<b>NDP SECTORS PRIORITY PROJECTS COSTS and TOP-PRIORITY PROJECTS CONSIDERED FOR SDF FUNDING 2013/14</b>						
Priority Sector (as determined by NPC)	Priority Projects Ranking	Priority Project Title	Total Cost	2013/14	2014/15	2015/16
<b>Agriculture</b>		<b>SECTOR TOTAL</b>	<b>4,668,249</b>	<b>828,448</b>	<b>828,448</b>	<b>-</b>
	1	Soil and water erosion control in Somaliland agricultural areas	1,656,896	828,448	828,448	
	2	Somaliland Secure Land Tenure Arrangement Project	1,702,970			
	3	Research and Extension	808,383			
	4	Strengthening farmer seed system in rain fed areas	500,000			
<b>Fisheries</b>		<b>SECTOR TOTAL</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
	1	Promotion of fish production protection of marine resources	1,000,000			
<b>Livestock</b>		<b>SECTOR TOTAL</b>	<b>9,413,555</b>	<b>3,156,778</b>	<b>3,156,778</b>	<b>1,600,000</b>
	1	Enhancing export and Livestock Holding Grounds	3,113,555	1,556,778	1,556,778	1,600,000
	2	MoL Institutional capacity building	4,800,000	1,600,000	1,600,000	1,600,000
	3	Animal health	500,000			
	4	Livestock marketing	1,000,000			
<b>Environment</b>		<b>SECTOR TOTAL</b>	<b>3,116,000</b>	<b>808,000</b>	<b>808,000</b>	<b>-</b>
	1	Cap building Ministry's physical infra-structure, human resources	1,616,000	808,000	808,000	
	2	Establishment Grazing Lands - Phase 2	1,000,000			
	3	Establishment Tree Nurseries - Phase 2	500,000			
<b>Roads</b>		<b>SECTOR TOTAL</b>	<b>3,705,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>
	1	Hargeisa – Berbera Full Rehabilitation	2,000,000	1,000,000	1,000,000	
	2	Kalabaydh - Wajaale New Road	900,000			
	3	Kalabaydh - Dila Full Rehabilitation	350,000			
	4	Berbera - Sheikh Full Rehabilitation	455,000			
<b>Water</b>		<b>SECTOR TOTAL</b>	<b>5,797,600</b>	<b>1,667,800</b>	<b>1,667,800</b>	<b>-</b>
		<b>Ministry of Water</b>	<b>4,002,000</b>	<b>770,000</b>	<b>770,000</b>	<b>-</b>
	1	Water resources Development	1,540,000	770,000	770,000	
	2	Development of Rain water harvesting	950,000			
	3	Cap.building/instit.strengthening, Sector Coord.& Reg.Framework	855,000			
	4	Sanitation and hygiene improvement	657,000			
		<b>Hargeisa Water</b>	<b>1,795,600</b>	<b>897,800</b>	<b>897,800</b>	<b>-</b>
	1	Connection of Hora Hadley Well-field and Upgrade of Hargeisa's Urban	1,795,600	897,800	897,800	
		<b>TOTAL COST ALL PRIORITY PROJECTS</b>	<b>24,584,404</b>			
	$\Sigma$	<b>TOTAL COST ALL TOP PRIORITY PROJECTS</b>	<b>11,106,051</b>			
		<b>SDF TOTAL BUDGET and ANNUAL BUDGETS (based on DFID and DANI)</b>	<b>46,500,000</b>	<b>16,200,000</b>	<b>18,300,000</b>	<b>12,000,000</b>

Table 4 - NDP Priority projects submitted to the JSC

Bearing in mind the time constraints imposed by this assignment and the relative inexperience of ministry staff in producing project proposals, the JSC expressed gratitude to GoSL and the consultants that they had achieved the key objective for this assignment, namely to identify priority projects for funding under the SDF.

During the JSC meeting DFID / DANIDA announced that there had been some delays in contracting the SDF manager and the JSC asked the consultants to continue to help the ministries to develop the project concepts and to delay completion of their assignment to facilitate a smooth handover to the SDF manager (see section 4.6).

### 5.2.5 Project quality improvement

Therefore the consultants and the priority ministries developed an iterative approach to improve the quality of the projects by remote coaching and quality control when the consultants were out of Somaliland. When the consultants were out of Somaliland, this involved emailing project documents back and forth between line ministries, MoNPD and the consultants. When in Somaliland, the consultants worked together with the ministries staff to develop the concepts. The theoretical quality improvement process is shown in figure 8.

As can be seen, this process has both internal and external quality assurance loops. The ideal scenario is for a Ministry to develop the project iteratively with their supporting partners until such time as they satisfied with the final project document – the internal quality improvement loop; however good practice and the requirements of the SDF necessitate an additional external quality loop. During this assignment this was undertaken by the consultants and MoNPD staff. In the future, this will be a function of the SDF secretariat with formal decisions made by the NPC.

At the moment, the absence of any meaningful capital budget means that ministries have virtually no experience in project development and the process of competing for funds under a budget process. The financial details of many donor funded projects are developed outside government by NGOs, consultants or UN agencies with variable participation by government staff in the process. However, this situation will change and should improve

as the SDF is aligned with the budget process. For example, JPLG project’s capital investments (LDF) are already supplemented by government/local government funding varying in size between 10 and 15%.

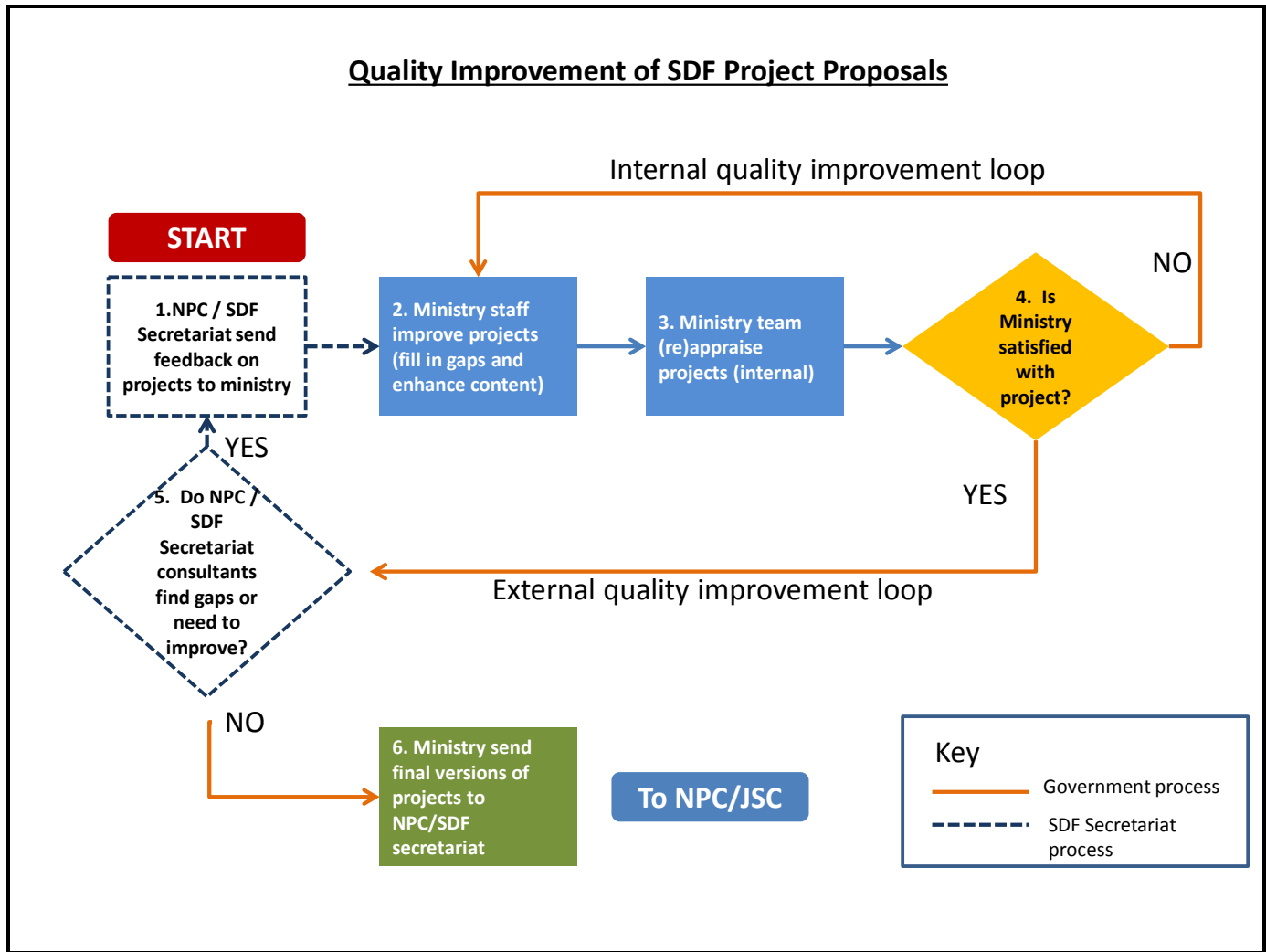


Figure 8 - quality improvement process

### 5.2.6 Project Appraisal

Therefore the project template together with the project appraisal tool were designed to provide government with a standard project document and a means of appraising (screening) the project from both internal and external perspectives. In many countries, appraisal is undertaken by the Ministry of Finance as part of an annual budget process to determine that only the best projects are financed (see section 5.3 for more on this topic).

For the moment, the JSC has agreed that the SDF secretariat (managed by the SDF Manager) should undertake project appraisal and submit recommendations to the JSC for approval. In the future, this screening can be undertaken by the MoNPD and the MoF as part of the budget cycle. The SDF Manager will also need to support the NPC in decision-making on project quality.

As described in previous reports, Project Appraisal was introduced as a process in order to provide ministries, NPC and JSC with some objective means of screening and appraising projects. This tool and process is relatively new to Somaliland and its impact on project development will take some time to embed in the public service culture. However, early indications are that the ministries are using this tool to help them check the content of project templates and, with further support, should improve the quality of projects.

The project appraisal template and guidelines are described in full in Appendix F but figure 9 shows the summary page from an appraisal of a water resources project. The appraisal tool requires the appraiser to score project

against a range of criteria. Comments justifying scores can be written next to each score. It therefore captures both quantitative and qualitative data. In the example shown, the project scores an overall 63%.

NDP-Project Appraisal Pro-forma: Checklist Topics & Questions				Actual Score	Maximum Score	% Score	[ 0 - 5 ] Score Range
<b>Project Name: Water Resources Development</b>				<b>65</b>	<b>103</b>	<b>63%</b>	Weighted Total scores and % achievement
				<b>237</b>	<b>365</b>	<b>65%</b>	Absolute Actual & Total Scores & % achievement
1	Context: enter a short description qualifying the context-fit of the project and explaining the actual score, againsts the possible total score			<b>5</b>	<b>7</b>	<b>15%</b>	Category Weighted Score & Weight
				<b>30</b>	<b>45</b>	<b>67%</b>	Category Actual & maximum Score & %
1.1	International Context			3	5	60%	Space for Comments by Appraisers(s)
1.2	Regional Context			5	10	50%	
1.3	National			10	15	67%	
1.4	Sectoral			12	15	80%	
2	GoSL Ownership: enter a short description qualifying Government Ownership of the project, explaining the actual score, againsts the possible total score			<b>11</b>	<b>16</b>	<b>15%</b>	Category Weighted Score & Weight
				<b>72</b>	<b>105</b>	<b>69%</b>	Category Actual & Maximum Score & %
2.1	Need-Identification, Project-Genesis/Identification			13	20	65%	
2.2	Project Alignment with the surfaces Govt Fiscal and PFM Systems			33	45	73%	
2.3	Project Alignment with Private Sector			9	20	45%	
2.4	Project Alignment with Environment			17	20	85%	
3	Fairness, Inclusiveness, Contribution to Equity: enter short description on quality and clarity of Equity concerns, explaining actual score against possible total score			<b>13</b>	<b>18</b>	<b>30%</b>	Category Weighted Score & Weight
				<b>43</b>	<b>60</b>	<b>72%</b>	Category Actual & Maximum Score & %
3.1	Inclusiveness (Indigenous design)			24	30	80%	
3.2	Equity			19	30	63%	
4	Programme/Project Design, Outcomes & Sustainability: enter short description on quality and clarity of Outputs and Outcomes explaining actual score against possible total score			<b>37</b>	<b>62</b>	<b>40%</b>	Category Weighted Score & Weight
				<b>92</b>	<b>155</b>	<b>59%</b>	Category Actual & Maximum Score & %
4.1	Design & Implementation			26	55	47%	
4.2	Location & Coverage			12	15	80%	
4.3	Outcomes and Sustainability			54	85	64%	

Figure 9 - Appraisal summary sheet

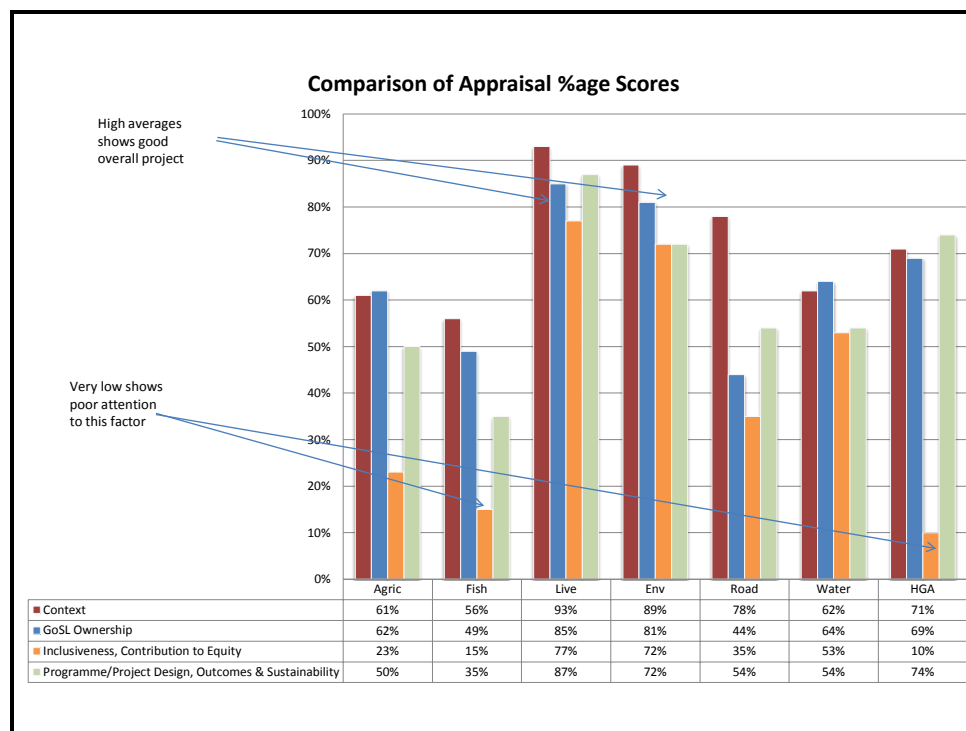


Figure 10 - Relative appraisal scores

Figure 10 shows the relative appraisal scores across the seven priority projects submitted to the NPC. Unsurprisingly the projects from the Livestock and Environment Ministries score the highest because they are the best developed projects. It is intended that project appraisal becomes a core function of the NPC and JSC secretariats, enabling them to provide the NPC and JSC respectively with summary guidance on the quality of

projects based on the objective criteria contained in the appraisal matrix (see Appendix F for matrix and guidelines). It is also recommended that appraisal is included in the forthcoming PFM reforms.

Once the project has been approved by the line Ministry, the NPC and those decisions are endorsed by the JSC, the project is moved into the work program of the SDF manager. This concludes the section on prioritisation.

### 5.3 Capturing the External Budget

The terms of reference required the consultants to support the Ministry of Finance and the Ministry of Planning to develop a mechanism for capturing the external budget and identify and analyse the development budget items. This work had started before the arrival of the consultants with the following steps:

1. Donor program and project mapping (Development Assistance Database)
  - Against NDP pillar, sector etc. + OECD DAC codes + COFOG
2. Sector strategic donor mapping
  - Analyse donor country strategies and programmes
  - Compare with existing and nascent GoSL sector frameworks
3. Donor / UN / NGO division of labour
  - Funding – predictability, complementarity
  - TA and implementation – agency comparative advantage

During the period of the project the MoNPD had commissioned changes to the [Development Assistance Database](#) (DAD) supported by UNDP. This will allow the government to track progress against the NDP and identify any projects that are outside the NDP. The MoNPD also undertakes its own annual survey of NGO activity. The data from this has been used to prepare the charts in section 2 of this report.

It is a complex task to identify donor funding for Somaliland. Many donors do not formally recognise the state of Somaliland and therefore their funding is aggregated in reports with that of Puntland and South Central Somalia. While this situation is improving experience from other countries has shown that without realistic sanctions and incentives, donors are reluctant to report regularly to government on program spending.

The other elements of the external budget also prove difficult to identify. These are shown in table 5 - a typology of resources.

Source of Funds	On budget (visible)	Off budget (invisible)
<b>Domestic Revenue</b>	Customs and inland revenue	Transfer and fuel taxes; Port, airport, HWA, Central Bank; some regional, oil and mining sector
<b>Donors</b>	SDF, DAD reports	Direct funding to UN agencies; non-OECD donors?
<b>Other ODA</b>	Security sector	
<b>Private</b>		
<b>Philanthropic</b>		
<b>INGO, CSO</b>	Annual returns to MoNPD, DAD reports	

Table 5 - A typology of resources

The data required to complete this table is not available centrally either at MoNDP or MoF. Some useful information is contained in the Public Expenditure Report for 2010-2011. Transparency in reporting donor and

domestic resources is likely to increase in during the implementation of the PFM road map. It is recommended that GoSL include activities that will facilitate completion of table 3.

## 5.4 Support to National Planning Commission

The terms of reference required the consultants to:

1. facilitate the next NPC meeting; and
2. provide on-going support to the NPC and develop clear ToR for the NPC.

In fact the consultants facilitated five meetings of the NPC, each held at significant milestones over the period of the assignment. In addition, the consultants had numerous meetings with individual members of the NPC during the development of sector strategies and priority projects.

At the start of the assignment the terms of reference for the NPC were:

1. To provide policy advice on development to the President
2. To set national priorities and goals and bring about consensus among government agencies
3. To review and appraise progress of the National Development Plan mid-year (end of June) and end-year (end of December)
4. To assess the human, natural and capital resources of the nation
5. To oversee the formulation and preparation of long-term, medium-term and short-term national development plans
6. To co-ordinate, monitor and evaluate development plans, policies and programmes
7. To advise on changes and adjustments in institutions and management techniques necessary for the alignment of actions with plan targets and goals
8. To conduct research into various issues of interest to the National Development Plan
9. To mobilize popular support for Government development policies and programs
10. To mobilize resources for the National Development Plan
11. To oversee international aid, technical assistance and cooperation
12. To deal with matters relating to regional economic co-operation
13. To carry out such other duties as are necessary or expedient for the full discharge of all or any of the functions conferred on the Commission

After reviewing these functions specifically in connection with the implementation of the SDF, we conclude that they are sufficiently comprehensive. However, we recommend that a permanent secretariat is established to administer the NPC and undertake and commission research and technical reports in support of the above. Secondly, the membership of the NPC should be reviewed annually by the NPC and the Presidency. The NPC should also be able to co-opt on an ad hoc basis ministers or sector experts to provide expert guidance on specific matters.

## 5.5 Handover to SDF Manager

The final task for the consultants was to handover the SDF portfolio to the SDF Manager who had been contracted after an international competitive bidding process. The contractor selected by the JSC was BMB Mott McDonald and they mobilised their team within 7 days of the official contract notification. A formal hand-over was included in the JSC meeting of 30<sup>th</sup> August 2013.

During the final visit by the consultants to Hargeisa, most of the meetings with government were attended by the SDF Manager, which constituted de-facto hand-overs at line-ministry operational level. At these meetings MMCD staff were introduced to all the Ministers and their senior management team in the target ministries.

Throughout August 2013, the priority ministries developed their project concepts with the assistance of the consultants. This enabled the SDF Manager to immediately have a clear understanding of the project objectives and components. But for two obstacles, this would have facilitated immediate implementation of the projects, these are:

1. SDF detailed procedures need to be developed; and
2. the projects require further technical development (especially bills of quantities and procurement documents)

The SDF manager is in the challenging position of being under pressure to move forward on the projects while at the same time agreeing policy with GoSL and DANIDA / DFID. Formally the required Fiduciary and Procurement Procedures and Manuals need to be firmly in place, and a distinct inception period has been allocated. However, one could favour the practical option whereby accelerated development and launch of the top-priority projects is actually used as learning moments to complete the design of the Fiduciary and Procurement Manuals

During the last week of the project a number of specific briefing and document handover events were organised by the consultants and the SDF Manager:

- formal briefing for all staff of the Ministry of National Planning and Development
- dedicated briefing and q&a between SDF Manager and consultants
- handover of key files, reports, templates, procedures and background materials (soft and hard copy)
- the project director SDF and the consultants' team leader attended the JSC meeting in Nairobi
- open lines of communication have been established between the consultants and the SDF manager should any queries arise.

## 6. Results and Recommendations

### 6.1 NDP prioritisation, implementation and evaluation

The NDP prioritisation process has been successful in that there has been both political and developmental agreement on the pillar, sector and project priorities. Sector consultation has included wider civil society, UN and NGO actors. Project selection by ministries has been endorsed by the government (NPC) and the donors (JSC).

Considering this is the first time the government have had access to “free, non ring-fenced” donor funds, the results must be seen as a success. In particular, the government appears to have avoided potential squabbling over resources. Indeed, this is one of the characteristics of the government – namely that they are able to put national priorities above narrow ministerial or clan-based lobbying for resources. However, as government and citizens recognise the SDF presents real opportunities, the competition for resources is likely to increase. This will require additional efforts by the NPC and the SDF secretariat to exercise the *challenge function*. With the assistance of the SDF manager it should be relatively easy to develop *good projects*. But this is different to developing the *best projects* for the country that have maximum developmental impact. Therefore training and development in challenging and questioning project objectives needs to be provided *inter alia* to NPC members, line ministries, the Ministry of Finance, and parliamentary committees.

Of course, selection of projects is only one aspect of the SDF. The task now falls to the government and the SDF manager to complete the project design and implement the projects. This will also require the NPC to develop methods for high level monitoring of line ministries and, eventually after project completion to commission independent evaluation of the projects. This work involves not only the MoNPD but also the Ministry of Finance, and procurement and audit entities.

### 6.2 Institutional aspects of NDP implementation and sectoral oversight

After the workshops with the sector working groups the consultants and MoNPD noted the high level of enthusiasm for sector development as indicated by detailed sectoral knowledge and commitment to the strategic development tasks facilitated by the consultants.

This same level of commitment and enthusiasm was also displayed during the development of project documents as evidenced by ministry staff working outside office hours to complete project templates.

However, there are some organisational and individual weaknesses that we have observed:

<b>Strength</b>	<b>Weakness</b>
Clear identification of high level strategic priorities	Lack of experience in working with planning levels (hierarchy of objectives) leading to e.g. confusion between inputs, outputs, goals and outcomes
Shared awareness of national priorities	Lack of ability to rank national priority choices over other initiatives. Lack of clarity on regional priority choices and urban / rural split
Good awareness of projects in the national and donor context	Lack of experience in drafting project documents, planning and sequencing of activities, costing and estimating (historically this has often been left to UN or NGO partners with a consequential lack of capacity in government)
Key individuals very competent in planning and drafting	These individuals are often outside government. Co-option is unstructured and ad-hoc.
Enthusiasm to implement projects	Lack of basic project planning and management skills and limited own logistics resources.
Policy, legal and regulatory documents developed	Lack of implementation of policies and laws. Little enforcement of regulations.

*Table 6 - Observed organisational and individual weaknesses*

In general, this justifies the JSC decision to appoint the fund manager to provide support to GoSL during the implementation of SDF. The SDF Manager will need to work with GoSL to develop and retain key skills within government or at least the ability to source and procure these services from the private and donor communities.

However, the broader and deeper nature of institutional development that will ensure that SDF stimulated reforms are sustainable and will result in organisations that are fit for purpose, is beyond the terms of reference of the SDF Manager.

### 6.3 Budgetary aspects of NDP and sectoral project implementation

The SDF will be seen by many as the main contributor to the capital budget for Somaliland and therefore is linked not only to government planning processes but also to their budgeting and execution systems. The consultants held many meetings with Ministry of Finance officials including the Minister, the PFM Road Map consultants and attended the two PFM steering committee meetings held during the assignment.

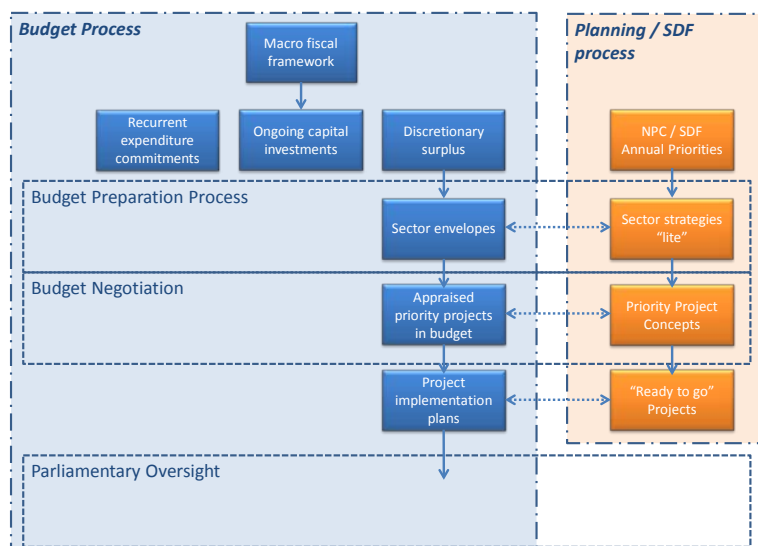


Figure 11 - Linking the budget and planning processes (after Brumby etc.)

In countries like Somaliland, where the Finance and Planning portfolios are managed by separate ministries there needs to be good cooperation and coordination. This is achieved in part by the NPC and the Budget Policy Committee (BPC) responsible for reviewing budget requests. The former has a wider constituency of 15 ministers, including Finance. The latter comprises the Ministers of Finance, National Planning and Development, Defence, Livestock and Commerce.

This means that there can be close cooperation between systems for the allocation of donor and non-donor funds to the NDP. Figure 11 shows a simplified theoretical model with the budget process on the left linked to the planning (SDF) process on the right. As the PFM road map is implemented it is important that these linkages are systematised with the key activities planned in a logical sequence.

Taking this further we can look at the budget preparation process in table 7.

Step	Date	Description
1.	August	The Budget Department in the Ministry of Finance prepares a budget circular and guidelines.
2.	September	The Budget Department in the Ministry of Finance sends the budget circular and guidelines to MDAs which sets out the instructions on how to prepare budget estimates.
3.	October	MDAs submit their budget estimates to the Budget Department in the Ministry of Finance. The Budget Department in the Ministry of Finance reviews the budget estimates against the circular and guidelines.
4.	November	The Macroeconomic Unit in the Ministry of Finance estimates what expenditure can be afforded given their revenue forecasts which are largely based on an incremental adjustment from the previous year.
5.	December	The Budget Department in the Ministry of Finance creates and distributes a timetable for budget negotiations between MDAs and the Budget Policy Committee (BPC). Negotiations take approximately 1 week. If the BPC and any line minister do not reach agreement, the line minister



		may refer the matter to the President and Cabinet – though this practice is extremely uncommon. Line ministers only find out about other budget allocations when all the negotiations are complete. This budget process is not set out in the constitution or any statutes, instead it follows established norms.
6.	January	The Minister of Finance submits the proposed budgets to the Cabinet for approval.
7.	February	The Cabinet approves the budget and submits it to the House of Representatives for approval. The budget comes into effect once published by the President.

Table 7 - Budget preparation process (PER, WB)

For the current SDF assignment, the prioritization parameters chosen were pillar and sector priorities, then projects within ministries. For future SDF allocation cycles, these parameters (or others agreed by the NPC) could relatively easily be included in the budget call circular which would require ministries to specify not only their capital requirements but also the *recurrent cost* implications. The line ministries we worked with have limited experience in preparing these types of estimates. Tables for this were included in the sector and project templates (Appendix F) in order to encourage their development in subsequent years.

Figure 12 on the following page shows a possible system for integrating (SDF) planning with the budget process in an annual program. The lower part of the diagram shows work by the ministry, department or agency (MDA) in developing projects against ministerial and sectoral priorities. The upper part is the oversight or supervisory element which includes the steps in the budget process together with the development of sectoral plans. Currently, the sectoral plans are the same as ministerial plans but as we discuss in section 5.4. the nascent sector fora represent an opportunity to provide an intermediate planning role between ministries and pillars.

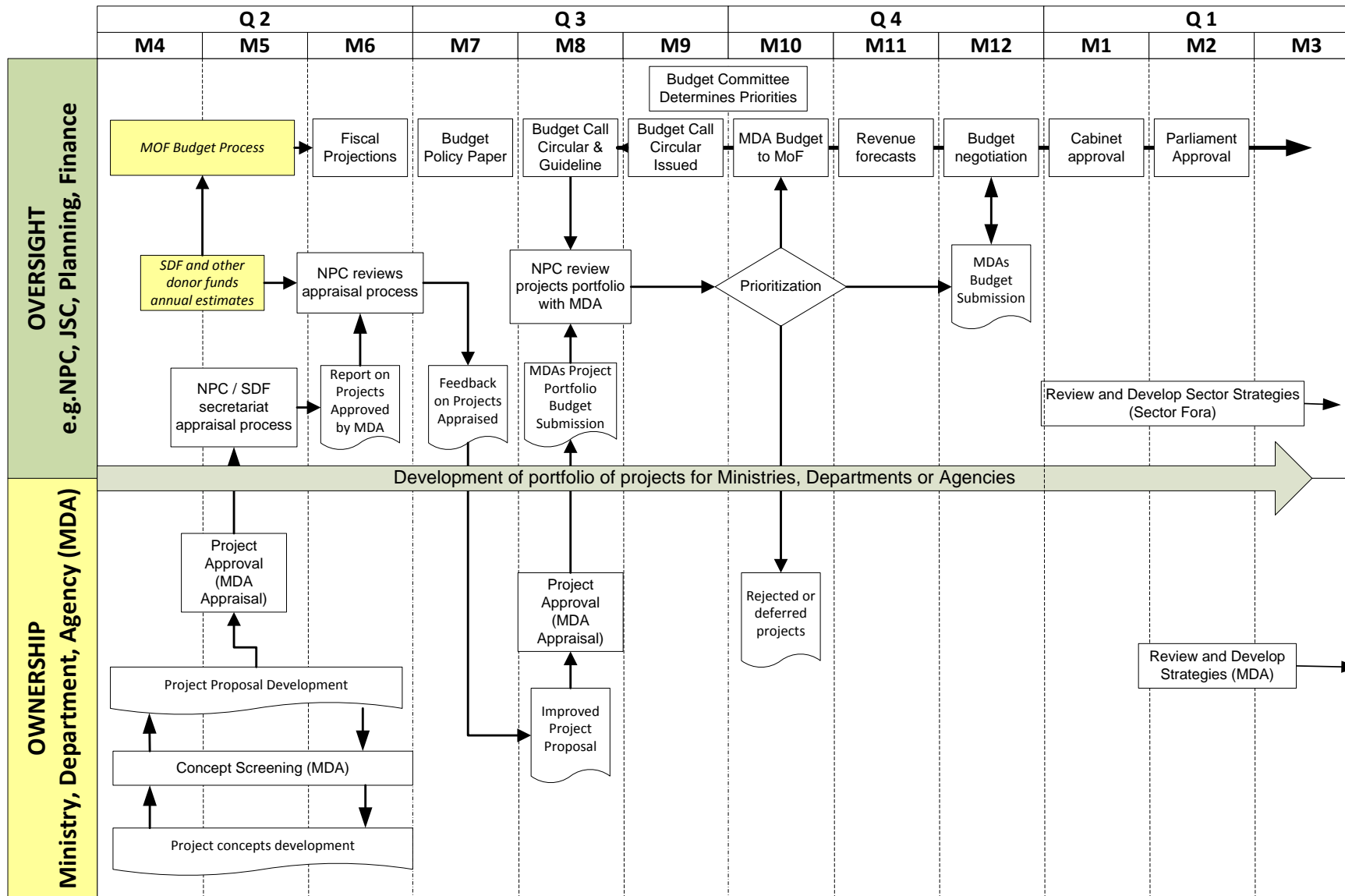


Figure 12 - Linking SDF with planning and budgeting cycle

## **6.4 Sector planning, project implementation and evaluation to achieve the objectives of the NDP**

Figure 1 shows the hierarchy of governance of the current planning process in Somaliland. We are of the opinion that 49 “sectors” is too many to manage in the planning process. While we understand the political necessity for this number of ministries, it is common sense to encourage ministries with common interests to work together in a sector team.

During our assignment it was encouraging to note that the sector groups were meeting regularly. In the process of developing sector strategies we worked with the sector groups who exhibited enthusiasm for sectoral planning. This means that there is scope for developing inter-ministerial coordination and planning at the sector group level.

This is important in order to optimise the use of the SDF (and other) funds. We believe that by exploring the inter-ministerial linkages and synergies, GoSL can develop more effective and efficient projects with improved impact. For example, the Ministries of Water Resources, Livestock, Agriculture, and Environment have all expressed concern about issues such as erosion, land use, water conservation. Therefore it may be possible to design a (national) program that rises above individual ministerial portfolios and has greater impact and sustainability during implementation.

Similarly, we would recommend the work on the monitoring and evaluation framework is moved forward as quickly as possible but to also allow reporting of outcomes at a higher (sector group) level.

## **6.5 Next Steps**

In addition to the recommendations mentioned above we describe below some practical next steps:

### **6.5.1 Maintaining the Momentum**

This assignment initiated implementation of the SDF and triggered the start of a number of activities such as sector strategy and project concept development. It also provided a practical focus for the sector coordination groups. In order to maintain momentum we suggest that ministries complete and maintain the eight step workbooks as living documents. This will capture sector knowledge in one place and provide the ministry and other actors with a logical planning framework.

### **6.5.2 Mainstream Sector Strategies and Priority Project Lists**

Maintenance of sector strategies and updating of priority project lists should be mainstreamed into the annual work plans of ministries. Sector strategies may evolve over time but also need to be revalidated on a periodic basis to ensure compliance with current technical and political imperatives. The best way to do this is to include these tasks in the annual planning and budgeting cycle discussed in section 5.3 above.

### **6.5.3 Identify Sectors for 2014/15 Funding**

The JSC and NPC should consider the sectors to be funded under the next round of SDF allocations for 2014/15. The key questions are whether to extend the SDF to cover additional sectors and, if so, which ones? Any new sectors identified should develop sector strategies using the tools recommended in this report and members of the sector groups. The JSC and NPC should guide discussions on development of possible (national) programmes above the sector level. Where individual sector address common problems, the government could consider developing national programmes that would have the advantage of economies of scale.

The JSC and NPC may also wish to consider creating separate windows within the SDF dedicated to capacity-building initiatives across sectors, for example. Other areas might be in research or common monitoring and evaluation.

#### **6.5.4 Expanding the Membership of SDF**

The JSC meeting of 30 August 2013 agreed that promotional literature and marketing materials should be developed to encourage investment in the SDF from a broader group of donors. Early discussions among donors in Nairobi are encouraging and indicate potential contributions from other European donors. DFID and Danida have also discussed the inviting non-OECD donors such as the Kuwait Fund, the Saudi Fund and Emirati Funds for discussions on contributions to the SDF. At the very least this should help to establish common ground rules for external donor support and enhance donor to government coordination.

#### **6.5.5 The Role of the Private Sector**

The NDP clearly states that the government wish to maximise the participation of the private sector in the development process. In a number of sectors there is mention of PFI/PPP as possible implementation mechanisms. One of the characteristics of Somaliland is the vibrant private sector activity in utilities, urban roads, telecommunications and banking. However, it is not clear how the government will move forward with private finance mechanisms. To avoid potential risks and encourage investment the government should develop policies and regulations of the type recommended by the OECD and the World Economic Forum. There also needs to be wider discussion on the comparative advantages of the public and private sectors in implementing projects; for example should the government implement a project or contract it out?

The NPC is ideally placed to challenge project design and implementation choices with support from the SDF secretariat.

#### **6.5.6 Communication Strategy**

This external communication to donors should be guided by a communication strategy that addresses internal stakeholders in Somaliland. Experience with the launch of the Somaliland Business Fund shows the importance of providing accurate and communication products targeted at all primary stakeholders impacted upon by the SDF. It is equally important to describe what the SDF is not as well as explaining its purpose and priorities.

### **6.6 Concluding Remarks**

As stated earlier, this report summarises the project activities the outputs of which have been included in the appendices. These outputs have been facilitated by the consultants but much credit goes to the staff of line ministries in Somaliland especially those of the Ministry of National Planning and Development

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