

Somalia Country Programme
New Deal Compact Support

Country Programme Document
2015-2018

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Annexes forwarded to the External Grant Committee:

Annex A: Country Policy Paper/Denmark Somalia Partnership Policy 2015 - 2017

Annex B: Brief Descriptions of Partners

Annex C: Results Framework for Somalia Country Programme 2015-2018

Annex D: Country Programme Budget

Annex E: Risk Management Matrix

Annex F: Approved response by representation to summary of appraisal recommendations

Annex G: List of Supplementary Material

Additional annexes to be made available upon request:

Annex H: Draft Strategic Partnership Agreement

Annex J: Analysis of Tendering Requirements

Annex K: Somali Development and Reconstruction Facility (SDRF)

Annex L: Cross-Cutting Programming Options Considered

Annex M: Major Initiatives by Thematic Programme

Annex N: TORs for Danida Advisors

Annex O: Scenarios and Impacts on SCP during Implementation

Annex P: Partner Administrative and Overhead Costs

Using this Document

This country programme document (CP) has been prepared in line with Danida's 2013 Guidelines for Country Programmes. It narrates the theory, structure, expected outcomes and Danish motivations for the programme and its engagements, as well as programme management arrangements. The CP's strategic direction is represented in its thematic programmes, with its practical implications described under the summary of development engagements. The full package of documents, provided as separate files, includes:

- Development engagement documents (DEDs) – one for each engagement with a known implementing partner. Whereas the summary of engagements in the present document provides an overview of each from a Danish perspective, the DEDs contain a more detailed view of activities and the joint perspective of Denmark and the implementing partner. Draft versions of the DEDs have been shared with partners at various stages during the formulation process; finalisation will occur as contribution agreements are negotiated.
- A risk management tool, in the form of a matrix. Whereas the present document provides a summary of risks, mitigation measures and response options, the risk management matrix gives a more detailed view of why some scenarios are possible and what the response of Denmark may be if those risks become manifest.
- A country programme budget. Whereas the CP template requires splitting the budget at various points in the document, the single-sheet view compiles every budget line in one page.
- Notes from screening the programme in relation to the environment and the human rights based approach. Whereas the present document describes these cross-cutting problems and how the country programme will implement progress against them, the screening notes illustrate the thinking behind the analysis and chosen approach.
- Cross-cutting programming options. This annex provides further background on how the development engagements were selected and some of the options that were considered but discarded in relation to cross-cutting issues.
- A template to adapt as a strategic partnership agreement between Somalia and Denmark in relation to implementing the country programme.

Abbreviations and Acronyms

APP	Africa Partnership for Peace
AMISOM	African Union Mission in Somalia
Concept Note	2014 <i>Concept Note Somalia Country Programme</i>
CISU	Civil Society in Development
CP	Country Programme Document
DCA	Delegated Cooperation Agreement
DED	Development Engagement Document
DFID	United Kingdom Department for International Development
DKK	Danish Kroner
DRC	Danish Refugee Council
EUR	Euros
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FGM	Female genital mutilation
FGS	Federal Government of Somalia
GDP	Gross Domestic Product
GOSL	Government of Somaliland
HCP	Danish Ministry of Foreign Affairs, Department for Humanitarian Action, Civil Society and Personnel Assistance
HLPF	High Level Partnership Forum
HRBA	Human Rights Based Approach
IDPs	Internally displaced persons
IRA	Interim Regional Administration
ISTVS-RC	IGAD Sheikh Technical Veterinary School Reference Centre
JPLG	Joint Programme on Local Governance
LIVE	Livestock Investment and Vocational Education Programme
MFA	Ministry of Foreign Affairs
MOD	Ministry of Defence
NPC	Somaliland National Planning Commission
Policy Paper	<i>Somalia Policy Paper 2015-2017</i>
PGP	Participatory Governance and Peace Programme
PIMS	Promoting Inclusive Markets in Somalia
PSF	Peace and Stabilisation Fund
PSP-HOA	Whole of Government Stabilisation Programme for the Wider Horn of Africa
PSG	Peacebuilding and Statebuilding Goal
PPPs	Public-private partnerships
RDE Nairobi	Royal Danish Embassy in Nairobi
SCP	Danish Somalia Country Programme 2015-2018
SDF	Somaliland Development Fund
SDRF	Somali Development and Reconstruction Facility
SMART	Specific, Measurable, Attainable, Relevant, Time-bound indicators
SMEs	Small- to medium-sized enterprises
SomRep	Somalia Resilience Program, a consortium of seven international NGOs
UN	United Nations

UNDP	United Nations Development Programme
UN MPTF	United Nations Multi-Partner Fund
TBD	To be determined
TP1	Thematic Programme 1 on Governance
TP2	Thematic Programme 2 on Inclusive Economic Growth
VLRP	Village Level Resilience Programme
WB	World Bank
WB MPF	World Bank Multi-Partner Fund

1. Introduction

This document provides the overview of Denmark's Somalia Country Programme 2015-2018 (SCP), giving a coherent framework for delivering development assistance to support Denmark's policy objectives. The SCP consists of three Thematic Programmes (TPs):

1. Governance; and
2. Inclusive Economic Growth; and
3. Somali Compact Support - Financing Windows.

The strategic focus of the programme is to consolidate nascent progress in developing the basic political and economic building blocks by which Somalia may emerge from conflict and economic fragility. At the 2013 Brussels Conference, during the presentation and endorsement of the Somali Compact and the Somaliland Special Arrangement (SSA), Denmark stated a commitment to Somalia and provided a pledge. Since then, and in recognition of opportunities and needs in the current Somalia context, Denmark's commitment has increased and the overall value of the SCP is DKK 450 million, with the caveat that the security situation and other challenges with aid delivery may lead to a revision of these commitments. At the 2014 High Level Partnership Forum (HLPF) in Copenhagen, Denmark made clear its support for the key mechanisms of donor-government coordination in Somalia – the Somali Compact and the associated Somali Development and Reconstruction Facility (SDRF – see Annex K)

The SCP commences on 1 July 2015 and runs for three years. The programme has been developed in consultation with the Federal Government of Somalia (FGS), the Government of Somaliland (GOSL) WB, UN and other partners and donors. It draws on lessons from Denmark's history of engagement in Somalia and it aligns with the frameworks for aid delivery to the country, the Somali Compact. Commitment to New Deal process and Somalia's Peacebuilding and Statebuilding Goals (PSGs) aligns Denmark with the central donor thrust towards development of Somalia in the medium term. The SCP is designed to take advantage of partnerships with other donors where possible. The Human Rights Based Approach (HRBA) has been implemented in the SCP's design by incorporating cross-cutting requirements in all programmes and through the inclusion of specific expected results that advance the four principles of participation and inclusion, accountability, non-discrimination and transparency.

2. Country Level Context

2.1. Policy and Strategic Objectives

The *Denmark-Somalia Partnership Policy 2014-2017* (Policy Paper) explains:

Denmark's engagement with Somalia is based on the aspiration to contribute to a stable Somalia that will be able to cater for its own security and build institutions that can foster an inclusive economic, social and environmental sustainable development that assures individual security, the rights of the individual, and creates improved livelihood conditions.

To further this aspiration, the SCP strategic objective is *to advance nascent progresses and seize new opportunities to consolidate basic building blocks of Somali governance and its economic foundations, with a long-term view to sustain inclusive politics and poverty reduction through inclusive economic development*. The SCP objective is highly ambitious. The programme structure and its development engagements reflect a set of feasible results selected in a difficult context and the limited availability of partner programmes that can deliver. The objectives of the three thematic programmes are as follows:

Thematic Programme 1 (TP1) objective on governance:

To consolidate basic governance institutions at the local and national levels, in line with a long-term ambition for Somalia to develop transparent, participatory and accountable government institutions, systems, and practices.

Thematic Programme 2 (TP2) objective on inclusive economic growth:

To initiate sustainable and inclusive poverty reduction and economic growth by supporting basic regulatory frameworks and capacities, private sector opportunities and critical sector value chains.

Thematic Programme 3 (TP3) objective on the Somali Compact Financing Windows:

To support multi-donor mechanisms that advance Somali Compact results in inclusive politics, economic foundations, revenue-raising and service delivery.

Before elaborating in more detail the programmes' engagements, the next section summarises the key points of context that have guided SCP design.

2.2. Context and Recent Developments

Somalia¹ is at the extreme end of the instability, fragility and poverty spectrum, having experienced over twenty-five years of state collapse. The country's development and humanitarian indicators are among the lowest anywhere: 73% of Somalis live on under USD 2 per day and life expectancy is around 54 years. Conditions for women in Somalia are among the most difficult in the world. Gender-based violence and discrimination against women are widespread; gender inequality is alarmingly high; FGM is prevalent; and child and maternal mortality rates continue to be amongst the highest in the world. More than 70% of the population is under the age of 30 years and lack education and employment opportunities.² Human rights conditions are extremely poor, including targeted political assassinations, killing of journalists and arbitrary arrest and detention.³

The Somali context is exceptionally diverse and fragmented, and for the past twenty years has been divided *de facto* into three distinguishable regional entities: Somaliland, Puntland, and relatively divided South-Central regions that include Mogadishu. Somaliland is relatively stable; the region achieved stability following three peace conferences held in 1991, and has had relative peace, including peaceful elections and power transitions, in the intervening years. Stability has also led to

¹ "Somalia" covers Somaliland, Puntland and South Central regions, including Mogadishu.

² Somalia Human Development Report 2012, UNDP.

³ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport>
<https://www.gov.uk/government/publications/somalia-country-of-concern>

relative economic prosperity. Puntland's stability is more recent, and dates from a series of peace agreements that were signed around 1998. Puntland was previously a centre of piracy, but recent (relative) stability and stronger government measures have contributed to reduced piracy activity and an improvement in overall economic conditions. South-Central Somalia remains fractured, with heavy Al-Shabaab presence and high degrees of instability. New governance entities, such as Jubbaland and South West Interim Regional Administrations (IRAs), are developing into emerging federal states.

A record of more than one million Somali refugees are residing in neighbouring countries within the Horn of Africa and 1.1 million people remains internally displaced in Somalia. Efforts are being made, but still insufficient, in terms of inclusion of still vulnerable displaced persons and returning refugees into national plans and strategies and finding durable and sustainable solutions.

Despite progress and stability in some areas, active conflict and violence is ongoing, with variable lethality and instability around the country. Considerable attention has focused on the threat from al-Shabaab and means of combating it. However, research commissioned by the United Nations in early 2014 found there are at least four distinct forms of armed conflict and insecurity that produce instability in Somalia: the al-Shabaab insurgency and response to it; political violence; communal clashes; and criminal violence including piracy.

AMISOM has expanded the territory under FGS control, but the decrease in al-Shabaab controlled territory poses significant risks if the FGS and AMISOM cannot stabilise and consolidate gains. Al-Shabaab still controls parts of Somalia and is able to carry out serious and frequent terrorist attacks. Its territorial retreat has been partly substituted by a campaign of asymmetric, high profile attacks on the government and its international military and civilian partners.

AMISOM is operationally overstretched with a maximum level of app. 22,000 troops until 30 November 2015, and the military situation is no longer defined by a relatively clear frontline. At the national level, if the FGS remains under physical attack and its members under mortal threat, it will be exceedingly difficult to develop stronger, sustainable institutions. It has been feasible to deliver humanitarian relief in many areas of Somalia without federal involvement. Nevertheless, it is clear that support is needed to create relatively safe zones to support broader and longer-term development based on locally-led processes. This need is directly addressed by the PSP-HOA rather than the SCP, but cannot be excluded from an understanding of the SCP's context. Hence, it inspires the SCP to seek partners capable of carrying out conflict sensitivity assessments and conflict mitigation strategies as a standard part of their programming.

2.2.1. Governance gaps

All indicators of governance in Somalia show major deficiencies. Following end of the transition and the establishment of the Federal Government of Somalia in 2012, significant work has been done to establish a federal state. IRAs in South-Central will ultimately provide the administrative basis for re-connecting a state across all of Somalia's territory. However, comprehensive Somali citizen's support for the federal government remains relatively fragile, with repeated infighting, political crises and government reshuffles. The different administrative entities are in different developmental stages. Somaliland is entering into a phase of reform and professionalisation of institutions and services;

Puntland is going through a phase of building basic structures; and Mogadishu and the IRAs⁴ are still in a post-conflict mode. The nature of power and wealth sharing agreements between Mogadishu and sub-national entities are in the making, but still unclear and lacking trust.

The long absence of a central government has led to fragmentation; a lack of capacity in public institutions to deliver services; and a lack of accountability and legitimacy to mediate relations and trust between civilian groups and between citizens and the state. Among other impacts, this helped al-Shabaab to take control of large areas of Somalia. Two clear facts show how far Somalia is from sustainability. First, the FGS depends heavily on the effectiveness of AMISOM to provide basic physical security to the government and to extend its writ territorially. Second, a large proportion of governance is infected by corruption.⁵

These weaknesses inhibit relationships between rights holders and duty bearers and further increases distrust between the various government entities and the Somali people. Clan politics and widespread insecurity place a spotlight on the lack of human rights based governance. There is no country-wide human rights commission, and the country has also not signed up to several key international human rights protocols.⁶ Furthermore, inequalities of gender are evident across the country, with women, men, boys and girls facing highly divergent opportunities and threats. Secondary school attendance rates are at 11% for males but only 8% for females;⁷ 45% of girls are married before 18; and prevalence of FGM is at 97%. The recognition of gender-related challenges to development has grown in recent years, but is very far from being mainstreamed into governance and economic life. The same pattern is evident in relation to environmentally sustainable development: there is widespread recognition of the interactions between a degraded Somali environment, conflict and drags on economic growth. However, few practical responses have been developed yet.

More positively, the FGS has developed its Vision 2016⁸ and demonstrated some concrete achievements, including the Somali Compact and constituting a more representative and functioning parliament.⁹ The endorsement of the Somali Compact was a clear sign of the new partnership and engagement between the FGS, the people of Somalia, and the international community. The 2014 Copenhagen HLPF was also notable for involving a more representative FGS and a strengthening of commitment to the Compact's main architecture and the SDRF. There is a fragile but growing schedule of election commitments around Somalia, as well as stated interest in local peacebuilding and political dialogue wherever this may strengthen connections between local governance and formal institutions.

⁴ Likely future states in a federation.

⁵ The independent UN Somalia Eritrea Monitoring Group indicates in their 2014 report that approximately 70% of funds transferred to the FGS are diverted toward personal uses.

⁶ The international human rights protocols to which Somalia has not signed up include but are not limited to: the Convention for the Elimination of Discrimination Against Women, the Convention on the Rights of Persons with Disabilities and the Convention for the Protection of All Persons from Enforced Disappearance.

⁷ http://www.unicef.org/infobycountry/somalia_statistics.html.

⁸ Vision 2016 is the FGS's plan to conduct a successful transition to democracy by the end of its first term in office (its first term ends in 2016). Vision 2016 outlines 3 priorities: 1) constitutional review and implementation, 2) completion of the federal system and 3) democratisation.

⁹ http://csis.org/files/publication/130819_Bryden_SomaliaRedux_WEB.pdf

For the SCP this means that action on support to governance must be oriented both towards basic building blocks as well as the national framework. It is a formative or transitional approach engaging with non-existent or very fragile institutions such as emerging IRAs and the National Federal Government. The approach should also vary geographically and must build on prior progress wherever possible. The governance context also influences the *practical* focus of the SCP. Most obviously, the prevalence of armed conflict means that SCP ambitions for governance will not be the priority in some places, particularly South Central Somalia and action through the PSP-HOA will be more appropriate here. Implementing partners will need to be flexible in adapting approaches to different parts of the country and over time.

2.2.2. Economic stagnation

Somalia combines widespread crisis, macroeconomic stagnation and pockets of microeconomic dynamism. Out of an estimated population of 12.3 million, 2.3 million Somalis remain highly vulnerable to external shocks and are at risk of sliding into food security crisis. The drought in 2010-2012 affected more than 4 million people. However, the population has shown a remarkable resilience by maintaining family-based social safety nets and clan coping mechanisms.

Economic data are limited and should be treated as estimates at best. Somalia's GDP per capita is estimated at \$284, compared with a sub-Saharan average of \$1,300.¹⁰ The World Bank estimates that the per capita GDP of Somaliland is \$347, indicating regional differences. The population of Somalia is estimated to grow at 3% a year but GDP growth is estimated at 2.6% - if this balance is accurate, Somalis must get poorer or emigrate. Official development assistance is \$75 per capita,¹¹ double the average of nearby fragile states. Remittances are estimated at \$1 billion (\$110 per capita), which would be 35% of GDP. Livestock is estimated to create about 60% of Somalia's official job opportunities and 40% of its GDP. The export of livestock and meat currently generates 80% of foreign currency.¹² With over 70% of people under 30 unemployed, job creation will be important to support political stability.

Conflict is a significant disincentive to private sector investment, particularly foreign direct investments (FDI). Conflict has resulted in damage to critical infrastructure, which further inhibits economic activity and increases poverty. Government administration in Somalia lacks the revenue, skills and experience to create and manage regulatory activity. The combination of low investment in infrastructure and deterioration of existing infrastructure makes Somalia uncompetitive in regional markets.¹³

Economic statistics paint a bleak picture, but there are positive signs: the first ATMs recently opened in Mogadishu, and Turkish Airlines has daily scheduled flights to Mogadishu. In Somaliland, the GOSL has begun to control greater economic benefits from off-shore fishing, and exports of livestock have increased to 4 million animals per year. The FGS and the GOSL emphasise the critical role of economic expansion to create growth and employment, particularly for youth. Under the WB's Somaliland Business Fund – supported by Denmark – 2,200 new jobs were created, with a reached target of 40% for women.

¹⁰ 2012 Human Development Report, UNDP.

¹¹ Including humanitarian and development assistance.

¹² www.worldbank.org; In Somaliland, with a more diverse economy, livestock accounts for 30% of GDP.

¹³ For example, the cost of electricity in Somaliland is \$1.4 per kWh, one of the highest rates in the world, making SMEs with energy needs non-competitive when compared to Kenya or Ethiopia, where electricity is much less expensive.

For the SCP this means that the focus must be on kick-starting growth. The aim is to create a conducive environment for the private sector through better regulation, public investment in critical infrastructure, increasing government revenue efficiently and contributing to poverty reduction through strengthened resilience and improved livelihood for the most vulnerable people. Given the prevalence of conflict and government weakness, the approach must avoid over-reliance on government as the solution. Public sector investment in infrastructure is a potential source of employment and economic growth, but such investments remain dependent on external multilateral and bilateral aid. Sustained growth will be led by the private sector and requires willingness from Somalis to commit to investment and skills development. SME opportunities can be kick-started via matching grants, such as the WB's initiative in Somaliland,¹⁴ but SME growth needs to be market-driven, not donor-driven. The situation also influences the SCP *practically*. Partner selection for TP2 has to account for geographic variation in what can be delivered by the SCP. There must also be an element of experimentation in engagements funded by TP2, given the formidable barriers to SME growth, making villages resilient and the need for individual dynamism to find and exploit opportunities for economic development.

2.2.3. Donor delivery structures

The major opportunity that has emerged in recent years is the New Deal Process and the Somali Compact, which outlines the structure, priorities and principles for donor-government-citizen coordination in Somalia. The goals of the Somali Compact are wide and ambitious; without such ambition, many Somalis will be condemned to a cycle of poverty and violence, which in turn poses a threat to stability in the region and have an effect on Denmark's security and economic interests. The Somali Compact is based on the Busan New Deal principles for engagements in fragile states;¹⁵ the FGS, Somali civil society, the UN and donors were represented in its formulation process. It incorporates the Somaliland Special Arrangements (SSA), a partnership based on the relationship between Somaliland and the international community. Following the launch of the Somali Compact, EUR 1.8 billion was pledged to Somali development, security and humanitarian initiatives. The major conceptual and administrative mechanism in the Somali Compact to deliver development assistance is the Somalia Development and Recovery Facility (SDRF).¹⁶

The SDRF envisaged three major trust funds: the World Bank Multi-Partner Fund (WB MPF); the United Nations Multi Partner Trust Fund (UN MPTF); and the African Development Bank Fund for Somalia.¹⁷ Each aligns to one or more of the Peace and state-building goals (PSG). At the time of the SCP launch, the working groups on each PSG have advanced to various degrees, but are still in start-up phases. In the PSGs, donors directly fund activities that are aligned to the PSGs. For example, the SCP will continue to fund the Somaliland Development Fund (SDF), which supports PSG4 and PSG5, but does not come directly under the SDRF.

The Somali Compact forms the basis for donor engagement in Somalia, and the Compact structure aims to encourage alignment between donors and with the FGS. The Compact has been endorsed by

¹⁴ Funded under Denmark's 2011-2014 country programme.

¹⁵ The Busan New Deal aims to put countries in the lead of their pathways out of fragility. A key element of the New Deal is the TRUST principles: these are a new set of commitments to provide aid and manage reforms for better results. The TRUST principles are: Transparency, Risk assessment, Use of country systems, Strengthening capacities and Timely and predictable aid.

¹⁶ A description of the SDRF is available in Annex K.

¹⁷ The African Development Bank has since cancelled its plans for a trust fund.

major DAC donors, including the EU and the US. Donor involvement in Compact mechanisms takes place at three different levels, the High Level Partnership Forum (HLPF) is the highest political forum, the SDRF which is the overall development planning and coordination forum and at the PSG level. Each PSG working group is chaired jointly by the FGS and a donor. The trust funds are coordinated under the SDRF and donors participate in the WB MPF and the UN MPTF steering committees.

2.3. Background and Justification of the Programme

The primary texts directing programme formulation are the Policy Paper and the Concept Note, which was generated by an identification process in early 2014. Denmark has a range of other mechanisms for engaging with Somalia:

- Diplomatic and political engagement, led by the Royal Danish Embassy in Nairobi (RDE Nairobi).
- Humanitarian assistance administered through partnership agreements with Danish and international organisations managed by the Department for Humanitarian Action, Civil Society and Personnel Assistance (HCP) in close cooperation with RDE Nairobi.
- The regional Peace and Stabilisation Programme for the Horn of Africa (PSP-HOA), supported by the Peace and Stabilisation Fund (PSF) and managed jointly by the Ministry of Foreign Affairs (MFA) and Ministry of Defence (MOD) in close cooperation with RDE Nairobi and the Royal Danish Embassy in Addis Ababa.
- Initiatives from the Danish-Somali diaspora are supported through two funding modalities, one administered by CISU (Civil Society in Development) and the Diaspora Programme administered by Danish Refugee Council (DRC), both funded by the MFA.
- Somalia engages interests in the African Union (AU) and the Intergovernmental Authority on Development (IGAD), which are partners to Denmark's Africa Partnership for Peace (APP).
- Danish support for global education programming reaches Somalia via the Global Partnership for Education (GPE).
- Denmark's participation on the boards of the WB, ADB and UN agencies.¹⁸

The SCP's responsibility among these mechanisms is to exploit the comparative advantages of development assistance. Somalia has opportunities to begin a process of emerging from fragility, but it will be difficult to do so; the starting point is a government, society and development system largely organised around crisis mechanisms.¹⁹ The SCP therefore aims to assist to develop the foundational building blocks of Somali development – progress on governance institutions, support to economic growth and coordinated donor funding mechanisms aligned to the Somali Compact.

The SCP is complementary to Danish political work and it has a wider social ambition than the humanitarian frame. The APP provides a broad mechanism to support continental peacebuilding and political initiatives in Somalia, with some indirect initiatives on how the SCP can engage in different locations. The SCP defers to PSP-HOA's lead in relation to immediate needs for stabilisation, security, justice and the rule of law. The highly-risk environment in which the SCP operates suggests the strong synergies the programme shares with successful operations in the PSP-HOA and under the humanitarian frame. A level of stability is necessary for most SCP interventions. The removal of al-

¹⁸ For example, through the SCP Denmark will support the WB MPF, while Denmark's Director of the World Bank approves ongoing World Bank initiatives in Somalia.

¹⁹ With the partial exception of Somaliland.

Shabaab militia as an organised physical force in Mogadishu has been necessary to provide openings for the SCP to support sizeable capacity-building initiatives at the core of the FGS. The relative stability of Somaliland enables the SCP to engage in more far-reaching development assistance, organised with greater government partnership and reaching across most of Somaliland.

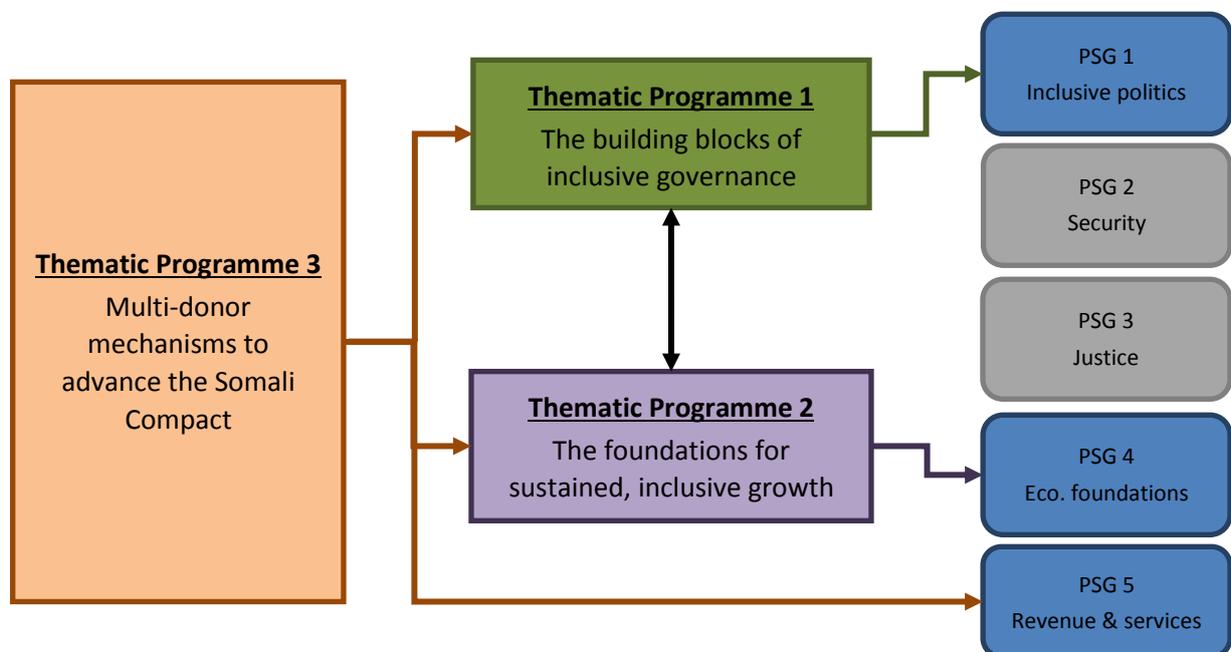
2.3.1. SCP structure

The SCP objectives are aligned to three PSGs of the Somali Compact:

- PSG1: *Achieve a stable and peaceful federal Somalia through inclusive political processes.*
- PSG4: *Revitalize and expand the Somali economy with a focus on livelihood enhancement, employment generation, and broad-based inclusive growth.*
- PSG5: *Increase the delivery of equitable, affordable, and sustainable services that promote national peace and reconciliation amongst Somalia’s regions and citizens and enhance transparent and accountable revenue generation and equitable distribution and sharing of public resources.*

The programme structure reflects the transformative situation facing Somalia and its donors, including flux in political developments, conflict dynamics and development assistance mechanisms. The greater willingness of the FGS and donors to align around the Somali Compact and the SDRF mechanisms has encouraged Denmark to commit to these mechanisms as a core part of the SCP. TP3 consists of funding for core, multi-donor mechanisms that coordinate government-donor action: the WB MPF, UN MPTF and the SDF. With the SCP preferencing (“earmarking”) in the trust funds, they will contribute to progress on PSG1, PSG4 and PSG5.

Figure 1: Relationship between thematic programmes and with PSGs



TP1 and TP2 are qualitatively different from TP3. They consist of engagements with a programme focus, specifically reflecting Danish objectives on governance and inclusive economic growth. Activities under these thematic programmes have been chosen because they address needs and opportunities in which the multi-donor funds do not have a comparative advantage at this stage.

TP1 is directed towards PSG1 and TP2 is directed towards PSG4. The three thematic programmes are mutually reinforcing, reflecting the spirit of the Somali Compact and the PSGs, which span a full spectrum of peace and development issues. Figure 1 (page 8) shows the relationships between thematic programmes and the PSGs.

Approximately 56% of SCP funding will go to Somaliland. This is lower than approximately 70% in 2011-2014, reflecting a balance between success in engaging Somaliland and the opportunities to contribute to progress in stabilising the FGS.

Table 1: Thematic programme summary of engagements and their focus

TP1: Governance	
UN Joint Programme on Local Governance	Promote improvements in local governance quality that can contribute to peace consolidation, development and equitable service delivery.
Participatory Governance and Peace Programme (PGP)	Consolidate peace by strengthening peaceful and locally owned democratisation and election processes that contribute to cross-regional Somali democratisation.
TP2: Inclusive Economic Growth	
Livestock Investment and Vocational Education Programme (LIVE)	Support for Somali institutions to develop sustainable livestock management systems, strengthen veterinary capacity and improve access to livestock market information, while linking to formal government mechanisms.
Village Level Resilience Programme (VLRP)	Increase the resilience of chronically vulnerable people, households, communities and systems in targeted pastoral, agro-pastoral and peri-urban livelihood zones.
Promoting Inclusive Markets in Somalia (PIMS)	Initiate sustainable and inclusive poverty reduction and economic growth by supporting basic regulatory frameworks and capacities, private opportunities and critical sector value chains.
TP3: Somali Compact Financing Windows	
United Nations Multi Partner Trust Fund	Support a coordinated UN delivery mechanisms that strengthens implementation of the Somali Compact and provides for the FGS leadership and ownership over political, security and development efforts
World Bank Multi Partner Fund	Reduce poverty through coordinated support to selected value chains and investments in the productive sectors in synergy with the proposed FGS economic strategy and a regulatory framework for private sector growth.
Somaliland Development Fund	Strengthen core GOSL functions in order to deliver investments in critical public sector projects.

Figure 2 (next page) summarises the justification and structure for the SCP. At the top is the Danish policy objective for Somalia. Below this are the identified areas requiring attention to achieve that objective. TP1 and TP2 are aligned to a specific problem (governance and economic growth, respectively). TP3 directly supports action on those problems, as well as on the other priorities of the Somali Compact. White boxes show identified needs and expected outcomes under each thematic programme; the linked black boxes are the engagements that the SCP will support.

2.4. Programme Theory of Change

The SCP consists of three types of engagements: (1) engagements to develop governance institutions and civil society; (2) initiatives to support the strengthening of the Somali economy; and (3) funding for multi-donor mechanisms aligned with the SDRF. The theory of change of the SCP is based on a view that a comprehensive, holistic approach is needed to generate sustainable progress in Somalia. The building blocks of stability and growth are intertwined: governance improvements

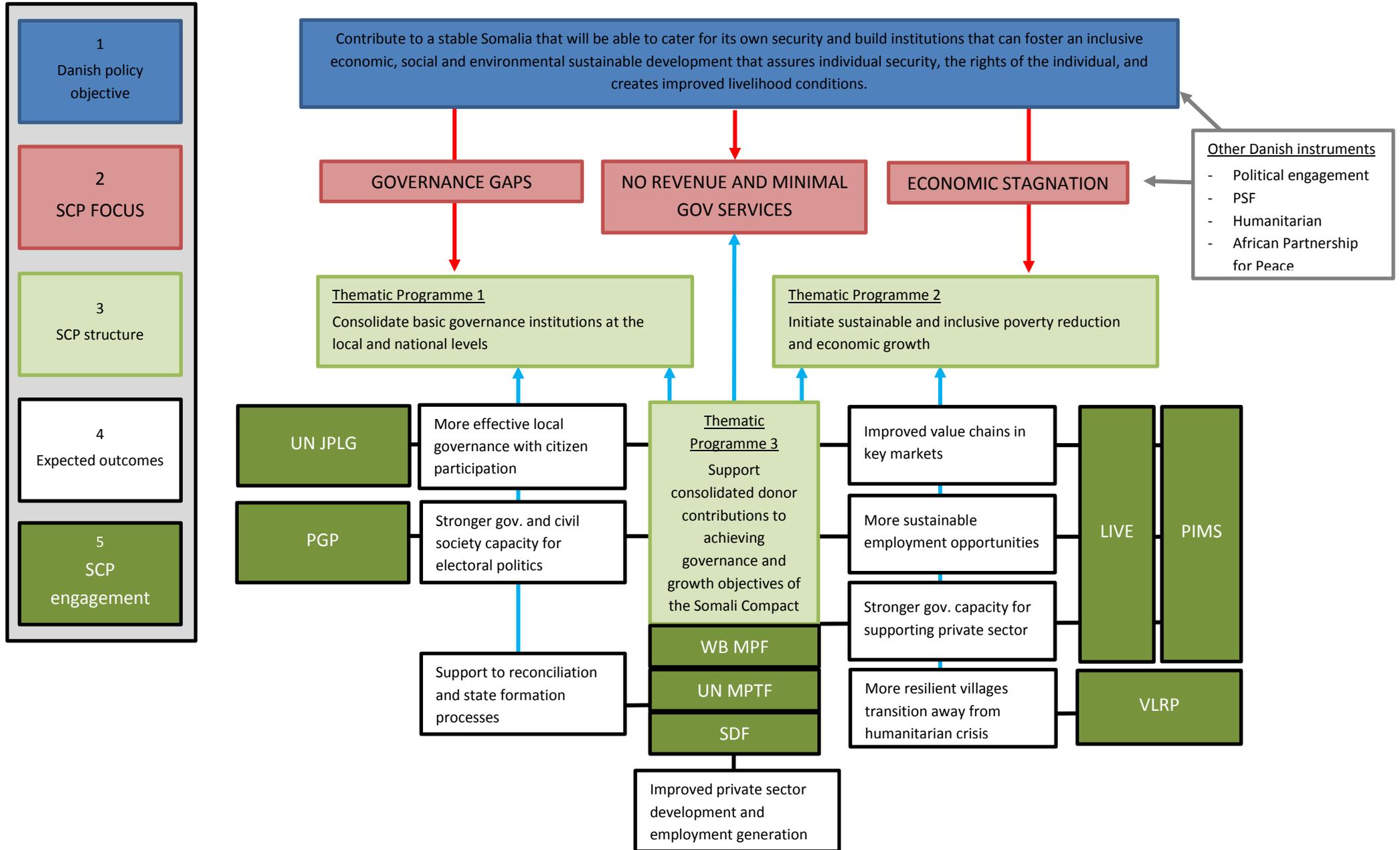
cannot take place without economic growth, which similarly cannot take place without more stability. Table 2 summarises the theory of change, showing the key assumptions, processes of change and impacts to which the SCP will contribute.²⁰

Table 2: SCP theory of change

Assumption 1	If the FGS, sub-national authorities are able to attend, contribute and benefit from foreign assistance activities and...
Assumption 2	Implementing partners' capacity remains sufficient to deliver required results, and...
Assumption 3	Security does not worsen, the FGS remains intact and the total territory in which the FGS can establish a presence grows, and...
Assumption 4	Neighbouring countries do not escalate their involvement outside the framework of AMISOM in conflict in Somalia at odds with strengthening the FGS, and...
Assumption 5	Drought may occur but its severity will not exceed that of the last five years, and...
Assumption 6	The FGS and GOSL will not force confrontation on Somaliland's status and will not instigate violence on this issue, and...
Assumption 7	Local, district and regional governance structures will remain prevalent and predominant in most places, and...
Assumption 8	Producers and regulators are interested to improve productivity, such that market forces and an enabling business environment will support economic growth, and...
Assumption 9	Donors channel sufficient support through trust fund structures, with which these can operate and implement meaningfully, and...
Assumption 10	There is commitment to the Somali Compact at regional and federal level, agreed upon by donors, which will attract increasing amounts of funding through SDRF trust funds and SDF if they demonstrate adequate performance, then if...
Inputs	Denmark provides funding for: <ul style="list-style-type: none"> • Government capacity-building at local and federal levels that is sensitive to regional contexts; • Support to duty bearers and rights holders on democratic processes and statebuilding, including the electoral and constitutional process, as appropriate to each region; • Development of critical physical infrastructure (e.g. water supply and rehabilitation of roads and water supply); • Support to vocational training and job creation targeting women and youth in the private sector; • Investments in improving value chains in prominent sectors of the economy, then ...
Short term changes	<ul style="list-style-type: none"> • Government personnel will develop new knowledge and skills, particularly in relation to planning and executing public projects; • Local civil society will engage more strongly with democratic processes, including in elections and with district-level governments; • Opportunities will expand for women and marginalised groups (e.g. IDPs and returning refugees) to participate in political and economic decision-making;

²⁰ Because the three thematic programmes are closely integrated, no theory of change is described at the thematic programme level. Instead, this table provides the SCP theory overall, while DEDs explain expected changes and connections at the engagement level.

Figure 2: Objectives, needs, structure and engagements under the SCP



Short term changes (continued)	<ul style="list-style-type: none"> • Communities and businesses will have expanded opportunities to be involved in improving small-scale infrastructure to increase economic activity; • Individuals will seize opportunities for employment to improve economic household resilience; leading to ...
Medium term changes	<ul style="list-style-type: none"> • Improved, transparent, accountable, non-discriminatory and participatory public administration at local and federal level; • Enhanced voice and engagement for civil society organisations, women and marginalised groups (including IDPs and returning refugees) through democratic processes at regional and federal level; • Wider employment and business opportunities for women and youth and increased employment in sustainable sectors and with sustainable skills • Enhanced productivity in dominant sectors and value chains; eventually contributing to...
Long term, lasting changes	A foundation to develop inclusive, effective governance and economic development over the longer term.

The assumptions shown in the theory of change are directly related to the risks identified in the risk descriptions below and in the risk management tools in Annex E and Annex O. During the technical reviews of the multi-donor trust funds (described under TP3), this theory of change will be assessed, validated and amended. RDE Nairobi will also use the SCP mid-term review to assess the degree to which these assumptions remain valid.

The changes described in the table above are reflected in the results presented under each engagement and in the thematic programme indicators of progress. Although the SCP strives for alignment with the Somali Compact, it should be noted that the Danish emphasis and interests shown in the theory of change may vary somewhat from how these results are expressed in partner documents. This is inevitable given the Somali Compact lacks a results framework and the SCP rely on multi-donor programmes reflecting a mixture of interests and ways of visualising change.

2.4.1. Cross-cutting issues

The SCP has made strategic choices about how to prioritise cross-cutting issues. There are clear challenges in Somalia in relation to the conditions faced by Somali women, including FGM, access to education, access to resources, and political leadership. There is widespread prevalence of human rights abuses, including in relation to transparency, accountability and participation. Corruption is ingrained and widespread, as is discrimination against minority clans. There is also poor environmental conservation and climactic events appear to exacerbate conflict and crises.

The SCP cannot solve all of these problems. Environment and climate change issues are given lower priority. They are addressed through ‘do no harm’ requirements in partner engagements, through dialogue with partners to advance them opportunistically, and through niche investments that occur as part of the focus on governance and inclusive economic growth, for example water conservation and renewable energy projects from the SBF.

More focus is placed on implementing the **HRBA**. This occurs through partner programming, rather than specific engagements, because human rights structures are non-existent at the FGS and regional levels; there is also strong interest among development engagement partners to mainstream HRBA into programming. Action on gender is a priority, as there are clear opportunities

manifested in new ministerial and election commission appointments. There are signs of a consensus among donors and government on HRBA, which will be detailed in a mutual accountability framework under development. The SCP has lower expectations for reducing discrimination against marginalised groups during the programme period and there is less clarity between FGS and donors on a framework for human rights.

Non-discrimination: The SCP aims to include all rights holders in democratic and economic development processes. Specific groups, including marginalised groups and women, may be at a cultural or contextual disadvantage in accessing SCP programming. In order to compensate for these disadvantages, the SCP requires implementing partners to 1) conduct HRBA analyses where possible, 2) adopt specific indicators related to the involvement of disadvantaged groups and 3) disaggregate data according to gender and social groups where possible and relevant

Participation and inclusion: The primary constraints in Somalia are 1) insecurity, which reduces service provision and access, and 2) cultural norms and social barriers that prevent the active participation of women and disadvantaged groups. The SCP addresses these constraints through support for civic education and district and village level initiatives. Business and economic support also includes specific measures for inclusion of women. Many programmes also include participatory planning as an operational requirement.

Transparency: The SCP will actively encourage greater transparency through its dialogue with implementing partners and input into programme design, monitoring and review. All engagements include annual reporting from partners that is publicly available.

Accountability: Pooled funding through WB MPTF, UN MPTF, JPLG provides an important framework to advance accountability through dialogue with FGS and in its IFMS. Engagements with civil society also encourage oversight and accountability. These take place through UN programmes and through direct SCP support to civil society organisations. These engagements systematically empower individual rights holders and hold duty bearers accountable.

Gender is included in two ways: It is the focus of the Danish support to democratic and electoral processes in order to involve more women as political representatives. Further it constitutes a crosscutting priority in each development engagements. Every partner will provide gender disaggregated data and include, where possible, a gender-specific component. The SCP has chosen not to directly support a women's association or gender-specific development engagement. This decision was made due to two primary factors: (1) the gender-specific development engagement in the previous SCP had not performed satisfactorily; and (2) an analysis of gender-specific engagements showed that most such programs in Somalia are not sufficiently developed.²¹

Durable solutions for refugees and internally displaced persons (IDPs)²² are a priority for the FGS and UNHCR, given the current political climate. A sub-group on durable solutions has been proposed under development under PSG4 and resilience/durable solutions are integrated into the UN MPTF, but expected results are not finalised. It is also anticipated that community-level programming, such as PGP and VLRP, will work on integration of IDP and returnee issues into the local governance

²¹ See Annex L.

²² That is, providing long term options with regard to return to place of origin, resettlement in country of origin, or resettlement in host country.

structure. Partner programmes relevant to durable solutions were reviewed during the formulation process and none was found strong enough to justify an additional SCP engagement beyond the UN MPTF and VLRP.

Humanitarian and development programming are linked most obviously through TP2’s support for a VLRP. This will directly build on Denmark and others donors’ support to provide models for moving communities out of crisis and increasing their prospects for longer-term development. LIVE, with its research on drought and impacts on livestock, directly benefits rural communities in their core economic activity.

2.5. Aid Effectiveness and Strategic Alignment

The SCP’s strong alignment with the Somali Compact has been described above and its overall design reflects the OECD DAC criteria, as shown in Table 3.

Table 3: SCP assessment according to DAC criteria

DAC Criteria	SCP Measures
Relevance	The relevance of the SCP is demonstrated by the high degree of alignment with the Somali Compact. This compact was developed in close cooperation with the FGS, on the basis of needs as identified by the Somali government and the Somali people. The SCP links directly to PSGs 1, 4 and 5, and also provides broader capacity development.
Effectiveness	TP1 supports effectiveness by working simultaneously on elections and civil society, and by building capacity of district level governance mechanisms; this level of capacity building can provide direct, measurable results. TP2 invests in key Somali value chains, and builds economic capacity at the individual level. TP3 maximises effectiveness by supporting multilateral, commonly-agreed compact trust funds, and by building infrastructure and civil services.
Efficiency	The SCP aims to be efficient in two ways. First, it aligns closely with donor-government coordination structures. Second, it partners with other donors in pooled or delegated funds. Third, SCP partners have long-standing records of delivering (relatively) efficient services, either with Danish or with other funding.
Sustainability	The SCP aims to achieve sustainability by working directly with the FGS and Somali partners to establish and use country systems through the Somali Compact. Capacity-development plays a major role through each engagement in the SCP, and this focus is expected to support sustainability. The SCP aims to take a joint funding approach to engagements, which helps to reduce beneficiary vulnerability to funding shocks should one or more donors drop out.
Impact	The primary impacts that the SCP aims to achieve are: (1) to contribute to the delivery of the PSG goals as outlined in the Somali Compact, through multilateral funds, (2) to generate limited, but tangible progress in transparency and accountability of governance mechanisms and (3) supporting key value chains in the Somali economy and addressing livelihoods at the village level – that is, the locus of most economic activity in the country.

2.5.1. Coordination with other donors

The SCP contributes directly to three PSGs. Denmark’s limited resources and the absence of a Danish presence in Mogadishu make it impossible to provide substantial involvement in all PSG structures. However, it will be possible for RDE Nairobi to engage strategically with one or two PSGs²³ at Nairobi level since both the UN and the WB are present there. Denmark also works with other donors with similar priorities to maximise impact. Donor coordination is practiced through the

²³ Sweden has chosen to adopt this approach and is currently co-leading PSG 1 and 4. Similarly, Norway is the co-lead for PSG 5.

Somalia Donors Group, the Development Partners Forum and is necessary to optimise Danish engagement in Somalia. RDE Nairobi will explore further practical and political cooperation with Nordic Plus partners. Introductory meetings have been held. Practical options for collaboration include (1) further delegated partnerships, including for common third-party monitoring and evaluation; (2) development of a common strategy toward PSGs to ensure harmonisation and alignment; and (3) common approaches towards other donors.

The Somali donor context is also characterised by the emergence of new, non-DAC donors. These donors have signed up to the Somali Compact, but do not participate in the Compact structures. Outreach to them is important given the extent of their activities in Somalia. In programmes/activities where non-traditional donors are active, outreach and engagement with these donors as well as with Nordic Plus partners will be sought where appropriate and effective.

2.6. Planning Scenario – Contextual Risks

The SCP operates in a high-risk context. Engagement-level risks are summarised in each DED. A full risk management matrix is in Annex E and scenario planning is in Annex O. Key contextual risks during the SCP period include *insecurity, political instability, and humanitarian and natural disasters*. Many parts of Somalia remain in conflict and there is a risk of renewed fighting. There are fragile political arrangements holding together the FGS and underpinning its relationships to IRAs, Puntland and Somaliland. It is almost certain that some areas will become inaccessible for periods during implementation. It is also possible that the FGS itself will collapse. These scenarios would require RDE Nairobi to work with partners to re-consider work-plans and re-allocate funds within the SCP. Insecurity and political instability also encourages the selection of partners capable of identifying conflict risks and performing conflict sensitivity analysis.

Corruption, mismanagement and diversion of funds are almost certain to affect programme performance. Diverted funds reduce the amount available for implementation, increase the management costs in the programme and can contribute to conflict among intended beneficiary groups. Corruption also directly undermines the good governance and human rights ambitions of the programme. The SCP obliges partners to maintain good financial management, requires regular financial reporting and maintains Denmark's right to audit funds. It also includes a budget for third-party monitoring, which helps to identify potential problems. RDE Nairobi will consider independent audits of Danish funding, reclaiming unused or misspent funds and re-allocating funding. Maintaining political dialogue through multi-donor mechanisms and directly with Somali governments will also be important to support progress where it counts most – in Somalis' commitments to mitigate and fight corruption.

In the face of a high-risk context, the SCP's assumptions for the period until 2018 are captured in the theory of change elaborated earlier. Annex E shows levels of (un)certainly surrounding each of these assumptions. The approach taken to risk management is to outline potential scenario triggers that would force substantial changes to the programme or its operations. These provide concrete guidance to SCP managers on *options* to respond, while recognising that how these options will be used depends on the precise situation faced if the risks become manifest. Annex O analyses risk in a complementary way, describing in broad terms some potential scenarios and their impacts on SCP during implementation.

The risk management framework will be reviewed once the Somali Compact joint risk management framework has been finalised (see TP3) and Annex E, Annex O will be updated accordingly. In addition, the mid-term review will be used to re-examine these tools.

2.7. Budget Allocations

Table 4 summarises the budget at thematic programme level and a detailed budget is presented in Annex D. The line on reviews includes technical assistance to support the transitional features of the programme (described in TP3 below), as well as any inputs required in the preparation of competitively tendered engagements. Separately, Annex P details available information on partner overhead and implementation efficiency. Overhead appears relatively high for development cooperation engagements, but in line with Danish experience in other fragile settings.

Budget allocations reflect an emphasis on the opportunities available in the SDRF mechanisms (TP3). The allocations between TP1 and TP2 recognises that governance and inclusive economic growth are mutually reinforcing and in the Somali context equally demanding in terms of resources, so there was a straightforward interest in maintaining a balance between the thematic programmes, and the budget has been built from the requirements of engagements themselves.

Table 4: SCP budget (DKK million)

	TOTAL
TP1 Governance	89
TP2 Inclusive Economic Growth	80
TP3 Somali Compact Financing Windows	226
Third-party monitoring	13
Unallocated funds	16
Reviews, studies, extraordinary audits and public diplomacy	6
Advisors and DPO Hargeisa	20
Country Programme Total	450

2.8. Unallocated Funds

The SCP includes DKK 16 million of unallocated funds. Fluidity in the context and in donor funding mechanisms in Somalia makes it likely that opportunities will arise later for additional Danish contributions. Studies and reviews described in relation to the programme's transitional nature can assist in identifying relevant allocations, as can the mid-term review. In considering whether and how to respond to emerging needs while maintaining the quality of engagement selection and monitoring, the process should be biased towards areas in which Denmark is already involved or has knowledge and fits within thematic programme objectives. Two particular priorities for exploration could be gender and human rights. At programme launch the lack of dedicated initiatives on these cross-cutting issues has been dealt with by integration and mainstreaming into other engagements; RDE Nairobi will be open to the emergence of effective, dedicated programmes on these issues so long as they can be managed with existing SCP resources.

3. Thematic Programme 1: Governance

3.1. Overall Strategic Considerations and Justification

The TP1 objective is *to consolidate basic governance institutions at the local and national levels, in line with a long-term ambition for Somalia to develop transparent, participatory and accountable government institutions and practices*. This aligns with PSG1. The engagements under TP1 are focused at the local level, while TP3 addresses the federal and regional levels. The choice of objective for TP1 is informed by Somalia's stage of state formation, the variation of opportunities around the country and the limited availability of capable implementing partners. The objective creates risk of inflated expectations; it must be understood that TP1 contributes to Denmark's long-term goals by building capacity among government institutions and civil society with regard to democratic processes and accountability. During active conflict, the SCP might essentially be prohibited from making progress.²⁴

Governance activities need to be tailored to the situation on the ground. At the local level, TP1 aims to support duty bearers in areas where formal administrations have been operating or have become feasible. It supports capacity development in district level governance mechanisms through established programmes such as JPLG. The GOSL has expressed a strong interest in extending its existing system of district administration development to all districts within Somaliland. There are opportunities in Puntland to pursue a similar approach to district government development. In other regions, prospects are less certain. However, existing and emerging IRAs will need to advance from basic conflict suppression to more formal district governance, which will require peacebuilding, e.g. through social reconciliation and capacity-building of institutions. In some areas this will be supported by PSP-HOA engagements, while in others there is a role for SCP funding.

To implement the HRBA in a balanced manner, TP1 also takes an interest in supporting rights holders, specifically in elections and community participation in peacebuilding. There are a wide range of initiatives in Somalia relevant to peacebuilding and the development of civil society, with few on electoral participation. Danish support in Somaliland and Puntland has previously included support to electoral authorities, including National Election Commissions and civil society organisations on electoral participation, political dialogue and local peacebuilding with good results. There has, however, been less emphasis on South Central regions due to instability and the security situation in general. The SCP will work with experienced and specialised partners who already have developed legitimate relationships with civil society, formal administrations and electoral leaders, in order to deliver maximum impact within the programme period.

The choice of engagements under TP1 is limited to two, heavily influenced by Somalia's conflict and lack of limited availability of specialised partners. As explained above, in relation to human rights and gender, Somalia lacks institutions for engagement and the formulation process did not identify specialised implementing partners that could take these two themes forward with a targeted approach. Therefore gender and HRBA is mainstreamed into each development engagement (ref. 2.4.1).

²⁴ This would leave Danish contributions primarily to the humanitarian frame and the PSP-HOA.

Table 5: TP1 assessment according to OECD DAC criteria

DAC Criteria	SCP Measures
Relevance	The relevance of TP1 is demonstrated by the high degree of alignment to PSG1 on inclusive politics. The Somali Compact and the Somaliland Special Arrangement were developed in close cooperation with the FGS and GOSL, on the basis of needs identified by the FGS and GOSL and the Somali people.
Effectiveness	TP1's effectiveness will be ensured by working with experienced partners with a track record of delivering high quality programmes and results. Effectiveness will also be supported by working with both duty-bearers and rights-holders.
Efficiency	TP1 aims to be efficient by choosing partners with long-standing track records with the Danish government and/or other donors.
Sustainability	The SCP aims to achieve sustainability by working directly with regional and, district governments and civil society promoting local ownership in its activities.
Impact	The primary impact that TP1 aims to achieve is to generate limited but tangible progress in transparency and accountability of governance mechanisms.

3.1.1. Policy justification

Outlined in the *Policy Paper*, Denmark's strategic focus area 1 is statebuilding and inclusive politics, targeting: (1) Support political dialogue that should include appropriate representation from women, youth and marginalised groups e.g. displaced persons, (2) Continue supporting the ongoing democratisation processes primarily in Somaliland with a focus on strengthening bottom-up democracy support leading to transparent and credible elections, (3) Continue to provide support to well-established partners capable of engaging local NGOs and working with key stakeholders in society in order to enhance democratic reforms and strengthen electoral processes. As described above, TP1 aligns with the *Somali Compact and the SSA*, specifically PSG1 on inclusive politics. Conceptually, TP1's engagements are also closely connected to PSG2 and PSG3, in supporting security and the rule of law.²⁵

3.2. Indicative Results Framework

Table 6 shows the expected impacts of TP1. All indicators can be monitored by sources available to RDE Nairobi. It also shows the outcomes, baselines and indicators at the engagement level. These are based on partner discussions and programme documents; but will need to be amended when the Somali Compact results framework is finalised. The impact indicators are by definition at a higher level of analysis than outcome indicators. These are aligned to PSG1 and draw on support from TP3. Numerous factors can potentially intervene between the outcome level and impact level, but SCP impact indicators are the highest test of whether Somalia progresses towards the Danish policy objective.

Table 6: TP1 results at impact and outcome levels

Thematic Programme	Governance
Thematic Programme Objective	To consolidate basic governance institutions at the local and national levels, in line with a long-term ambition for Somalia to develop transparent, participatory and accountable government institutions and practices.
Impact indicator A.1	Improvement in citizen trust in government institutions and practices, as

²⁵ Given that effective democratic governance is tied closely to the rule of law, contributions to the rule of law occur under TP1. Examples of the SCP's contributions include: the development of election rules and procedures; creation and habituation to fair and transparent public tendering of public works in Somalia; the mitigation of corruption through public financial management reform; simplification and consistency of private sector regulation; and transparency of budgeting.

		measured by Local Governance Barometer, World Bank citizen perception survey and UNDP citizen perception survey. It is anticipated that a 10% improvement in each indicator will be achieved	
Impact indicator A.2		Improvement in citizen perception that governments provide basic public services, as measured through the Local Governance Barometer.	
Engagement Title		United Nations Joint Programme for Local Governance	
Outcome indicator A.1.1		Local governments deliver improved services through enhanced engagements of communities with central government and non-state actors through frameworks for Service Delivery Methods (SDMs), which are outlined and approved.	
Baseline	Year	2015	Framework for SDM is outlined, but no SDMs for sector ministries have been designed or approved.
Target	Year	2017	Somaliland: 10 SDM designed and 4 SDM approved. Puntland: 10 SDM designed and 4 SDM approved. South and Central: 5 SDM designed and 3 SDM approved.
Engagement Title		Participatory Governance and Peace Programme	
Outcome indicator A.2.1		Civil society and community leaders successfully advocate for legislative change on behalf of citizens, including women and marginalised groups	
Baseline	Year	2015	Zero - <i>baselines to be conducted during start-up.</i>
Target	Year	2017	6 laws/policies/regulations/initiatives drafted and promoted by civil society to respond to research findings on citizen needs and priorities (3 specifically address the needs of women and marginalised groups).

3.3. Summary of Engagements

3.3.1. United Nations Joint Programme for Local Governance

Transparency and accountability at the local level is a major issue for the Somali governments. The TP1 objective requires attention to strengthening local governance in a participatory manner. With low capacity, low revenue and limited outreach and legitimacy, it is a challenge for the governments to provide basic services or engage in participatory planning with rights holders. Districts are running with semi-formal administrations that have variable but generally low capacity. In response to this need, JPLG strengthens capacity and transparency at the district level. Since 2008 JPLG has been effective in Somaliland and it has a direct impact on the population through construction of small-scale infrastructure planned by local authorities. The SCP allocates DKK 55 million to JPLG.

JPLG is a partnership between five UN agencies.²⁶ The programme focuses on three key outcomes: (1) Supporting policy and legislative reforms for functional, fiscal and administrative decentralization that clarify and enhance the role of local government, its relationship to central government, and as a means to improve local service delivery, (2) Improving local government capacity for equitable service delivery and (3) Improving and expanding the delivery of sustainable services to citizens in an equitable, responsive and socially accountable manner and promoting local economic development. JPLG is the only actor to work directly on district government systems in Somalia, and it is therefore the only programme that meets the need identified above.

The objective of the engagement is to promote improvements in local governance quality that can contribute to development, equitable service delivery and peace. This engagement meets the need to strengthen governance at the district level in a broad-based way, including in relation to financial

²⁶ UNDP, UN-Habitat, UNICEF, UNCDF and ILO.

capacity, accountability and transparency. The SCP theory of change shows linkage between broad-based capacity-building and expected changes towards more capable, accountable government duty bearers. At the national level, the Somali Compact foresees indicators in relation to these activities; in Somaliland, targets are already in place and JPLG objectives are incorporated in PSG5 of the SSA.

Core JPLG activities are a) training of district government officials and development of government systems, b) systematic implementation of district planning processes and c) support of district capacity through implementation of infrastructure projects. This engagement receives indirect support and reinforcement from TP3 contributions to capacity-building, public financial management and service delivery programmes at the national level. It links with TP2 by investing in market-supporting infrastructure at the district level, procured with opportunities for local businesses. It also links to Somalia Stability Fund investments in local governance and conflict resolution expected to receive support over PSP-HOA II. A process has been initiated to integrate JPLG into the UN MPTF.

3.3.2. Participatory Governance and Peace Programme

Under Thematic Programme 1, the SCP aims to strengthen the capacity both of duty bearers, through JPLG, and rights holders, through a Participatory Governance and Peace programme. Following over 20 years without a central government, civil society organizations have become important players in the peacebuilding and reconciliation process, as well as in service delivery. It will be important for the FGS and civil society to strengthen links in order to develop a governance framework that reflects the needs of the Somali population. Similarly, electoral processes are in need of strengthening at national, regional and local levels, especially in light of the upcoming elections scheduled to take place in Somaliland in 2015 and in Somalia in 2016.

The objective of this engagement is to consolidate peace by strengthening peaceful and locally owned democratisation processes that contribute to cross-regional Somali democratisation. PGP will support governance in Somalia by working to build capacity among rights holders, both through strengthening of civil society and improvement of electoral processes. The activities undertaken through this engagement should include a) training for and/or advising of electoral commissions at the regional and national level, b) development of and support to civil society organisations conducting research in the promotion of participatory governance, including identifying the needs and priorities of citizens, and c) support to local civil society in promoting events of reconciliation. The SCP allocates DKK 34 million to PGP.

The engagement meets the need to develop the capacity of rights holders, both to advocate to the appropriate government system, and to participate in electoral processes. The engagement fits with the SCP theory of change to provide support to rights bearers with regard to electoral and constitutional processes. This input is expected to generate stronger engagement by civil society with government structures, which in turn will enhance the voice of civil society, particularly women and marginalised groups, and give them greater capacity to advocate for their rights.

This engagement builds on Denmark's previous support to elections and civil society work²⁷. PGP will be subject to a tendering process. This engagement receives indirect support and reinforcement from TP3 contributions to capacity-building, public financial management and service delivery

²⁷ As part of Component 1: Governance and Statebuilding, Danida Assistance to Somalia 2011-14.

programmes at the national level. As the UN MPTF develops, this engagement will be an important bottom-up contribution to the more centrally driven state formation activities that the UN MPTF is likely to support.

3.4. Lessons Learned from Previous Cooperation

First, programmes previously varied in effectiveness, as some did not demonstrate sufficient impact. The SCP has therefore excluded partners with low levels of effectiveness and without clear, results-oriented forward programming. For example, the SCP has not supported gender-specific programmes at this stage and instead focuses on integrating gender as cross-cutting issue into all areas of TP1's expected results.

Second, community and district level programming has been effective (JPLG), e.g. increased revenue collection at district level, increased focus on participation of women in the 2012 local elections in Somaliland, but there is still a need for a voter list to support freer and fairer elections in 2015 and 2016. Experience has shown that the choice of a partner with a strong local network is especially important when supporting district democratic debate and voter education. This has led to good and tangible results on the ground. Programmes previously emphasizing and strengthening a bottom-up approach, empowering civil society, have contributed in enhancing dialogue between government authorities and local communities.

Third, experience has shown that SCP will benefit from the an independent monitoring function applicable to the SCP as a whole, and engagement and programme-level results frameworks should adhere carefully to the SMART principles.

3.5. Management and Monitoring

Information to report on TP1 indicators will be available directly from partner reports and publicly available, open-source trends. They are aligned from engagement outputs, up to engagement outcomes and to thematic programme impacts. Danish monitoring of JPLG will occur through joint donor mechanisms. PGP monitoring will be determined in the tendering process, with an interest in aligning with other donors. The SSA was monitored as an input to the HLPF in Copenhagen and RDE is investing in a special adviser to the Minister of National Planning and Development in GOSL whose primary purpose will be integrating this framework into government reporting. Monitoring frameworks in TP1 and the DEDs also commit partners and RDE Nairobi to mitigate and report on conflict risks in partner programmes. RDE Nairobi will have the opportunity to influence the further development of JPLG through participation in relevant fora. For PGP, Denmark will have primary or shared influence in its steering mechanisms.

3.6. Programmatic and Institutional Risks

Contextual risks for the SCP as a whole are outlined above in the country programme description. A full risk management matrix is available in Annex E and scenario planning in Annex O. For TP1, conflict, corruption and political instability are risks with a high probability of occurring and with major consequences for programme objectives. In the case of corruption, it is not just a matter of reduced outputs from a reduced volume of funds available for implementation; corruption also undermines the potential to develop governance structures that reflect the HRBA. In the case of political instability, uncertainty over sub-national structures will reduce the efficiency of aid and its

potential geographic coverage. By 2017 this would be evident as less progress towards programme targets.

4. Thematic Programme 2: Inclusive Economic Growth

4.1. Overall Strategic Considerations and Justification

The TP2 objective is *to initiate sustainable and inclusive poverty reduction and economic growth by supporting basic regulatory frameworks and capacities, private opportunities and critical sector value chains*. This aligns to PSG4. The choice of objective is informed by the strengths and weaknesses of the Somali economy; an understanding of the political context in which growth can be pursued; and the limited availability of implementing partners to advance inclusive economic development. The objective takes a more limited scope than the vision provided by the Policy Paper, in recognition that progress in the programme period will involve fragile results in a transitional economy. In 2015-2018, there may be tangible signs of economic progress but it will continue to be a challenge to generate gains that will be confidently sustainable. At a minimum, TP2 aims for an increased rate of economic growth and an expansion of opportunities for women and youth. With the focused attention on Somalia represented by the SDRF and AMISOM, it is not unreasonable to expect growth rates to increase, however it is not certain that Somalia will enter a post-conflict acceleration during the SCP period.

TP2 includes broad approaches to fostering growth along with targeted activities focused on Danish comparative advantages in niches that large-scale programmes may miss. Denmark’s strong knowledge of livestock sector development and village-level resilience motivates TP2 towards these issues. Furthermore, generating youth employment opportunities is critical to Somalia’s peace and development; LIVE has youth employment skills as a core concern and represents a tangible contribution from Denmark to this challenge. In addition, PIMS addresses constraints to private sector development, and will fund the delivery of value chain development and cash for work to build market infrastructure²⁸. Through these two engagements, the SCP addresses both the supply and the demand side of youth employment. TP3 will also have direct impact on advancing the TP2 objective, particularly from SDF and WB MPF investments.

Table 7: TP2 assessment according to OECD DAC criteria

DAC Criteria	SCP Measures
Relevance	The relevance of TP2 is demonstrated by the high degree of alignment with the Somali Compact, particularly PSG 4. It also provides broader capacity-building that is clearly needed in the public sector and in private enterprises.
Effectiveness	TP2’s effectiveness will be ensured through investment in key Somali value chains, and building of economic capacity at the village level.
Efficiency	TP2’s efficiency enhanced by aligning closely with other donors and engaging in partnerships through delegated cooperation agreements, as well as by tendering for partners to conduct fair and impartial analyses.
Sustainability	TP2 aims for sustainability by working with both supply and demand side, thus creating lasting economic growth. In addition, sustainability is supported by working with the existing pillars of the Somali economy (ie livestock)
Impact	The primary impact is on key value chains and on livelihoods at the village level. These

²⁸ The following 6 value chains are expected: Livestock, agriculture, fisheries, poultry, construction and light manufacturing.

are the central platforms of most economic activity in the country.

4.1.1. Policy justification

As described above, TP2 aligns with *the Somali Compact*, most directly PSG4 on economic foundations. Outlined in the *Policy Paper*, Denmark specified inclusive economic growth as a strategic focus area. Drawing on lessons learned, TP2 will expand and extend each of these engagements. The Policy Paper also recognised that a key constraint to employment and economic growth was insufficient local capacity, which provides guidance to TP2's focus on training and capacity development. The Policy Paper²⁹ identified four priorities in strategic focus area 3: Poverty reduction and inclusive economic growth. TP2 addresses two of these four focus areas: (2) contribute to the continued development of the social and private sector, including involvement of the diaspora; and (3) contribute to a more qualified workforce in the productive sectors, supporting vocational training and creating employment, particularly for youth and women. The remaining 2 focus areas, capacity building of regional administration and establishment of critical infrastructure are addressed under TP3.

4.2. Indicative Results Framework

Table 8 shows a set of indicators for TP2, each of which can be monitored by sources available to RDE Nairobi. It also shows the outcomes, baselines and indicators at the engagement level. These are based on the SCP's objectives; since all engagements will be tendered, the outcomes detailed in the results framework below will be the basis for the selection process and for agreements with selected implementing partners. The impact indicators are by definition at a higher level of analysis than the outcomes within partner programmes. These are aligned to PSG4 of the Somali Compact and draw on support from the contributions of TP3. Numerous factors can potentially intervene between the outcome level and impact level, but SCP impact indicators are the highest test of whether Somalia progresses towards the Danish policy objective. It is likely that they will need to be amended when a Somali Compact results framework is finalised.

Table 8: TP2 results framework

Thematic Programme	Inclusive Economic Growth
Thematic Programme Objective	To initiate sustainable and inclusive poverty reduction and economic growth by supporting basic public frameworks, private sector opportunities and sector value chains.
Impact indicator B.1	Reduced unemployment of youth (under 30 years of age) and women from 67% in 2012 to less than 50%, as estimated by the UN Somalia Human Development Report.
Impact indicator B.2	20% increase in GDP (approx. 6% per year for 3 years), as estimated by the World Bank and International Monetary Fund.
Impact indicator B.3	DKK 2 billion in new investments made in new and rehabilitated infrastructure, of which 50% is aimed at the private sector via PPPs or contracting. The indicator is partly based on TP3 engagements that link to PSG4.
Engagement Title	Livestock Investment and Vocational Education Programme
Outcome indicator B.1.1	Increased number of vocational graduates with livestock-related skills

²⁹ Annex A: Denmark-Somalia Partnership Policy 201-2017

Baseline	Year	2015	Students being trained at the ISTVS-RC at both the Diploma and Bachelor level, 20% of which are women.
Target	Year	2018	The number of new veterinary graduates per year will increase throughout Somalia by 50% with at least 33% female participation.
Outcome indicator B.1.2		Market information system extended throughout Somalia	
Baseline	Year	2015	A livestock grading system linked to real-time livestock market data to benefit producers exists in Somaliland.
Target	Year	2018	A market data system will be available throughout Somalia, expected to be rolled out in 350 villages.
Engagement Title		Village Level Resilience Programme	
Outcome indicator B.2.1		Reduction in mean depth of poverty in programme communities³⁰	
Baseline	Year	2015	<i>Baseline to be conducted by implementing partner during start-up.</i>
Target	Year	2018	25 - 30% reduction
Engagement Title		Promoting Inclusive Markets in Somalia	
Outcome indicator B.3.1		Increased employment	
Baseline	Year	2015	To be developed by implementing partner during programme start.
Target	Year	2018	a) 9000 long term jobs, of which 4,400 are for women. b) 500,000 employment days created for poor, women, and youth through cash-for-work in Somalia.

4.3. Summary of Engagements

4.3.1. Livestock Investment and Vocational Education Programme

Livestock is the driving force in the Somali economy and building on this sector is central to TP2's objective overall. Denmark previously supported Terra Nuova to work in Somaliland and Puntland on livestock management and vocational training, with excellent results. These activities included (i) vocational training and capacity-building via the IGAD Sheikh Technical Veterinary School Reference Centre (ISTVS-RC); (ii) developing a system of real-time livestock market data with the Somaliland Chamber of Commerce; and (iii) developing and passing a law on quality standards in Somaliland.

Through a competitive selection process, the SCP will build on these activities and lessons learned to enhance the livestock sector's contribution to inclusive economic growth. The SCP theory of change highlights the connection between investment in crucial value chains (ref. footnote 28) and the potential for lasting, inclusive economic growth. There are good prospects for expanding value, income and employment in various sectors. Governments and communities have requested additional support for livestock-focused activities. The engagement will address these needs by:

- Working with the ISTVS-RC to improve its capacity and increase student enrolment, as well as to develop a medium and long-term business plan for financial self-sufficiency. The engagement will collaborate with the school on livestock research culminating in peer reviewed published papers and technical conferences. This links to the integrated vocational training activities expected to receive support over PSP-HOA II, Serendi Rehabilitation Center.
- Expanding Somaliland's system of livestock grading and real-time market data into Puntland and South-Central Somalia.

³⁰ Calculated as average household monthly income/assets value over average value of household monthly food basket.

- Developing product and service standards prescribing specifications for grading of export quality livestock as well as codes of practice for market actors to adhere to and maintain these grades.
- Establishing ISO 17025 certified food-testing laboratories in Somaliland.
- Supporting the Somaliland Chambers of Commerce in development of a business plan to become fully financially self-sustaining.
- Linking LIVE activities in Somaliland with the SDF and throughout Somalia with the WB MPF and PIMS.

The SCP allocates DKK 30 million to LIVE. An implementing partner will be sought that can expand the work geographically while maintaining momentum in Somaliland and Puntland. The detailed results framework will be developed during the tender process, with indicators aligned to the Somali Compact and with the results framework of the SSA. As tendering moves forward, RDE Nairobi will actively explore with other donors, particularly Nordic Plus partners, whether additional contributions can be made to expand LIVE's impacts and share management burdens.

4.3.2. Village Level Resilience Programme

The prolonged humanitarian crisis in Somalia, coupled with local initiatives to move towards sustained development, has encouraged greater investment in community resilience. With Danish support, a consortium of seven international NGOs (World Vision, Oxfam, Care, Coopi, ADRA, ACF and DRC) currently implements "SomReP in Somalia."³¹ Another consortium, Building Resilience in Central Somalia (BRICS), consists of NRC, IRC, SCI, Concern Worldwide and Cesvi. BRICS has received DFID multi-year humanitarian funding. Both SomReP and BRICS have supported communities across Somalia in the shift from humanitarian relief to community resilience, with good results.

The TP2 objective implies a need for sustained poverty reduction in rural areas of Somalia, undertaken directly in areas where the government is unlikely to have capacity for some time. The SCP theory of change reflects an observation that many communities would be excluded by contributions to growth that are not appropriate to crisis-stricken villages. This engagement offers the opportunity to build economic growth from the bottom up, in areas where movement from crisis to sustained development is possible; a track record of programmes such as SomRep and BRICS show there are prospects for impact. The VLRP will complement top-down approaches, which are at greater risk of delay and breakdown from political failures. Engagement activities will support (a) community organization; (b) basic skills development; (c) village economies. The engagement will align and shift Denmark's humanitarian assistance into longer-term programming and purposes. The SCP supports more long-term resilience, while PSP-HOA support more short-term resilience (emergency relief) following AMISOM interventions.

The SCP allocates DKK 25 million to the VLRP under TP2. SomReP is ending in March 2016 and the SCP will support a design and tendering process to identify an implementing partner capable of taking the work forward. This may be carried out by Denmark alone or with like-minded donors. Provisionally, the outcomes expected by the engagement would focus on reductions in the depth of poverty, the diversification of livelihood strategies, the involvement by women and marginalized groups in economic decision-making and the improvement of cultivation technology/management.

³¹ Support to SomReP is included in Denmark's current regional programme for the Horn of Africa on Productive Capacities and Resilience, which is running from 2012-2016.

4.3.3. Promoting Inclusive Markets in Somalia

PIMS addresses constraints to private sector development in South-Central Somalia, Somaliland, and Puntland. It will consist of two components: 1) value chain development and 2) cash for work to build market infrastructure. The objective is to expand private sector investment by creating more income for firms in livestock, fisheries, poultry, food crop, construction, and light manufacturing, thus supporting job creation. PIMS provides multiple contributions to the TP2 objective. It will address the market constraints to development of the private sector through improvements to key value chains. Improved livestock management and investments in value chains will increase employment opportunities and will contribute to a more sustainable economy throughout Somalia.

PIMS builds on lessons from DFID's Sustainable Employment and Economic Development II (SEED) programme. It will be implemented through a Delegated Cooperation Agreement (DCA) with DFID, thus supporting effective and efficient disbursement of Danish funds. DFID is finalising in Q2/2015 a contract with an implementing partner, following a competitive tendering process; the private sector is assessed as the most effective and efficient mechanism for implementation.

The SCP allocates DKK 25 million to PIMS. SCP results in this engagement will reflect a framework developed as contracting negotiations are finalised, aligned with Somali Compact indicators and with the results framework of the SSA. The engagement will benefit from TP3 activities supporting public investment and private entrepreneurship. The commitment to support PIMS is an investment in the supply and demand sides of the Somali economy, reflecting a balanced approach to economic development. As tendering moves forward, RDE Nairobi and DFID will explore with other donors, particularly Nordic Plus partners, whether additional contributions can be made to expand PIMS impacts and share management burdens.

4.4. Lessons Learned from Previous Cooperation

Lessons from Denmark's current support to livelihoods, growth and employment in Somalia have helped to structure TP2. First, Terra Nuova's livestock-focused programme has positively contributed to the improved the academic level of the (ISTVS-RC) illustrated by the fact that 95% of the students are employed upon graduation (24% are female). The programme has also introduced an animal export grading standards and feedback of market data to producers, which has helped to ensure fair value in primary markets. These Initiatives will be expanded further to Puntland and South Central. An emerging challenge is to balance sustainability of income with broad participation from Somaliland society.

Second, Som-PREPII has in its support to Somaliland focused on improving the investment climate and capacity of key actors in fisheries and gums & raisins, the Central Bank of Somaliland, establishing PPP's and provided fiscal incentives to investors on a competitive basis in productive sectors that drive job creation with an urban based enterprise approach. Valuable lessons learned in Somaliland particular with regard to incorporate sufficient flexibility in program design to account for a highly unpredictable nature of events and on how to manage the SBF grants scheme, which has been successful and attracted major interest from the business community in Somaliland. However in small business support, the WB needed to focus more on gender-related issues, as limited skills and gender-based discrimination among other factors limit inclusion. Taking point of the departure from the previous phases of Som-PREP the next phase, which is expected to commenced in mid

2015 will expand its coverage of interventions to not only cover Somaliland, but also Puntland and South Central.

Third, VLRP has shown that there is a need for substantial poverty reduction in rural areas with a community based approach. Experience from SomRep indicates that some communities are capable of moving beyond humanitarian crisis and investing in resilience that could provide the basis for mitigating catastrophes, creating examples of sustainable durable solutions and building micro-foundations for economic growth among the most needy. The resilience programme has provided tools for communities to build resilience to external shocks (droughts, floods, diseases and conflicts). Future support should focus on the need to scale up existing mechanisms and resilience strategies. Although patterns of economic activity across Somalia are broadly similar, markets and legal frameworks differ by region and the continued support should take these differences into consideration into the design of the support.

4.5. Management and Monitoring

Monitoring of PIMS will occur through DFID and Denmark will accept agreed systems for reporting. For LIVE and VLRP, Denmark and the implementing partner will maintain close dialogue and participate in project steering committees that will meet regularly, including review of the partner's system for progress reporting. These engagements will also involve implementing partners providing an annual report against the results framework. An important management task across the TP2 engagements is to maximise alignment between the various evolving mechanisms. For example, there are likely to be greater synergies between LIVE and the SDF in 2015-2018. Denmark's portfolio of engagements offers an opportunity to monitor across TP2 and TP3 in order to seize such opportunities.

4.6. Programmatic and Institutional Risks

Contextual risks were outlined earlier. A full risk management tool is available in Annex E and scenario planning is in Annex O. Programmatic issues of conflict, corruption and political instability are applicable to TP2, along with two other risks. First, the onset of major drought would undermine progress. It would divert attention and funding from sustainable development to crisis mitigation and shift the trajectory for expected results in growth and employment. TP2 engages with this risk directly through VLRP and LIVE, but these are unlikely to overcome the impacts of a major drought at the macro-level before 2018. Second, TP2 presents reputational risks to Denmark. LIVE, VLRP and PIMS are all scaling up previous efforts. It is likely they will face challenges in implementation, which may generate blowback on Denmark as a key supporter. This is best mitigated through agreements that specify strong monitoring arrangements and RDE Nairobi attention to the systems that implementing partners themselves use to mitigate implementation risks.

5. Thematic Programme 3: Somali Compact Financing Windows

5.1. Overall Strategic Considerations and Justification

The contextual considerations and justification for major support to the core multi-donor funding mechanisms, the United Nations Multi-Partner Trust Fund (UN MPTF), the World Bank Multi Partner

Fund (WB MPF) and the Somaliland Development Fund (SDF), with advancing PSG1, PSG4 and PSG5 have been presented in earlier sections. These mechanisms are the best medium-term to long-term opportunities for sustaining development until such times a Somali country system is in place. The objective of this thematic programme is therefore *to support relevant programming through multi-donor financing mechanisms that advance Somali Compact results in inclusive politics (PSG 1), economic foundations (PSG 4), revenue-raising and service delivery (PSG 5)*. This objective reflects Denmark's commitment and strategy to support the FGS's and GOSL development and to use multi-donor funds for more efficient and effective programming, with closer links to government and country system.

Nascent FGS and GOSL institutions are major target for support, as they are the building blocks for state formation and economic recovery that will reach across the country to keep people safe and assure their rights and well-being. Somali counterparts and the donor community agree there is a need to push and strengthen Somali institutions and build country systems. FGS institutions need basic capacity development and engagement delivered in such a way as to encourage action on leadership, ownership, transparency,³² and accountability.

The SCP will launch with a set of Danish results frameworks that may be superseded by a full joint monitoring framework for the Somali Compact. Fully-fledged documentation for some major programmes is still in the making.³³ The SCP will commit to partners and objectives where confident, but simultaneously build foundations for a rigorously harmonised Danish contribution with strong donor coordination systems. In practical terms, this means:

- Perform technical reviews of Somali Compact financing windows, and programmes thereunder.
- Allocate funds for background studies in support of technical reviews and Danish positioning in any new structures. This includes work to inform allocation of unallocated funds and to consider issues that could be addressed in a five-year programme beyond 2018.
- Maintain strong dialogue with the GOSL, the FGS and SDRF implementing mechanisms to support and influence their development in line with Danish objectives.
- Fund advisor positions to collaborate directly with the FGS and GOSL on Aid Effectiveness, Somali Compact and SSA implementation and trust fund monitoring.
- Strengthen dialogue with donor through coordination mechanisms, including Nordic Plus framework and partners.

There are many donor programmes that touch upon FGS capacities, and Denmark is committed to supporting coordination through the Somali Compact architecture, including SDRF and PSG mechanisms as major vehicles for international engagement. There is a tremendous need for strong donor coordination given the low capacity of FGS institutions to engage. The pooled funding arrangements, of the Somali Compact financing windows, are the most relevant options to achieve this.

³² The FGS has drafted anti-corruption laws, but these require passage and the development of effective anti-corruption systems. This will be a long-term challenge.

³³ This approach to programme launch reflects the experience of meeting similar challenges in formulating the Afghanistan Country Programme.

Table 9: TP3 assessment according to the OECD DAC criteria

DAC Criteria	SCP Measures
Relevance	TP3 supports the New Deal process including the Somali Compact and aid effectiveness with use of multi-donor funds, developed with the FGS and GOSL together with international donors.
Effectiveness	TP3's effectiveness will be maximised by working through the Somali Compact architecture, under multi-donor structures. The multi-donor funds involve Denmark partnering with other donors and with organisations that have strong expertise in supporting nascent states and building capacity in basic services.
Efficiency	TP3 aims to be efficient by operating through multi donor trust funds. This permits Denmark to achieve maximum impact for its contribution in a complex environment.
Sustainability	TP3 aims to achieve sustainability by working directly with the FGS and by including large-scale capacity development activities, slowly constructing and strengthening the Somalia Country System.
Impact	The impacts expected by TP3 are captured in the Somali Compact PSGs.

5.1.1. Policy justification

TP3 aligns directly to the **Somali Compact**. The engagements undertaken in TP3 are devised, coordinated and reported through SDRF and PSG systems at the federal level and through the GoSL National Planning Commission (NPC). At the Copenhagen HLPF in November 2014, Denmark affirmed its commitment to supporting the Somali Compact and the core multi-donor financing windows to pursue the overall aim and objective of the Somali Compact. The policy justifications for TP3's support to governance and inclusive economic growth objectives were described under TP1 and TP2 respectively. Over time, it is expected that more programmes and activities will be implemented under the Somali Compact financing windows.

5.2. Indicative Results Framework

Ideally, the impact level of indicators for the SCP could incorporate a set of indicators agreed by the FGS and donors. However, as of early 2015, the monitoring and evaluation framework for the Somali Compact is still being finalised. Results at the impact and outcome level below may be adapted to be aligned with Somali Compact indicators if and when they are forthcoming. In the interim (and if they do not materialise), the SCP needs a framework of impacts around which to organise monitoring, evaluation and partner implementation. Table 6 shows the expected impacts of TP3, but it must be read in conjunction with the results frameworks under TP1 (aligned with PSG1) and TP2 (aligned with PSG4). The approach taken is that the TP3 engagements support all PSGs, but the TP3 results framework will be aligned with PSG1, PSG4 and PSG5.

All indicators can be monitored by sources available to RDE Nairobi, with outcomes, baselines and indicators at the engagement level derived on partner discussions and programme documents, noting that the UN MPTF and WB MPF indicators are not finalised and are somewhat interdependent with the process of setting the Somali Compact results framework. The impact indicators are by definition at a higher level of analysis than the outcomes within partner programmes. Numerous factors can potentially intervene between the outcome level and impact level, but the SCP impact indicators are the highest test of whether Somalia progresses towards the Danish policy objective.

Table 10: TP3 results at impact and outcome levels, focused on PSG5

Thematic Programme 3		Somali Compact Financing Windows	
Thematic Programme Objective		To utilise multi-donor financing mechanisms that support the new deal process, advance Somali Compact implementation and increased results in Inclusive Politics (PSG 1), Economic Foundations (PSG 4) and Revenue and Services (PSG 5).	
Impact indicator		<ul style="list-style-type: none"> Each Multi-Partner's Trust Fund delivers on its purpose - to reduce transaction costs, align with national priorities, coordinate donors and implement programme in support to the Somali Compact and the Somaliland Special Arrangement. Somali women and men, boys and girls benefit from more inclusive, equitable and accountable governance, improved services, human security and access to justice and human rights. 	
Engagement Title		United Nations Multi Partner Trust Fund	
Outcome indicator C1		Youth have been reached through UN MPTF and given better chances to enhance their livelihoods (disaggregated by gender and vulnerability type (IDP/host community/other)).	
Baseline	Year	2015	FGS and UN identify youth unemployment (35%) as a high priority to support state building.
Target	Year	2018	Vocational training initiated; both urban and rural infrastructure programmes provide short and long term employment schemes for youth.
Outcome indicator C2		State Formation process is advanced and established federal member states (FMS) are equipped and provides initial basic public services including security.	
Baseline	Year	2015	2 FMS – Somaliland & Puntland not fully recognised as federal member states. 2 Interim Regional Administrations (IRA) – Jubbaland and SouthWest exist.
Target	Year	2018	5 FMS advanced - Somaliland, Puntland, Central, SouthWest and Jubbaland.
Outcome indicator C3		UN MPTF finances, and coordinates most UN Agencies, programmes and activities under a functioning Compact Architecture (SDRF and PSGs).	
Baseline	Year	2015	6 joint UN programmes (State Formation, Election, Constitution, Youth Employment, Rule of Law and Capacity Development) are funded and coordinated through the UN MPTF.
Target	Year	2018	UN MPTF is expected to fund and coordinate most UN programmes (adding joint health & nutrition, education, water and sanitation, agriculture, fisheries, livestock and JPLG) in 2018. The UN MPTF has a shelf life of 10 years.
Engagement Title		World Bank Multi Partner Fund	
Outcome indicator C4		Enhanced productivity and job creation through support to SMEs.	
Baseline	Year	2014	The WB has undertaken background studies on private sector development and has supported the Somaliland Business Fund.
Target	Year	2018	The Somaliland Business Fund SME grant approach will have expanded into all regions (the Catalytic Fund) and have tripled the number of grants awarded (170x3=510). Data disaggregated by gender and youth, with specific targets for investments in women-owned firms and female/youth employment.
Outcome indicator C5		Enhanced productivity and increased job creation through private sector	

		development linked to rehabilitation/construction of critical infrastructure with a focus on the energy, water, and petroleum sectors (PSG 4).	
Baseline	Year	2014	The World Bank has undertaken background studies on private sector development, with a focus on PPPs for ports and waste management.
Target	Year	2018	The financing and responsibility for major infrastructure projects will have partly shifted from government to the private sector via PPPs.
Engagement Title		Somaliland Development Fund	
Outcome indicator C6		Improved and better resourced core state functions for the people of Somaliland, via capacity building with SDF-participating ministries.	
Baseline	Year	2015	TA provided by Denmark to Somaliland National Planning Commission and by SDF to each of the line ministries. Each line ministry initially prepared 4 projects. 11 projects approved by the National Planning Commission.
Target	Year	2017	11 projects completed.

5.3. Summary of Development Engagements

5.3.1. United Nations Multi Partner Trust Fund

The UN MPTF is designed for ten years, with an initial agreement of 3 years to align itself with the Somali Compact. The UN MPTF was formed as an outcome, of the Somali Compact discussions and the United Nations Integrated Strategic framework. The fund is anticipated to strengthen FGS capacity and services directly, including education, rule of law, basic health and basic nutrition. However, the UN MPTF is a central financing mechanism and a contribution will align Denmark and other donors with the Compact's approach to strengthening Somali leadership, ownership, and governance. This engagement meets the need to harmonise various UN service delivery mechanisms, to support stability in a fragile context through political processes, and to give the FGS a substantial role in the provision of basic services.

The SCP allocates DKK 51 million to the UN MPTF, based on anticipated UN MPTF absorption capacity and project pipeline.³⁴ The objective is to support priority interventions aligned to PSG1, PSG4 and PSG5 of the Somali Compact. The UN MPTF has two funding streams: (1) the UN funding stream, which channels funds into joint programmes led by participating UN agencies and (2) the National Funding stream, which works with the Somali Ministry of Finance to support nationally implemented projects. Over time, the intent is to strengthen government capacity to allow for an increase in the proportion of funding through the national funding stream or use of country systems. The UN funding stream has already identified strategic and cross-cutting priority projects to be supported under the five PSGs and one cross-cutting priority projects.

Although several aspects of the UN MPTF are still in development, it will be possible to preference contributions. Preferencing will take place at the PSG or at the project level. The ability to earmark provides RDE Nairobi with the possibility of refining and sharpening this engagement as the terms of the MPTF become more defined. The RDE Nairobi is in dialog with the UN regarding preferencing funding to 3 programmes relevant under PSG1, 3 and 4:

³⁴ The pipeline is still to be formally finalised at the time of formulation, but a number of existing programmes have been approved in principle for migration into the MPTF: State Formation, Rule of Law, Youth Employment, National Constitution Programme, Election Programme, Joint Health Care and Nutrition and Capacity Development Programme.

- **State Formation Programme (PSG1):** supporting vision 2016 objectives: finalising interim constitution, enable the national election process and support activities around the state formation process providing technical and support to emerging states and IRAs.
- **Youth Employment (PSG4):** supporting improvement of long-term potential for growth, productivity and employment in and enhancement of long-term employment through basic literacy, numeracy and life skills, vocational and business training and rehabilitation of productive infrastructure through short-term jobs.
- **Rule of Law Programme (PSG3):** *(to be supported through the PSP-HOA Programme)* supporting the justice process and the Somali Police Services with focus on delivery in liberated areas and IRAs.

These programmes have been approved at the SDRF Steering Committee meeting held on 23 March 2015. The approval is “in principle” until more realistic budget and financing strategies are developed.

In addition, support to UN Enabling programme, which includes support to the Department of Safety and Security (UNDSS), the Resident Coordinator Office as well as the Risk Management Unit (UNRMU) might be integrated into the UN MPTF. Should this happen, Denmark will consider earmarking funding in direct support to the UN Enabling programme.

5.3.2. World Bank Multi-Partner Fund

Somalia requires support to reform its economic regulations, build government capacity to manage the economy and public finances, as well as to direct and provide oversight in public investment. Somali counterparts and the international community have agreed on the need for a coordinated approach to these challenges and the primary financing window under the SDRF that addresses them is the WB MPF. The WB MPF is designed for 10 years (until 2024) with an initial agreement of 3 years to align itself with the Somali Compact. The WB MPF pipeline addresses core state functions and socio-economic recovery. The four key areas of engagement include: (1) core government functions; (2) infrastructure; (3) productive sectors and youth employment and (4) natural resource management and resilience. As such, the WB MPF is aligned with the PSG4 (Economic Foundations) where the WB MPF will target projects with in key areas 2, 3 and 4; and further aligned with PSG5 (Revenues and Services) where envisions are projects that will target core government functions. The WB is not only establishing, but also using country systems in channelling its development assistance to Somalia.

The SCP allocates DKK 85 million to the WB MPF. The objective is to support priority interventions aligned to PSG4 and PSG5 of the Somali Compact. The WB MPF allows up to 50% preferencing of funding at the PSG level, and RDE Nairobi is in dialog with the WB regarding preferencing funding to programmes in the following area under PSG4:

- **Financial and Private Sector Development:** enhanced financial flows and services through modernisation of central banking functions, legal and regulatory frameworks for financial markets. Improve investment climate and services to SMEs and foreign investors by introducing a new investment framework. Supporting “the Catalytic Fund” promoting domestic and foreign investment through matching grants to small SMEs, with increased focus on entrepreneurship and skills training for women with the objective to encourage and improve women businesses.

5.3.3. Somaliland Development Fund

In 2011 it was recognised that the GOSL lacked the capacity to design, prioritise, finance and implement development projects. While the provision of finance was critical, basic project management systems were missing. Denmark and the UK joined forces with the GOSL to create the SDF and Mott MacDonald was selected in a competitive process to become the fund manager. Initiated by Denmark and DFID, the SDF is the GOSL's preferred vehicle for receiving and channelling development funds, as defined in the SSA. The SDF's Joint Steering Committee consists of GOSL and donors, with the SDF Secretariat providing support and implementation oversight.

The SDF meets the need for coordinated support to the GOSL in participatory planning and effective implementation of critical public sector investments. This fits directly with the SCP's theory of change, which sees GOSL capacity for supporting critical infrastructure as required for participatory governance and an enabler for private sector development. The SDF achieves this by transferring skills, systems and knowledge to the GOSL so that the line ministries have the capacity to design and prioritise projects; commitment and procedures for transparent tendering; and the capacity to implement projects on time and within budget. SDF has demonstrated it can deliver and projects are complementary to engagements under LIVE, the WB MPF and JPLG.

During 2011-2014, the SDF focused on developing its governance by establishing systems and procedures within government to design, review, and prioritize needed public sector projects in five line ministries. The SDF has reached a stage where implementing systems have demonstrated basic capacities to deliver, supported via continued technical assistance from the fund manager in each line ministry and at the level of the National Planning Committee. There will be continued capacity development under this engagement, which aligns with TP1. Denmark will also place increased emphasis on project completion, i.e. successful tendering, implementation, and delivery of the projects to achieve expected outcomes. This aligns with TP2 by providing investment in market-enhancing infrastructure and by creating opportunities for local businesses. The SCP allocates DKK 90 million to the SDF.

The managing agent Mott MacDonald's current contract to implement the SDF concludes in 2017; extension of the SDF beyond this will depend on a range of developments in the SDRF, the evolution of capacity in the GOSL, and continued donor support. The SCP mid-term review should consider prospects for additional funding, as the current contract ends in 2017.

The SCP will focus on measuring results in this engagement through the participation in the JSC and by monitoring measurable outcomes based on SDF's monitoring and evaluation framework, with dialogue to maintain close alignment between SDF results and the results framework of the SSA. Denmark has been successful in leading donor coordination through the SDF. With new donors now coming on board there are excellent prospects for a continued leadership role, led by the DPO.

5.4. Lessons Learned from Previous Cooperation

The major lessons informing the design of TP3 are incorporated in the New Deal principles and the Somali Compact. Denmark has been leading the support to the New Deal process in Somalia since 2012, and hosted the High Level Partnership Forum in Copenhagen in November 2014. At a lower level, TP3's design reflects lessons from implementing development assistance to Somalia in 2011-2014. First, as mentioned in section 4.4 there are several valuable lessons learned in Somaliland regarding the previous WB support to financial and private sector development in particular

regarding sufficient flexibility in program design and on how to manage the SBF grants scheme and the time taken to establish the SDF governance arrangements and deliver results on the ground. Taking point of the departure from the previous phases of WB support the next phase will expand its coverage of interventions to not only cover Somaliland but also Puntland and South Central.

Second, the private sector is dynamic, but limited. Extension services and advice to SMEs and potential entrepreneurs will be needed to enable rapid SME formation. The SCP responds to this observation through support to the WB MPF with referencing to Private Sector Development. Third, local and international actors have highlighted that a major constraint on inclusive economic growth is the poor state of infrastructure. There appear to be tremendous returns on investment available in several types of infrastructure projects, for example, ports, airports, power, and water. With the financing windows including a focus on infrastructure as one of Somalia's economic foundations, TP3 will support market-making and market-supportive infrastructure investments. Fourth, lessons from multi partner trust funds in other fragile countries show a risk that multi-donor funds replace local capacity rather than developing it. This is addressed in the SCP's risk management matrix and in the results frameworks for engagements with the SDF where an additional injection of capacity in 2015/2016 has seen a marked result in capacity of SDF partners to manage projects. Finally, recent history in Somalia and experience elsewhere suggests the UN MPTF will be more able to access regions and districts, but might face delays and struggle with internal coordination.

5.5. Management and Monitoring

The section *Programme management* provides detail on the overall responsibilities of RDE Nairobi. Danish monitoring of TP3 and its engagements will be conducted through participation in the SDRF and PSG meetings as well as within the WB and UN programme steering committees, as part of the Compact architecture. The SDF is managed through its joint steering committee and associated monitoring framework, and cascades upwards to the emerging SSA annual monitoring framework. RDE Nairobi will accept agreed systems for monitoring, reporting, reviews and evaluations. Assessments against engagement indicators will be fed into the SCP's annual reporting/Open Aid. RDE Nairobi will have the opportunity to influence the further development of the partner indicators, monitoring, and risk management systems through participation in relevant fora.

5.6. Programmatic and Institutional Risks

Contextual risks for the SCP as a whole were outlined above in the country programme description. A full risk management tool is in Annex E and scenario planning in Annex O. For all TPs, conflict, corruption and political instability are risks with a high probability of occurring and with major consequences for programme objectives. Each of these would reduce the impacts expected from the programme. Risks with special relevance to TP3 engagements include the challenge of developing plausible exit mechanisms for multi-donor funds over the medium term and the risk of donor/implementing partner fragmentation away from the SDRF structures. The best mitigation measures will be to maintain strong political commitment to coordination within the SDRF and to work with like-minded donors to maximise access and influence to key forums.

6. Programme Management

RDE Nairobi's Somalia Team, including the Programme Coordinator in Hargesia³⁵, is responsible for management and implementing the SCP. The Programme Coordinator specifically follows the engagements in Somaliland and Puntland where programmes are also implemented by the same partners. At the programme level the Somalia Team will have responsibility for extracting and converting partner reports into the annual reporting/Open Aid based on the full results framework. Impact indicators will be assessed by the mid-term review of the programme.

Denmark's strong political and practical commitment to Aid Effectiveness and to the Somali Compact will be advanced by an advisor tasked with working with the authorities in Mogadishu.³⁶ The advisor will be responsible for supporting Danish engagement with Somali Compact coordination structures, for monitoring trust fund implementation via reports from Mogadishu and for feeding information into SCP reporting. In addition, the advisor will support the donor coordination in support to the Somali Compact. The advisor would need to be based in Nairobi with frequent travel to Mogadishu, given current Danish security arrangements in Somalia.

Danish staff is currently restricted in their ability to travel to many parts of Somalia, including Mogadishu. This places an additional premium on coordinating with other donors, including the Nordic Plus Cooperation as well as third-party monitoring.

The SCP will not establish a separate overall steering committee for programme decision-making and management, but will use the established joint steering committees and Nordic Plus possibilities. RDE Nairobi is planning to sign with the FGS a Strategic Partnership Agreement and renew the existing MoU with GOSL.

The SCP's financial management arrangements and implementation responsibilities will be supported by the DEDs. As the SCP's risk matrices make clear, there are substantial financial and fiduciary risks in the programme. Several risk outcomes should trigger consideration in the Somalia Team of steps such as initiating audits, reclaiming funds or adjusting work-plans with partners to reflect new feasibility and performance information.

The Somalia Team also has responsibilities for monitoring Denmark's humanitarian assistance to Somalia, and in addition the Somalia Team Leader supervises the coordinator of the PSP-HOA, who in turn manages activities and relationships that connect with the Kenya Country Programme.

³⁵ The DPO is a programme advisory office, with its role reviewed positively in 2013 and critically important to maximising the impact of the SCP's significant commitment to Somaliland. The budget line related to the DPO includes allocations for an advisor/Head of Office, support staff and continuing the technical advisor to GOSL's National Planning Committee.

³⁶ The draft TOR is in Annex N.