Somaliland Development Fund
Phase 3

Operational Guidelines

October 2025

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

Norway

UK International Development
Partnership | Progress | Prosperity

Ministry of Foreign Affairs of the Netherlands

Issue and revision record

Revision	Date	Originator	Checker	Approver	Description
1	October 2025	Secretariat	Secretariat	Joint Steering Committee	Approved by JSC 02, public version

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List of Abbreviations

CA	Contracting Authority
DANIDA	Ministry of Foreign Affairs of Denmark
GoSL	Government of Somaliland
JSC	Joint Steering Committee
MDA	Ministry, Department, Agency
MEL	Monitoring, Evaluation and Learning
MoFD	Ministry of Finance Development
MoPND	Ministry of Planning and National Development
NDP3	National Development Plan 3
PB	Programme Board
PH	Project Holder
SDF	Somaliland Development Fund
SDF3	Somaliland Development Fund – Phase 3
STE	Short-Term Expert
VfM	Value for Money

1. Introduction

1.1. Somaliland Development Fund

The Somaliland Development Fund (SDF) was established in 2012 to provide a single vehicle through which development partners could support Somaliland's development goals. The SDF supports the Government of Somaliland (GoSL) fill critical infrastructure gaps through funding projects that are aligned to the National Development Plan (NDP).

Phase 1 of SDF (2013-2018) provided USD 60m for the funding of 12 projects throughout Somaliland which focussed on rebuilding key infrastructure and public services and strengthening government capacity. The funding was provided by the United Kingdom, Denmark, the Netherlands and Norway.

Phase 2 (2018-2025) provided USD 58M to deliver 10 projects throughout Somaliland with a shift towards sustainable investments, job creation, and resilience-building, particularly in response to climate shocks like droughts. The funding was provided by the United Kingdom, Denmark, the Netherlands and Norway.

Phase 3 (SDF3) covers the period 2025-2028, with the possibility of a two-year extension. Under this phase, the SDF aims to strengthen the climate resilience of vulnerable communities in Somaliland while creating increased income and job opportunities, thereby helping to reduce poverty.

1.2. Focus of Phase 3

A substantial part of Somaliland's population is reliant on a natural resource-based economy making it particularly vulnerable to the impacts of climate change and biodiversity loss, leading to widespread water scarcity, displacement, food insecurity, and significant losses in livestock and crops. The livestock and agricultural sectors, key livelihoods for a large part of the population, are especially vulnerable. The Government of Somaliland (GoSL) National Development Plan III (NDP3) sets the high-level framework for boosting economic and private sector development alongside improved resilience and livelihoods of agro-pastoral and pastoral communities in areas most vulnerable to climate change. This includes developing climate-smart infrastructure in partnership with local governments and the private sector, improving access to affordable services crucial for developing value chains and private sector initiatives.

SDF will therefore focus on transformational green growth, supporting GoSL's ambition by improving incomes, creating job opportunities and increasing climate resilience for large numbers of women and men including marginalised groups across Somaliland. We understand green growth as broad-based, lasting economic growth which is climate-positive, inclusive and leads to a prosperous and resilient Somaliland. Green growth requires a fresh approach based on the intersection of economic development and climate change, while meeting the unique needs of a diverse population (women, men, youth, pastoralists, vulnerable communities) and delivering impact at scale. For economic growth to be meaningful, it needs to be socially inclusive and environmentally sustainable within the local power structures and political context. Communities which are vulnerable to climate change shocks and other marginalised communities need to be at the heart of intervention design so that no one is left behind.

SDF will also build the capacity of the GoSL where policy development, dialogue, coordination or reform is needed to create an enabling environment for green growth as well building capacity to make informed investment decisions on public climate-resilient infrastructure. Ultimately SDF will integrate sustainability into every phase of the programme lifecycle, ensuring green growth continues beyond the life of SDF3 itself.

1.3. Development Partners

The SDF has been identified as one of the multi-partner funds that can be used as a development investment vehicle for both aid delivery and operationalising government systems.

Funding is currently provided by Denmark and Norway while the United Kingdom and the Netherlands remain engaged partners, pending further clarification on their potential to rejoin the Fund at a later stage.

1.4. Objective of the Operational Guidelines

These Operational Guidelines provide the overall framework for the implementation of the SDF and as such, are the basis for all processes and procedures for the management of the SDF. The document has been updated to reflect the developments in Fund Management since the previous phase, incorporating lessons learnt as well as refreshed policies to strengthen SDF governance. Any changes to the Operational Guidelines require approval from the Joint Steering Committee.

2. Guiding Principles and Policies

The SDF has a set of guiding principles as a foundation for strategic decision making, collaboration and long-term success of the Fund. These guiding principles articulate the values and priorities that shape the Fund, ensuring alignment and consistency when strategic decisions need to be translated into operational process.

- **Government ownership:** SDF will continue to involve all the key stakeholders in the planning, design and implementation of the SDF. Whilst this will be crucial for the implementation and management of the Fund, it will also enhance the longer-term ownership and sustainability of the initiatives that are funded.

- **Government of Somaliland priorities:** Priorities for investment shall be guided by the NDP3. The SDF shall be used for both investment and non-investment expenditures with the balance optimised to ensure that capacity, operations and maintenance and service delivery objectives are met. SDF shall support capacity development in areas such as policy and regulatory frameworks and systems, strengthening policy dialogue, sector coordination and facilitating policy reforms.

- **Aligned with government systems:** While promoting government ownership, external control will be maintained through an external appointed Fund Manager who is responsible for the day-to-day management and administration of the Fund. To the extent possible, the SDF will align its systems and procedures to government systems, and as such, strengthen capacity of key government stakeholders.

- **Triple Dividend**: SDF will invest in projects that integrate climate adaptation benefits with clear economic and social returns, a so-called Triple Dividend approach. The investments will have a strong focus on long-term sustainability and ensure that budgets for operations, maintenance and recurrent costs of these investments are incorporated into GoSL's planning and budgeting cycles.

- **Ensuring Value for Money (VfM):** The implementation and management of the SDF3 will maintain the principles of Value for Money (economy, efficiency, effectiveness and equity). Specifically, the Fund will be managed in a way that ensures obtaining the maximum benefit with the resources available and based on a clear results framework.

- **Transparency and accountability:** The SDF3 will act in a transparent and accountable way, and will consider the timing, sequencing and location of interventions for their potential conflict impact and will be responsive and flexible to changing requirements. The process of prioritisation and selection of programmes and projects shall be transparent and encourage mutual accountability between the Government and the development partners.

- **Geographical coverage:** The SDF3 will fund an appropriate balance of projects across regions and a balance between rural and urban areas.

- **Combining local knowledge and international best practices:** The SDF3 will seek to understand the local context, draw on local expertise and knowledge and combine this with international best practices to come up with solutions that are suitable and sustainable for the Somaliland service delivery problems.

The SDF has also a set of policies covering Code of Conduct, Safeguarding Policy, Equality, Diversity and Inclusion Policy, Health, Safety and Security Policy and Privacy and Data Protection and Information Security Policy – see Annex 1 to Annex 5.

3. Governance Structure

3.1. Overview

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

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

3.2. Joint Steering Committee (JSC)

The Joint Steering Committee is the Fund's strategic decision-making body and provides oversight and strategic guidance to the operations of SDF3.

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

Strategic oversight:

- Provide strategic guidance and oversight to the Fund Manager on the management of the Fund.
- Monitor and review the implementation of SDF2 to track progress against the overall strategic objectives of the Fund.
- Review recommendations from the Programme Board and respond regularly.
- Review and approve project proposals (including concept notes if relevant) submitted by the Government of Somaliland for funding based on appraisal notes.
- Review and approve annual budgets against the overall resource envelope.
- Approve requests made on deviations from approved guidelines, frameworks, and strategies as needed.
- Review the JSC Terms of Reference on a regular basis.
- Review the Programme Board Terms of Reference on a regular basis.

Policy and regulatory framework

- Engage in policy dialogue with government counterparts to support the formulation, review, and adoption of relevant policies and regulatory frameworks.
- Review policy and regulatory environment that affect project implementation.

Operational Oversight

- Review progress against Fund Logframe milestones.
- Review, approve and monitor the implementation of the operational guidelines.
- Review, approve and monitor the implementation of programme frameworks.
- Review, approve and monitor the implementation of the risk management framework.
- Review, approve and monitor the implementation of the communication strategy.
- Review, approve and monitor the implementation of the monitoring, evaluation and learning framework.

- Review and approve workplans and reports from the Fund Manager.

Performance and audit:

- Commission independent performance reviews and evaluations of the Fund's operations.
- Commission external annual audits.

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

The Fund Manager provides the Secretariat to the JSC and will work closely with the Chair and Co-chair for organising the JSC meetings and be responsible for the preparation of meeting agendas, circulation of documents, and preparing minutes of each meeting.

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

3.3. Programme Board

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

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

Specifically, the Programme Board will have the following responsibilities:

- Review the implementation reports of the SDF3-funded projects in order to track progress made against the overall objectives of these projects
- Identify key issues, risks, delays and any other implementation problems and ensure actions for addressing them are agreed and communicated to the respective Ministers and Heads of Agencies from the implementing MDAs
- Review and discuss decisions and recommendations taken by the JSC
- Report all strategic issues requiring JSC intervention to the JSC after each meeting
- Provide input into SDF3 Learning Agenda and in consultation with the SDF Secretariat organise site visits on a quarterly basis for sharing of lessons
- Identify overlaps in projects between MDAs and ensuring that activities are implemented in a complementary manner

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

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

3.4. Fund Manager

The Fund Manager is responsible for the day-to-day management and administration of the Fund. The Fund Manager, Euroconsult Mott MacDonald, is contracted by the Ministry of Foreign Affairs of Denmark and responsible for the management of the Fund.

The Fund Manager is headed by a Team Leader acting as the Fund Manager, and a full-time team of technical specialists. The full-time team is supported by a range of short-term technical experts for the provision of high-quality, punctual support. The Fund Manager's team reports to the assigned Project Principal from Euroconsult Mott MacDonald.

More specifically, the Fund Manager will have the following responsibilities:

- Act as the Secretariat to the JSC
- Act as the SDF3 Contracting Authority for projects. As the Contracting Authority, the Fund Manager is required to:
    - Provide oversight on the implementation of projects implemented by Project Holders on behalf of the JSC.
    - Manage all procurement activities related to the implementation of projects including contracting of Implementing Partners.
    - Manage all financial management activities related to the implementation of the projects, including payments to Implementing Partners.
    - Provide support to Project Holders in managing the projects.
    - Ensure that the Project Holders have appropriate organisation, systems and procedures in place for the management of the projects.
    - Provide the required capacity development support.
- Support the implementation of all SDF3-funded projects and assess progress made against the overall objectives of these projects
- Monitor the overall implementation of the SDF3 and assess progress made against the overall objectives of the Fund.
- Support the Government of Somaliland in the prioritisation of projects to be proposed for funding
- Support the Government of Somaliland in development of concept notes and project proposals under the guidance of the Joint Steering Committee to ensure alignment with the NDP3.
- Prepare and manage the annual budgets of individual SDF3 projects against the overall annual and multiannual resource envelope
- Prepare and implement the annual work plan of the SDF3
- Prepare bi-annual progress reports, both narrative and financial, on the implementation of SDF3-funded projects and the overall status of the Fund
- Develop and implement the operational guidelines
- Develop and implement the programme frameworks
- Develop and implement the implementation of the risk management framework
- Develop and implement the communication strategy
- Develop and implement the monitoring, learning and evaluation framework
- Commission, procure, and oversee, in collaboration with the JSC, all independent evaluations, annual reviews and other reports (e.g., value for money reports) in accordance with the agreements reached between participating donors
- Supporting external annual audits (i.e., drafting the audit terms of reference and seeking approval from the Joint Steering Committee and leading the audit procurement process).

3.5. Lead Donor

Denmark, as lead donor in SDF3, will perform a range of functions previously performed by the UK. The key responsibilities include the following:

- Lead negotiations and policy discussions with the GoSL.
- Liaise with all participating and potential donor agencies regarding their annual contributions to the Fund, including individual donor disbursement schedules are adhered to. In this regard, the Lead Donor performs a fundraising role and must coordinate the disbursement schedule to ensure sufficient cash flow.
- Procurement of the Fund Manager through an open, competitive tender process.
- Supervision of the Fund Manager, including contract management.
- Signatory of the international bank account.
- Regular and consistent engagement with the participating Somaliland MDAs.
- Leading monthly Fund Manager meetings.
- Proactively handle emerging issues on an ad-hoc basis, including firefighting issues between the fund manager and government or contractors.

4. Project Implementation Modalities

4.1. Project Implementation Structure

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

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

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

4.2. Roles and responsibilities

4.2.1. Fund Manager

The Fund Manager will represent SDF3 and act as Contracting Authority. Specifically, the Fund Manager will:

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

4.2.2. Ministries and Agencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2.4. Implementing partners/contractors

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

5. Project development and implementation

5.1. Project development

5.1.1. Project Concept Notes

The Project Concept Note (PCN) is a brief description of a project that is to be presented for consideration for funding and present overall objectives, key activities and high-level budget. The Fund Manager will work together with relevant MDAs to develop these notes and submit these to the JSC.

The JSC will appraise these concept notes and will make one of the following decisions:

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

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

5.1.2. Project Proposal

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

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

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

The JSC will appraise the Project Proposal and will make one of the following decisions:

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

Decisions on the Project Proposals will be communicated by the JSC to the relevant Ministries and Agencies.

5.2. Project implementation

5.2.1. Process

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

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

5.2.2. Phase 1: feasibility

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

No	Activity
1	Institutional feasibility
2	Operational sustainability
3	Financial sustainability
4	Community Ownership
5	Land ownership
6	Technical feasibility

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

5.2.3. Phase 2: design

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

No	Activity
1	Detailed topographic survey
2	Engineer calculations
3	Drafting
4	Bill of quantities
5	Technical specifications
6	Training programmes
7	Terms of references

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

5.2.4. Phase 3: Implementation

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

- **Contract management**: The Secretariat is acting as the Contracting Authority on behalf of the JSC. The PMT will work on a day-to-day basis with the Implementing Partners to ensure compliance with contractual obligations and work plan.
- **Field visits:** The PMT and Fund Manager will jointly or individually undertake extensive field visits to monitor activities and implementing partners on the ground
- **Financial control**: The PMT and Fund Manager will verify the financial implementation reviewing actual expenditure (budget execution) against estimated planned costs

- **Risk assessment:** The PMT and Fund Manager will analyse quarterly impediments and constraints, identifying and analysing their factors (internal and external to SDF support) and consequences related to project activities

5.2.5. Phase 4: Handing over

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

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

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

6. Procurement

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

The SDF3 foresees continuation of the Procurement procedures under SDF1 and SDF2. The SDF3 Procurement Manual will be based largely on the World Bank procurement practices, recently updated in March 2025, which is an accepted best practice in many jurisdictions as it provides the necessary safeguards against the fiduciary risks as well as providing a robust procurement system that is transparent to all.

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

- For the procurement of goods and civil works, International Competitive Bidding (ICB) is the procurement method encouraged for use in the majority of cases. Under ICB, a rated criteria with weightings against technical and financial submissions is the primary factor in determining a winning bid. Other methods for procuring goods and civil works include National Competitive Bidding and International Shopping. The chosen method will depend on the relevant Procurement strategy for each project

- For the selection of consultants, Quality- and Cost-Based Selection (QCBS) is the method encouraged for use in the majority of cases. Under QCBS, proposals are evaluated based on both their technical merit and price. Other methods for selecting consultants include Quality-Based Selection (QBS) and Least-Cost Selection. Again, the chosen method will depend on the procurement strategy for a particular project

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

7. Financial Management and Accounting

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

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

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

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

- Financial commitments
- Banking arrangements
- Accounting and records
- Reports
- Internal control and audit

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

8. Monitoring, Evaluation and Learning

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

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

- SDF3 results framework
- Monitoring
- Evaluation
- Learning
- Reporting

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

9. Risk Management

The SDF3 is a complex programme involving many stakeholders, projects and activities in multiple locations, and a continuous evolving external environment.

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

This updated SDF Risk Management Strategy is based on the requirements of the SDF3 Project document and DANIDA's approach to Risk Management under its Guidelines (published May 2022)[1]. These documents clearly outline three core categories within the overall risk management framework.

Risk Category	Description
Contextual	These are risks stemming from the broader environment in which SDF operates and are normally outside the direct control of the donor, fund manager or implementing partners. For SDF, the key factors are related to state fragility, conflict, regional geopolitics and natural disasters.
Programmatic	This includes two types of risk: (1) the potential for SDF to fail to achieve its objectives. This may include contextual risks, but other examples include inadequate planning, poor implementation, insufficient monitoring and evaluation, and lack of community engagement (2) the potential for SDF to cause harm in the external environment such as exacerbating existing inequalities or creating dependency.
Institutional	These are risks to the SDF itself, such as reputational damage, financial losses, legal issues, or security threats. Examples include corruption, fraud, security breaches, and negative media coverage. Under SDF, these stem from the close engagement with the GoSL

It should be kept in mind that risk management is not only about minimising risk but also includes balancing the risks against opportunities and results of providing support, or alternatively the negative results of not providing support

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

[1] https://amg.um.dk/tools/guidelines-for-risk-management

Annex 1 – Operational Policies

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

Annex 1.1 – Code of Conduct

Our commitment

This Code of Conduct is applicable to all individuals and organisations working with the SDF including the Joint Steering Committee, the Fund Manager, the Project Holders and Implementing Partners. All involved in the SDF are committed to promoting the highest standards of ethical behaviour and are required act in accordance with this policy.

Our approach

The SDF shall maintain a zero-tolerance approach towards corruption in all its forms and will respect and promote the following principles as part of its Code of Conduct presented below:

Conflict of Interest	Any conflict of interest – real or potential – between the personal interests of individual involved in decision-making in the SDF and the interests of SDF shall be avoided
Bribery	We will not accept bribery in any form.
Extortion	We will not seek to influence any person or body by using our official position or by using force or threats.
Fraud	We will not use deception, trickery or breach of confidence to gain an unfair or dishonest advantage.
Embezzlement	We will not misappropriate or otherwise divert property or funds entrusted to us.
Gifts	We will not give, solicit or receive directly or indirectly any gift or other favour that may be seen to influence the exercise of our function, performance of duty or judgement. This does not include conventional hospitality or minor gifts if justified.
Nepotism and favouritism	We will not favour friends, family or other close personal relations in recruitment, procurement, aid delivery, consular services or other situations
Reporting	We will report any evidence or suspicion of breach of this Code of Conduct to the Fund Manager.

Annex 1.2 – Safeguarding Policy

Commitment

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

Approach

We will therefore:

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

Annex 1.3 – Equality, Diversity and Inclusion Policy

Commitment

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

Approach

We will therefore:

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

Annex 1.4 – Health, Safety and Security Policy

Commitment

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

Approach

We will therefore:

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

Annex 1.5 – Privacy and Data Protection and Information Security Policy

Commitment

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

Approach

We will therefore:

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

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