
GRANT NUMBER E311-SO

Financing Agreement

(Somalia Urban Resilience Project – Phase II
Third Additional Financing)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL REPUBLIC OF SOMALIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to thirty million two hundred thousand Special Drawing Rights (SDR 30,200,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall
 - (a) carry out Parts A.1, A.2, B, C (partially), D and E of the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement, and

- (b) cause Parts A.3 and C (partially) of the Project to be carried out as follows:
 - (i) Parts A.3(a) and C by the Benadir Regional Administration (“BRA”);
 - (ii) Parts A.3(b) and C by Puntland;
 - (iii) Parts A.3(c) and C by Jubbaland;
 - (iv) Parts A.3(d) and C by the SW State;
 - (v) Parts A.3(e) and C by Galmudug;
 - and (vi) Parts A.3(f) and C by Hirshabelle, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consists of the following, namely, that:
 - (a) the SMPF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals pursuant to it (other than the effectiveness of this Agreement) have been fulfilled; and
 - (b) the Project Implementation Manual, the ESMF, the RPF and the LMP for the Project have been updated in a manner and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Recipient’s federal minister responsible for finance.
- 5.02. For purposes of Section 11.01 of the General Conditions the Recipient’s address is:
 - Ministry of Finance
 - Corso Somalia Street
 - Shangani District
 - Mogadishu, Somalia.
- 5.03. For purposes of Section 11.01 of the General Conditions:
 - (a) the Association’s address is:
 - International Development Association
 - 1818 H Street, N.W.
 - Washington, D.C. 20433

United States of America; and

(b) the Association's Electronic Address is:

Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

FEDERAL REPUBLIC OF SOMALIA

By

H.E. Bihi Iman Egeh

Authorized Representative

Name: H.E. Bihi Iman Egeh

Title: Minister of Finance

Date: 22-May-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Keith E. Hansen

Authorized Representative

Name: Keith E. Hansen

Title: Country Director

Date: 15-May-2024

SCHEDULE 1

Project Description

The objectives of the Project are to strengthen public service delivery capacity of local governments, increase access to climate-resilient urban infrastructure and services and to provide immediate and effective response to an Eligible Crisis or Emergency in selected areas.

The Project consists of the following parts:

Part A: Urban Infrastructure and Services

1. Carrying out preparatory activities including, feasibility studies, engineering designs, safeguard instruments, and related analytical work required for infrastructure investment in BRA, Garowe Municipality, Kismayo Municipality and Baidoa Municipality.
2. Carrying out preparatory activities and provision of services in Eligible Municipalities, including: (a) technical studies, engineering designs and bidding documents for priority investments, (b) preparing and/or updating any environmental and social documents required under the ESMF, and conducting environment and social due diligence; (c) institutional assessments of implementing agencies and relevant analytical work; and (d) recruiting key PIU staff, and provision of training to PIU staff of the Eligible Municipalities.
3. Supporting city specific infrastructure development in particular:
 - (a) Benadir Regional Administration

Carrying out construction and upgrading of selected urban and interconnectivity roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including: (i) construction of selected community roads; and (ii) rehabilitation and construction of part of an identified drainage under the Drainage Masterplan.
 - (b) Garowe Municipality, Puntland

Carrying out construction and upgrading of selected urban roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including construction of urban roads and a hospital bridge.

(c) Kismayo Municipality, Jubbaland

Carrying out construction and upgrading of selected urban roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including construction of urban and interconnectivity roads.

(d) Baidoa Municipality, SW State

Carrying out construction and upgrading of selected urban roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including construction of urban and interconnectivity roads.

(e) Dhusamareb Municipality, Galmudug

Carrying out construction and upgrading of selected urban roads, community (tertiary) roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including construction of urban and interconnectivity roads.

(f) Beledweyne Municipality, Hirshabelle

Carrying out construction and upgrading of selected urban roads, community (tertiary) roads, drainage, pedestrian walkways, bridges, streetlighting, public markets, green spaces, and other priority urban infrastructure, as well as provision of technical advisory services for engineering supervision of the civil works contracts including construction of urban and interconnectivity roads.

Part B: Institutional Strengthening and Analytics

1. Provision of technical advisory services to selected Municipalities to, *inter alia*, conduct technical and related studies on informal settlements.
2. Provision of technical advisory services to selected Municipalities on operation and maintenance of road assets, particularly on technical and financial aspects.
3. Provision of technical advisory services to selected Municipalities on subnational governance and service delivery with a focus on solid waste management.

4. Provision of technical assistance to Hirshabelle and Galmudug carrying out consultative scoping and analytics studies on additional municipalities to assess the viability of, and preparing them for, their inclusion under Part A of the Project.

Part C: Project Management and Capacity Building

Strengthening capacity for Project implementation and management, *inter alia*: (a) fiduciary aspects (i.e. procurement and financial management), environmental and social standards, communication, monitoring and evaluation, and reporting; (b) recruitment of PCU and PIU staff; and (c) provision of training to PCU, PIUs and relevant municipal staff.

Part D: Response to Urban Forced Displacement

1. At the household level in Baidoa and Mogadishu, provision of a minimum response package to eligible households consisting of Emergency Cash Transfers, plastic sheets for emergency shelter, and one hygiene kit per household.
2. At the community level in Baidoa and Mogadishu, provision of: (i) emergency water supply including water trucking, and solar powered boreholes rehabilitation and/or construction; (ii) sanitation services including construction of communal latrines and handwashing stations; (iii) camp coordination and camp management including biometric registration of beneficiaries, displacement tracking, and service delivery monitoring through community-based camp management committees; and (iv) health and nutrition assistance including deployment of mobile health teams, strengthening existing community health centers, and training of community health workers and staff.
3. At the community level in Garowe, provision of health and nutrition services through mobile health clinics and/or existing health clinics/centers.

Part E: Contingent Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project, and cause the Participating FMS and their respective Municipalities to implement their Respective Parts of the Project, in accordance with the provisions of Section I.A through I.G, Section II and Section III.C of Schedule 2 to the Second Additional Financing Agreement, which sections are incorporated by reference, *mutatis mutanda*, to this Agreement, with the following modification (unless the context otherwise requires):
 - (a) the terms “*Financing*”, “*this Agreement*”, “*General Conditions*” and “*ESCP*” shall be construed as referring respectively to the Financing provided under Section 2.01 of this Agreement, this Agreement, the General Conditions as defined in the Appendix to this Agreement, the updated ESCP as defined in the Appendix to this Agreement; and
 - (b) the reference to
 - (i) “*Category (2) of the table set forth in Section III.A of this Schedule 2*” in Section I.D.1 of Schedule 2 to the Second Additional Financing Agreement shall be construed as referring to Category (2) in the table set forth in Section II.A of this Schedule 2; and
 - (ii) “*Sections III.A and B (above) in this Schedule*” in Section III.C of Schedule 2 to the Second Additional Financing Agreement shall be construed as referring to Sections II.A and B of this Schedule 2.
2. If the Second Additional Financing Agreement terminates prior to the termination of this Agreement, the provision of the Second Additional Financing Agreement incorporate by reference into this Agreement shall continue in full force and effect between the Recipient and the Association in respect to this Agreement.

Section II. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training under Part A.1, A.2, B and the Recipient's activities under Part C of the Project	755,000	Up to 100% upon exhaustion and full disbursement of the funds allocated to Category 1 under the SMPF's grants and IDA grants for the Project, in that order of precedence
(2) Goods, works, non-consulting services, and consulting services, Operating Costs and Training under Part A.3 and the Participating FMS' activities under Part C of the Project	29,445,000	Up to 100% upon exhaustion and full disbursement of the funds allocated to Category 2 under the SMPF's grants and IDA grants for the Project in that order of precedence
(3) Emergency Expenditures under Part E of the Project	0	100%
(4) Emergency Cash Transfers, goods, works, non-consulting services, consulting services, Operating Costs and Training under Part D of the Project	0	100% upon having exhausted and fully disbursed the amounts allocated to Category 4 under IDA grants D531-SO and E1494-SO
TOTAL AMOUNT	30,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the Signature Date; or
 - (b) under Category (3), for Emergency Expenditures under Part E of the Project, unless the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Contingent Emergency Response Part and an action plan in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has ensured that all environmental and social instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.F of Schedule 2 to the Second Additional Financing Agreement, incorporated by reference hereto pursuant to Section I.A.1 of this Schedule 2;
 - (iii) the entities in charge of coordinating and implementing the Contingent Emergency Response Part have adequate staff and resources for the purposes of said activities, in accordance with the provisions of Section I.F of Schedule 2 to the Second Additional Financing Agreement, incorporated by reference hereto pursuant to Section I.A.1 of this Schedule 2; and
 - (iv) the Recipient has adopted the CER Manual in form, substance and manner acceptable to the Association and the provisions of the CER Manual remain, or have been updated in accordance with the provisions of Section I.F of Schedule 2 to the Second Additional Financing Agreement, incorporated by reference hereto pursuant to Section I.A.1 of this Schedule 2, so as to be appropriate for the inclusion and implementation of said activities under the Contingent Emergency Response Part.
2. The Closing Date is December 31, 2026.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Annual Work Plan and Budget” means the consolidated plan and budget of the Recipient and each Participating FMS, referred to in Section I.C of Schedule 2 to the Second Additional Financing Agreement.
3. “Baidoa” means the Recipient’s city of Baidoa within SW State.
4. “Baidoa Municipality” means the municipality of the city of Baidoa within SW State, established and operating under/pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
5. “Beledweyne Municipality” means the municipality of the city of Beledweyne within Hirshabelle, established and operating under/pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
6. “Benadir Regional Administration” and the terms “BRA” means the regional administration in charge of the city of Mogadishu, established pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
7. “Category” means a category set forth in the table in Section II.A of Schedule 2 to this Agreement.
8. “CER Manual” means the manual referred to in Section I.F.1(a) of Schedule 2 to the Second Additional Financing Agreement, to be adopted by the Recipient for the Contingent Emergency Response Part in accordance with the provisions of said Section.
9. “Contingent Emergency Response Part” means Part E of the Project.
10. “Dhusamareb Municipality” means the municipality of the city of Dhusamareb within Galmudug, established and operating under/pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
11. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

12. “Eligible Municipalities” means the Dhusamareb Municipality and the Beledweyne Municipality.
13. “Emergency Cash Transfers” means the short-term emergency cash transfers to be provided to newly arriving drought-induced households of internally displaced persons in Mogadishu and Baidoa in the amounts, duration and pursuant to the protocols and regulations set forth in the Project Implementation Manual and the Output Agreement.
14. “Emergency Expenditures” means any of the eligible expenditures set forth in the CER Manual in accordance with the provisions of Section I.F.1(a) of Schedule 2 to the Second Additional Financing Agreement and required for the Contingent Emergency Response Part.
15. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated March 14th, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
16. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
17. “ESMF” means the Association’s environmental and social management framework dated November 27th, 2022, satisfactory to the Association, setting forth the ESSs and mandating the preparation of project specific ESCPs and ancillary social and environmental documents.

18. “Federal Member State” and the term “FMS” mean each of the second-tier governments acknowledged in Article 48 of the Recipient’s Provisional Constitution of August 1, 2012 (as amended).
19. “Galmudug” means the Recipient’s Federal Member State of Galmudug.
20. “Garowe” means the Recipient’s city of Garowe within Puntland.
21. “Garowe Municipality” means the municipality of the city of Garowe within Puntland, established and operating under/pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
22. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
23. “Hirshabelle” means the Recipient’s Federal Member State of Hirshabelle.
24. “IOM” means International Organization for Migration.
25. “Jubbaland” means the Recipient’s Federal Member State of Jubbaland.
26. “Kismayo Municipality” means the municipality of the city of Kismayo within Jubbaland, established and operating under/pursuant to Article 48 of the Recipient’s Provisional Constitution of August 1, 2012.
27. “LMP” means the labor management procedures prepared and adopted by the Recipient, satisfactory to the Association, and disclosed on the Association’s website on June 19th, 2022, as said instrument may be updated from time to time with the prior written agreement of the Bank.
28. “Municipalities” means BRA, Kismayo Municipality, Garowe Municipality, Baidoa Municipality, Dhusamareb Municipality and Beledweyne Municipality.
29. “Mogadishu” means the Recipient’s city of Mogadishu in the jurisdiction of the Benadir Regional Administration.
30. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on Annual Work Plans and Budgets approved by the Association, including office supplies, vehicle operation and maintenance, maintenance of office equipment, communication, advertisement and insurance costs, office administration costs, bank charges, translation costs, utilities, rental, consumables, salaries, accommodation, travel and *per diem* of Project staff, but excluding the salaries of the Recipient’s and/or FMS’ civil services.

31. “Output Agreement” means the agreement entered into by and between the Recipient, acting through its Ministry of Public Works, Reconstruction & Housing, and IOM on September 28, 2022, for the implementation of drought response activities (Reference No. SO-MOWPRH-297213-NC-DIR), as the has been amended from time to time.
32. “Participating FMS” means collectively, BRA, Galmudug, Hirshabelle Jubaland, Puntland and the SW State.
33. “PCU” mean the Project coordination unit established by the Recipient within its Ministry of Public Works referred to in Section I.A.3 of Schedule 2 to the Second Additional Financing Agreement.
34. “PIU” means each of the Project implementation units established by the Municipalities of Participating FMS for the implementation of their Respective Parts of the Project, and referred to in Section I.A, subparagraphs 4(a)(i); 4(b)(i); 4(c)(i); 4(d)(i); 4(e)(i); and 4(f)(i) of Schedule 2 to the Second Additional Financing Agreement.
35. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
36. “Project Implementation Manual” means the implementation manual for the Project adopted by the Recipient and each Participating and referred to in Section I.B. of Schedule 2 to the Second Additional Financing Agreement, as said manual may be amended from time to time with the prior written agreement of the Association.
37. “Puntland” means Recipient’s Federal Member State of Puntland.
38. “RAPs” means, collectively, resettlement action plans (to be) prepared and adopted by the Recipient and the Municipalities, satisfactory to the Bank, and disclosed or to be disclosed on the Association’s website, which include the principles, guidelines, procedures, organizational arrangements and budget to implement the resettlement related activities under their Respective Parts of the Project, as said resettlement action plans may be revised from time to time with the prior written agreement of the Association.
39. “Respective Parts of the Project” means:
 - (a) for the Recipient: Parts A.1, A.2, B, C (partially), D and E of the Project; and
 - (b) for BRA and Mogadishu: Parts A.3.(a) and C (partially);

- (c) for Puntland and Garowe Municipality: Parts A.3(b) and C (partially);
 - (d) for Jubbaland and Kismayo Municipality: Parts A.3(c) and C (partially);
 - (e) for SW State and Baidoa Municipality: Parts A.3.(d) and C (partially);
 - (f) for Galmudug and Dhusamereb Municipality: Parts A.3(e) and C (partially)); and
 - (g) for Hirshabelle and Beledweyne Municipality: Parts A.3(f) and C (partially).
40. “RPF” means the resettlement policy framework prepared and adopted by the Recipient, satisfactory to the Association, and disclosed on the Association’s website on April 18th, 2022 , which sets out the resettlement principles, guidelines, organizational arrangements (including consultation and budget), and design criteria for the preparation of RAPs under the Project, as such framework may be amended from time to time with the prior written agreement of the Association.
41. “Second Additional Financing Agreement” means the financing agreement, dated January 6, 2023, entered into by and between the Federal Republic of Somalia and the International Development Association for the provision of the IDA Grant E1490-SO for financing the Somalia Urban Resilience Project II (as defined in Schedule 1 to such the said agreement).
42. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
43. “Somalia Multi-Partner Fund” and the term “SMPF” mean the multi-donor trust fund comprised of the following parallel accounts TF072283, TF072600 and TF073249, established by the Association for purpose of channeling and coordinating the Donors’ financing of development activities in Somalia.
44. “SMPF Grant Agreement” means the grant agreement for the Project between the Recipient and the Association, acting as administrator of the Somalia Multi-Partner Fund, dated the same date as this Agreement, as such grant agreement may be amended from time to time. “SMPF Grant Agreement” includes all appendices, schedules and agreements supplemental to the SMPF Grant Agreement.
45. “Somalia Multi-Partner Fund” and the term “SMPF” mean the multi-donor trust fund comprised of the following parallel accounts TF072283, TF072600 and TF073249, established by the Association for purpose of channeling and coordinating the Donor’s financing of development activities in Somalia.

46. "SW State" means Recipient's Southwest Federal Member State.
47. "Training" means the costs of training under the Project, based on the Annual Work Plans and Budgets as concurred by the Association, and attributable to seminars, and workshops, along with travel and subsistence allowances for trainers and trainees, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.