



29-Nov-2021, 2021

Honorable Abdirahman Duale Beileh  
Minister of Finance  
Ministry of Finance and Planning  
Villa Somalia  
Mogadishu, Somalia

**Somalia: Additional Financing to Recurrent Cost and Reform Financing Project  
Grant No. D378-SO  
Amendment to the Financing Agreement**

Excellency:

We refer to the Financing Agreement (“Agreement”) between the Federal Republic of Somalia (“Recipient”) and the International Development Association (“Association”), dated October 31, 2018, as amended, related to above mentioned Project. We also refer to your letter dated November 1, 2021, requesting the Association to amend certain provisions of the Agreement.

The capitalized terms used in this amendment letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Agreement, as applicable.

We are pleased to inform you that the Association agrees to your request and proposes to amend the Agreement as follows:

1. The table set forth in Section III.A of Schedule 2 to the Financing Agreement is amended as set forth in the Annex 1 to this Amendment.
2. The table (Disbursement Linked Indicators) set forth in Schedule 3 to the Financing Agreement is amended as set forth in the Annex 2 to this Amendment.

All the other provisions of the Agreement, except as herein amended, shall remain in full force and effect.

Please indicate agreement to the foregoing, on behalf of the Recipient, by countersigning and dating the form of confirmation on the two original copies of this letter and returning one original, as countersigned, to us. Upon receipt by the Association of the copy of this letter countersigned by the Recipient, this Amendment shall become effective as of the date of its countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

*Keith E. Hansen*

By: \_\_\_\_\_

Keith Hansen

Country Director for Kenya, Rwanda, Somalia and Uganda  
East and Southern Africa Region

CONFIRMED:

FEDERAL REPUBLIC OF SOMALIA

By:

*Abdirahman Duale Beileh*

\_\_\_\_\_  
Authorized Representative

Name: Abdirahman Duale Beileh

Date: 04-Dec-2021

**ANNEX 1**

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Salaries of Eligible Civil Servants and eligible Staff and Young Graduates, Eligible Non-Salary Recurrent Costs, goods, non-consulting services, consultants' services, Training and Operating Costs under Parts A.1 and A.2 of the Project	8,355,104.16	
(2) Eligible Expenditure Programs under Part A.3 of the Project	17,400,000.00	100% of amounts spent in compliance with DLI and DLR amounts set out in Schedule 3 of this Agreement as reported under the EEP Spending Reports for each Withdrawal
(3) Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts B and D of the Project	1,964,583.08	100%
(4) Subproject Grants for Salaries of Eligible Civil Servants, Eligible Staff and Young Graduates, Eligible Non-Salary Recurrent Costs, non-consulting services, consultants' services, Training and Operating Costs under Part C of the Project	15,080,312.76	100%
<b>TOTAL AMOUNT</b>	<b>42,800,000</b>	

**ANNEX 2**

<b>Disbursement Linked Indicator</b>	<b>Action to Be Completed</b>	<b>Amount of the Financing Allocated Per DLI (expressed in SDR)</b>	<b>Amount Allocated per DLR for the Disbursement Calculation (expressed SDR)</b>
DLI 1. Strengthen customs administration as per the customs reform action plan	DLR 1.1. Customs modernization road map and action plan tabled, discussed and adopted at intergovernmental technical committee, including agreement on common goods classification	DLI 1. 2,048,850	DLR 1.1. 1,025,000
	DLR 1.2. Implementation of interim information technology system at Mogadishu, Bosaso and Kismayo ports, including common goods classification, customs practices and procedures and valuation of goods.		DLR 1.2. 0
	DLR 1.3 Functional specifications for the new customs IT system developed and approved by Federal Ministry of Finance.		DLR 1,023,850
DLI 2. Strengthen tax administration systems and staffing	DLR 2.1. Tax identification number (TIN) and TCC mandatory when bidding for government contracts and valid TIN required to have invoice paid.	DLI 2. 2,050,000	DLR 2.1. 1,025,000
	DLR 2.2 Review existing business processes 'as-is' and new business processes developed and approved by FGS for the following revenue streams (sales tax, excise duty, road tax, stamp duty, registration tax (fees and levies).		DLR 2.2 1,025,000
	DLR 2.3 Targeted automation for collection of sales tax, excise duty, road tax, stamp duty, and registration tax deployed.		DLR 2.3 0
DLI 3. Strengthen cash management and treasury single account (TSA)	DLR 3.1. Somalia financial management information system (SFMIS) incorporates: (i) End-of-day balances of all TSA	DLI 3. 3,075,000	DLR 3.1. 1,025,000

	accounts and (ii) monthly balances of all MDA accounts held at the CBS.		
	DLR 3.2. SFMIS incorporates: (i) end-of-day reconciled balances of all government accounts for revenue and expenditure, and (ii) all outstanding commitments made		DLR 3.2 1,025,000
	DLR 3.3 SFMIS incorporates cash forecasting model, to inform management about commitments, available balances and expected revenues with regular monthly management reports produced by the Accountant General through SFMIS		DLR 3.3 1,025,000
DLI 4. Strengthen payment process for operational expenditures	Reduce cash advances to MDAs for non-salary recurrent costs from 56.4% baseline at end-March 2018 to 26.4% [value-based]	DLI 4 3,075,000	DLR 4.1. 1,025,000
	DLR 4.2. Reduce cash advances to MDAs for non-salary recurrent costs from 56.4% baseline at end-March 2018 to 16.4% [value-based] [value-based]		DLR 4.2. 1,025,000
	DLR 4.3. All government payments for salaries, transfers and capital expenditures to be executed as payments to Bank accounts directly to vendors, with the exception of: petty cash, travel advances, security sector, and contingency (per Appropriation Act)		DLR 4.3 1,025,000
DLI 5 Strengthen intergovernmental fiscal policy framework	DLR 5.1 Policy paper outlining policy framework for Intergovernmental Fiscal Transfers agreed at Finance Ministers Fiscal Forum covering: Budget timetable, reporting, accountability and disbursement conditions.	DLI 3,075,000	DLR 5.1 1,025,000

	<p>DLR 5.2. Draft policy paper including: (i) principles to guide FGS transfer allocations to Federal Member States and/or Benadir Regional Authority; (ii) comparative analysis, reflecting regional context, and; (iii) long-term views, tabled at Finance Ministers Fiscal Forum</p>		<p>DLR 5.2 1,025,000</p>
	<p>DLR 5.3. Fiscal transfer allocations in draft 2021 Federal Government budget reflect policy paper principles</p>		<p>DLR 5.3 1,025,000</p>
<p>DLI 6 Strengthen Federal Government transfers to Federal Member States</p>	<p>DLR 6.1. Federal Government fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (Year 1)</p>	<p>DLI 1,025,000</p>	<p>DLR 6.1 0</p>
	<p>DLR 6.2. Federal Government fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (Year 2)</p>		<p>DLR 6.2 1,025,000</p>
	<p>DLR 6.3. FGS fiscal transfers execution rate to Federal Member States equal to or greater than the outturn rate for domestic revenues (Year 3)</p>		<p>DLR 6.3 0</p>
<p>DLI 7 Strengthen teacher proficiency testing</p>	<p>DLI 7.1. Teacher proficiency test piloted in at least one eligible Federal Member States, and/or Benadir Regional, Administration, establishing minimum competency level of teachers (Year 1)</p>	<p>DLI 3,050,000</p>	<p>DLR 7.1 1,025,000</p>
	<p>DLI 7.2. Proficiency testing of teachers conducted in at least two eligible Federal Member States, and/or Benadir Regional Administration as an annual</p>		<p>DLR 7.2 1,025,000</p>

	exercise, establishing minimum competency level of teachers (year 2)		
	DLI 7.3. Proficiency testing of teachers conducted in at least three eligible Federal Member States and/or Benadir Regional Administration as an annual exercise, establishing minimum competency level of teachers (year 3)		DLR 7.3 1,000,000