



GRANT NUMBER E312-SO

Financing Agreement

**(Second Additional Financing for Somalia Recurrent Cost & Reform Financing
Project – Phase III)**

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between FEDERAL REPUBLIC OF SOMALIA (“Recipient”) and 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 forty-nine million Special Drawing Rights (SDR 49,000,000) (“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 III 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 objective of the Project. To this end, the Recipient shall carry out the Project 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 consist of the following:
- (a) the Recipient has updated and adopted the Project Operations Manual, in form and substance satisfactory to the Association;
 - (b) the Recipient has: (i) updated and adopted the Environmental and Social Management Framework, Labor Management Procedures, and Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) Prevention and Response Action Plan, in form and substance satisfactory to the Association, and (ii) appointed a security risk management consultant, with qualifications, experience and under terms of reference satisfactory to the Association; and
 - (c) the Recipient has prepared the Project Grievance Mechanism Report, in form 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 its minister responsible for finance.
- 5.02 For purposes of Section 11.01 of the General Conditions,
- (a) the Recipient's address is:

Ministry of Finance
Corso Somalo Street
Shangani District
Mogadishu, Somalia; and
 - (b) the Recipient's Electronic Address is:

E-mail: info@mof.gov.so

6.01 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:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

FEDERAL REPUBLIC OF SOMALIA

By:

H. E. Bihi Iman Ige

Authorized Representative

Name: H. E. Bihi Iman Ige

Title: Minister of Finance

Date: 31-May-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Keith E. Hansen

Authorized Representative

Name: Keith E. Hansen

Title: Country Director

Date: 29-May-2024

SCHEDULE 1

Project Description

The objective of the Project is to support the Federal Government of Somalia and Eligible Federal Member States to strengthen resource management systems, the inter-governmental fiscal framework, and service delivery systems in health and education.

The Project consists of the following parts:

Component 1: Recurrent cost finance to reform resource management systems

1. Financing the FGS' salaries of Eligible Civil Servants as well as CIM Recruits, on a declining basis.
2. Financing the FGS' salaries of Eligible Civil Servants against the implementation of a series of reforms in domestic revenue administration, FGS' payment processes, inter-governmental fiscal relations, fiscal transfers to Eligible Federal Member States, public administration, wage bill management, budget transparency and strengthening health and education systems.

Component 2: Strengthen inter-governmental fiscal relations

1. Institutionalizing the inter-governmental fiscal forum, including its secretariat, the inter-governmental fiscal forum technical committee and the finance ministers' fiscal forum ("FMFF"), inter-governmental coordination meetings in health and education sectors, in addition to technical assistance, Training and capacity building of MDAs, and continuing to support the running costs of these fora.
2. Financing implementation of Annual Community Health Service Delivery Plans, education service delivery, salaries of EFMS' Eligible Civil Servants and Eligible Non-Salary Recurrent Costs against implementing service delivery reforms, strengthening resource management systems, and the delivery of education and health services at Eligible Federal Member State -level, ensuring that the Eligible Federal Member States' on-budget transfers for education and health services reach schools and communities, and strengthening public finance management and domestic revenue management in Eligible Federal Member States.
3. Strengthening Eligible Federal Member State resource management systems through, *inter alia*: (a) financing EAFS Units and their professionalization; (b) developing the institutional capabilities of ministries of health and education in the areas of finance, accounting and financial reporting, procurement, human resources and internal audit; (c) supporting the Office of the Accountant General in the institutional formation of the accounting cadre in the Eligible Federal Member States, professionalization and training needs assessment for the government's accounting cadre, developing a three-year strategic plan, and maintaining strategic regional partnerships; (d) building up expertise in social

safeguards; and (e) the harmonization of the Chart of Accounts and fiscal reporting.

4. Supporting local governance in Eligible Federal Member States through (i) fostering intra-FMS dialogue with and capacity building of municipal/district governments selected in accordance with criteria set forth in the POM on functional and fiscal decentralization; (ii) building the system of fiscal transfers from the EFMS to local governments; (iii) building capacity of fit-for-purpose public financial management systems; (iv) promoting citizen engagement at all levels of government; and (v) advising on mechanisms to enable emergency financing in response to climate-related and other disasters.

Component 3: Transfers for core government functions and foundational education health service delivery mechanism in Eligible Federal Member States

1. (a) Financing the Eligible Federal Member States' Non-Salary Recurrent Costs and the salaries of Eligible Civil Servants in selected MDAs, as well as salaries of CIM Recruits on a declining scale through the provision of conditional federal grant transfers to Eligible Federal Member States pursuant to the Subsidiary Agreements; and (b) strengthening the institutional capacity of EFMS MoFs capacity to manage donor funds.
2. Financing teacher and non-teacher education staff salaries, implementing school supervision and accountability mechanism and supporting improved school budgetary planning and execution.
3. Scaling up the '*Marwo Caafimaad*' female health workers program to reach national coverage and strengthening the FGS' and EFMS' stewardship and management capacities, including contract management, data collection and analysis, enhanced monitoring and evaluation, and improved donor coordination.

Component 4: Citizen Engagement and Feedback

1. Improving budget transparency through citizenry participation in budget preparation and execution, increasing disclosure of budget information.
2. Promoting citizenry participation in service delivery at community level through: (a) mapping of selected service providers (with primary focus on health and education); (b) establishing two-way communication channels with selected service providers and service recipients for collecting feedback, verification of service delivery, and behavior change; (c) promoting community compacts between users/beneficiaries and service providers; and (d) implementing pilots in targeted areas.
3. Incorporating citizen feedback in the provision and improvements to education and health services and evaluating the Project impact on access and quality of these services.

Component 5: Project Management

Strengthening the institutional capacity of the FGS and the EFMS on a declining scale for the coordination and implementation of Project activities, including compliance with procurement, financial management (including financial audits), social and environmental, communications, monitoring and evaluation, and reporting requirements, and hiring of Verification Consultant(s).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project in accordance with the provisions of Sections I (except I.D) and II of Schedule 2 to the Additional Financing Agreement, which are incorporated by reference into this Agreement. If the Additional Financing Agreement terminates prior to the termination of this Agreement, the provisions of the Additional Financing Agreement referred to in this Agreement shall continue in full force and effect between the Recipient and the Association.

B. PBC Verification Arrangements

In furtherance of Section I.A(1) above, the Recipient shall:

- (a) vest the responsibility for verifying the achievement of PBCs in the OAuG and to that end, select and engage, not later than two (2) months after the Effective Date, an independent third-party consultant(s) (the "Verification Consultant(s)"), with qualifications, experience and terms of reference satisfactory to the Association, to assist the OAuG with the verification process referred to in sub-paragraph (b) below;
- (b) undertake, prior to each payment for eligible expenditures for the PBCs, through the OAuG (with the assistance of the Verification Consultant(s)), a verification process, in a manner and substance satisfactory to the Association, pursuant to the Verification Protocol agreed with the Association and pursuant to the provisions of the Project Operations Manual, to ascertain the achievement/fulfillment of the PBCs during the period under review; and
- (c) immediately thereafter, furnish to the Association the corresponding verification reports ("Verification Reports") in form and substance acceptable to the Association.

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, and consulting services, salaries of FGS' Eligible Civil Servants under Part 1.1 of the Project, FHW Program Costs, salaries of teachers and other critical education service delivery personnel, Training and Workshops, and Incremental Operating Costs for FGS's Respective Activities under the Project, except for Parts 1.2 and 2.2 of the Project.	14,700,000	100%
(2) Goods, works, non-consulting services, and consulting services, salaries of EFMS' Eligible Civil Servants, FHW Program Costs, salaries of teachers and other critical education service delivery personnel, Training and Workshops, and Incremental Operating Costs for the EFMS' Respective Activities under the Project, except for Parts 1.2 and 2.2 of the Project.	16,584,500	100%
(3) Salaries of FGS' Eligible Civil Servants under Part 1.2 of the Project; and goods, works, non-consulting services, consulting services, Training and Workshops, FHW Program Costs, salaries of	17,715,500	100%

teachers and other critical education service delivery personnel, salaries of EFMS' Eligible Civil Servants, EFMS' Eligible Non-Salary Recurrent Costs, under Part 2.2 of the Project.		
TOTAL AMOUNT	49,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) under Category (3) until and unless the Recipient has:
 - (i) submitted to the Association the applicable IUFRR detailing the expenditures incurred under the Project up to the date of the applicable withdrawal application, all pursuant to the Disbursement and Financial Information Letter; and
 - (ii) furnished the respective Verification Report, in accordance with the Verification Protocol and in a manner and substance acceptable to the Association, confirming the Recipient's and/or the FMS'/BRA's satisfactory achievement of the respective PBCs as set forth in Schedule 3 to this Agreement.
2. Notwithstanding the foregoing, if the Association determines in its sole discretion that one or more of the PBCs set forth in Schedule 3 to this Agreement has/have not been achieved, or were no longer achievable, by the respective PBC deadline and/or the Closing Date, the Association may, at any time, by notice to the Recipient, decide, at its sole discretion, to:
 - (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Allocated Amounts for such PBC which, in the opinion of the Association, corresponds to the extent of achievement of said PBC, provided that the same be scalable, in accordance with the formulae set out with respect to such PBC in Schedule 3 to this Agreement; and/or
 - (b) withhold all or a portion of the proceeds of the Financing corresponding to the Allocated Amounts for the unmet PBC(s) until such PBC(s) is/are, in the opinion of the Association, satisfactorily achieved; and/or
 - (c) cancel all or a portion of the proceeds of the Financing corresponding to the Allocated Amounts then allocated to unmet PBC(s).

3. The Recipient shall refrain from transferring any funds out of the proceeds of the Financing to any individual EFMS, until the Recipient and respective EFMS have duly executed the Subsidiary Agreement in a manner and substance satisfactory to the Association. Any transfers from the Recipient to an EFMS in violation of this provision shall be deemed an ineligible expenditure.
4. The Closing Date is December 31, 2026.

SCHEDULE 3

Performance-Based Conditions & Allocated Amounts

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
1. Strengthen domestic revenue administration		1.1. MoF has developed and operationalized the Somalia Customs Administration System (SOMCAS) in Mogadishu Airport and Seaport	1.2. MoF has (i) completed a simplified functional review of FGS customs to better allocate human resources in customs; (ii) adopted SOMCAS procedure manuals.	1.3 FGS has procured the services of a 'third party' to develop and implement the Integrated Tax Administration System (ITAS)		1.4 Harmonized tax identification number (TIN) structure implemented between FGS and selected FMS			1.5 FGS and FMS implemented the harmonized Income Tax	1.6. FGS implemented inland revenue ITAS	
<i>Allocated amounts in US\$ (in millions)</i>		1	0.5	1.5		1.5			1	1	
2. Strengthen payment process for operational expenditure			2.1. MoF has: (i) completed a business process review for FGS' payment; and (ii) prepared/issued	2.2. MoF internal audit department has conducted a special audit on the payroll processes and provided clear recommendations to strengthen			2.3 FY 2025 FGS budget is prepared using the SFMIS budget preparation module by	2.4. At least 65% of identified audit recommendations on payroll management are addressed with evidence provided.		2.5. The MoF has implemented the newly approved comprehensive procedures and issued	2.6 Council of Ministers approved Internal Audit Charter

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
es and payroll			ed a business process review report.	the payroll weaknesses.			November 2024			an implementation status report.	
<i>Allocated amounts in US\$ (in millions)</i>			1	0.5			1.5	1		1	1
3. Strengthen inter-governmental relations			3.1. MoF has prepared the budget for Fiscal Year 2023 using the new unified chart of accounts ("UCoA") at the four-digit economic codes level.		3.2. MoF has published monthly fiscal reports using the new UCoA at the six-digit level and reporting formats generated through the financial management information system platforms of the FGS MoF and FMS starting from FY, 2023.	3.3 FGS's 2024FY budget provides for appropriations for FGS's fiscal transfers to FMS/BRA as per an inter-governmentally agreed formula		3.4 FGS's 2025FY budget provides for appropriations for FGS's fiscal transfers to FMS/BRA as per an updated inter-governmentally agreed formula.	3.5 FMFF adopts a framework for the operationalization of the National Consultative Council's (NCC) agreement on revenue assignment and expenditure responsibilities		
<i>Allocated amounts in US\$ (in millions)</i>			1		1	1		1	1		

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
4. Strengthen FGS transfers to FMS				4.1. FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.		4.2 FGS's fiscal transfers execution rate for the previous FY to FMS/BRA is equal to, or greater than, the out turn rate for FGS's domestic revenues.					
<i>Allocated amounts in US\$ (in millions)</i>				0.5		0.5					

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
5. Strengthen public administration			5.1 The Cabinet has approved a pay and grade reform including a plan for transitioning Capacity Injection Modality staff into the new pay and grading system.	5.2. National Civil Service Commission (NCSC) has published an annual report on the status of women in senior leadership positions for the previous year.		5.3. NCSC has (i) published an annual report on the status of women in senior leadership positions for the previous year and (ii) examined existing policies and practices impacting diversity and women's employment in the civil service and agreed on next steps.				5.4 (i) NCSC has published an annual report on the status of women in senior leadership positions for the previous year; and (ii) FGS reached at least 21% of women in senior leadership positions.	5.5 All permanent FGS non-security civil servants moved to new Pay and Grade Scale and receive payments accordingly.
Allocated amounts in US\$ (in millions)			1	0.5		1.5				0.75	1
6. Wage bill management			6.1 The FGS has adopted a reform plan on wage bill transparency and management.		6.3 MOF has (i) published details of 50% (in USD) of the non-formal, non-security wage bill, and (ii) issued a progress report		6.5 MOF has (i) published details of 100% (in USD) of the non-formal, non-security wage bill, and (ii) issued a progress report	6.7 Temporary workers in FGS non-security MDAs are mapped according to the new Pay and Grade Scale.		6.8 At least 30% of temporary workers in FGS non-security MDAs receive payments	

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
					on wage bill transparency and management		on wage bill transparency and management			according to the new Pay and Grade Scale	
Allocated amounts in US\$ (in millions)			1		1.5		1.5	1		1	
			6.2. FGS has implemented biometric attendance monitoring systems covering at least 60% of the non-security staff in selected MDAs and appropriate disciplinary and performance management actions by NCSC are taken.		6.4. FGS has maintained the use of the biometric attendance systems covering at least 80% of the non-security staff in selected MDAs linked to the payroll management, disciplinary and performance management modules		6.6. FGS has (i) maintained the use of the biometric attendance systems covering 90% of the non-security staff in the selected MDAs; (ii) implementation continues to be linked to payroll, disciplinary and performance management; (iii) payroll management policy is developed; (iv) assessed the				

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
							existing implementation mechanisms and submitted a report on lessons learned including feedback by stakeholders.				
<i>Allocated amounts in US\$ (in millions)</i>			0.5		1		1				
7. Strengthen FGS and FMS resource management systems for health service delivery	7.1. Each FMS has (i) signed Service Delivery Transfer Agreements (ii) approved budgetary appropriations for FY 2020. 7.2. Each FMS have (i) issued their respective implement	7.3. Each FMS has (i) signed with FGS updated Service Delivery Transfer Agreements (2022); (ii) adopted annual community health service delivery plans, including infectious disease measures for FY 2022; and (iii) approved budgetary appropriations	7.4. Each FMS has (i) issued their respective implementation and financial reports on the use of federal transfers covering FY 2021 and the 1st half of FY 2022 in line with provisions of Service Delivery Transfer Agreements			7.5. Each FMS has (i) updated with FGS Service Delivery Agreements (2024); (ii) adopted annual community health service delivery plans, including climate- induced disease measures for FY 2024; and (iii) approved FY2024 budgetary appropriations for MoH equal to the aggregated Allocated Amounts	7.6. Each FMS has issued their respective implementation and financial reports on the use of federal transfers covering FY 2023 demonstrating release of funds to MoHs as specified in the POM	7.8 Each FMS has (i) submitted a report on closing the feedback loop on citizen engagement campaigns in the health sector in January- September 2024; (ii) adopted annual community health service delivery plans, including climate-induced disease	7.9 Each FMS has (i) signed an MoU with the FGS on harmonizing regulations for health professionals, facilities, and training institutions; (ii) issued their respective implementation and financial reports on the use of federal transfers covering FY	7.11 Each FMS has (i) submitted a report on closing the feedback loop on citizen engagement campaigns in the health sector in October 2024- September 2025; (ii) adopted annual community health service delivery plans,	7.12 Each FMS has (i) adopted regulations governing the registration of health professionals, facilities, and training institutions; (ii) issued their respective implementation and financial reports on

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
ation and financial reports on the use of federal (service) transfers	for FY 2022 for the health sector equal to the aggregated Allocated Amounts for PBCs 7.3 and 7.4.	demonstrating release of funds to MoHs				for PBC 7.5 and 7.6.		measures for FY 2025; and (iii) approved FY2025 budgetary appropriations for MoH equal to the aggregated Allocated Amounts for PBC 7.8 and 7.9	2024 demonstrating the release of funds to MoHs as specified in the POM.	including climate-induced disease measures for FY 2026; and (iii) approved FY2026 budgetary appropriations for MoH equal to the aggregated Allocated Amounts for PBCs 7.11 and 7.12.	the use of federal transfers covering FY 2025 demonstrating the release of funds to MoHs as specified in the POM.
Allocated amounts in US\$ (in millions)	2.5+1.2	1.2	1.4			1.2	1.2	1.2	1.2	1.2	1.2
							7.7 FGS and FMS adopt (i) the national policy for managing non-civil service health cadre, including FHWs; (ii) Community		7.10 FGS and FMS submit implementation report on the national policy for managing non-civil service health cadre, including FHWs		

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
							Health Strategy.				
							0.5		0.5		
8. Strengthen education service delivery.			8.1. Each FMS has (i) signed Functional Assignment Agreements with FGS, and (ii) approved aggregate FY 2022 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBC 8.1	8.2. Each FMS has (i) signed Functional Assignment Agreements with FGS, and (ii) approved aggregate FY 2023 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs 8.2 and 8.3.	8.3. Each FMS included information in its financial reports on the use of federal transfers equal to the amount of PBC 8.1 and 8.2	8.4. Each FMS has (i) signed Functional Assignment Agreements with FGS, (ii) submitted the costing plan for education service delivery, and (iii) approved aggregate FY 2024 budgetary appropriations for MoEs equal to the aggregated Allocated Amounts for PBCs 8.4 and 8.5.	8.5. Each FMS has (i) included information in its financial reports on the use of federal transfers equivalent to the amount of PBC 8.3 and PBC8.4 in line with the budgetary appropriations, and (ii) submitted implementation reports of the education service delivery plans.			8.8 Each FMS (i) adopts the national student learning assessment strategy and framework and submits the action plan on its implementation; (ii) submits a report on the implementation of the national school financing policy at the FMS level; and (iii) approves aggregate FY 2026 budgetary appropriation	

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
										s for MoEs equal to the aggregated Allocated Amounts for PBCs 8.8	
<i>Allocated amounts in US\$ (in millions)</i>			0.8	0.8	0.8	0.8	0.8			2.2	
							8.6 FGS absorbs RCRF teachers into the Government payroll	8.7 IGECF adopts the national school financing policy and operational guidelines		8.9 IGECF adopts the national student learning assessment strategy and framework	
							0.9	0.9		0.9	
9. Strengthening PFM and DRM in selected FMS			9.1 MoF in Puntland and Jubbaland have developed and operationalized the SOMCAS system, as well as their manuals of	9.2. Each FMS undergoes assessment and establishes a baseline on revenue enhancement, expenditure management, and audit and reporting.		9.3. Each FMS (i) undergoes a self-assessment in the parameters of revenue enhancement, expenditure management, external audit and reporting, (ii) keeps the ratings at least at the		9.4 Each FMS to formalize and implement a common enhanced transparency initiative		9.5 Each FMS to formalize and implement a common enhanced transparency initiative	

PROPOSED REFORMS	PERFORMANCE-BASED CONDITIONS										
	*NOVEMBER 30, 2021	*JUNE 30, 2022	*NOVEMBER 30, 2022	*JUNE 30, 2023	*NOVEMBER 30, 2023	*JUNE 30, 2024	*NOVEMBER 30, 2024	*JANUARY 30, 2025	*JUNE 30, 2025	*JANUARY 30, 2026	*JUNE 30, 2026
			procedures in in five agreed locations.			same level as in the baseline assessment, and (iii) adopts an action plan on making improvements on parameters with low scores.					
<i>Allocated amounts in US\$ (in millions)</i>			0.2	0.75		0.75		2.7		4	
10. Budget transparency								10.1 Public consultations held in person during 2025 budget formulation and summary consultation report published		10.2 Public consultations held in person and online during 2026 budget formulation and summary consultation report published	
<i>Allocated amounts in US\$ (in millions)</i>								1		0.75	

APPENDIX

Definitions

1. “Additional Financing Agreement” means the financing agreement between the Recipient and the Association, dated July 5, 2022 (Grant Number E1020-SO), as the same may be amended.
2. “Allocated Amounts” means the amount allocated to each individual PBC, or determined for each PBC pursuant to the respective formula set forth in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section II.B.2 of Schedule 2 to this Agreement.
3. “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.
4. “Benadir Regional Administration” and the acronym “BRA” means the regional authority established and operating as a regional member state administration established pursuant to Article 49 of the Recipient’s Provisional Constitution (2012).
5. “Category” means a category set forth in the table in Section II.A of Schedule 2 to this Agreement.
6. “CIM Recruits” means advisors, subject-matter experts and young graduates engaged by the Recipient pursuant to the capacity injection modality Program pursuant to the eligibility criteria set forth in the Project Operations Manual.
7. “Community Health Service Delivery Plans” means annual community health service delivery plans prepared by the EFMS’ ministries of health as part of PBC 7 and verified in accordance with the verification protocol set forth in the Project Operations Manual.
8. “Component” means each of the clustered Project activities grouped under the titles: “*Component 1: Recurrent cost finance to reform resource management systems*”; “*Component 2: Strengthen inter-governmental fiscal relations*”; “*Component 3: Transfers for core government functions and foundational education health service delivery mechanism in eligible Federal Member States*”;

“Component 4: Citizen Engagement and Feedback”; and *“Component 5: Project Management”* in the description of the Project in Schedule 1 to this Agreement.

9. “Council of Ministers” means the highest executive authority of the FGS, established pursuant to Article 97 of the Recipient’s Provisional Constitution, 2012.
10. “Eligible Civil Servants” means a civil service employee of the Recipient’s and/or the EFMS’ non security sectors who meets the eligibility criteria set forth in the Project Operations Manual (e.g. teachers, education officials, health workers, etc.).
11. “Eligible Federal Member State” and the acronym “EFMS” means each of the FMS and/or BRA that meets the eligibility criteria set forth in the Project Operations Manual.
12. “Eligible Non-Salary Recurrent Costs” means the EFMS’ non-salary operating costs that meet the eligibility criteria set forth in the Project Operations Manual.
13. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated March 13, 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.
14. “Environmental and Social Management Framework” or “ESMF” means the environmental and social framework to be adopted by the Recipient in a manner and substance satisfactory to the Association pursuant to the ESCP, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities in accordance with the ESSs, including the risks of gender-based violence, and occupational, health and safety hazards, as well as the measures to be taken to offset, reduce or mitigate such adverse impacts, and the protocols and procedures for preparing site-/activity-specific environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written concurrence of the Association.
15. “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”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

16. “Federal Government of Somalia” and the acronym “FGS” means the Recipient’s government.
17. “FHW Program Costs” means the reasonable costs incurred by the Recipient and/or the EFMS in the implementation of the *‘Marwo Caafimaad’* female health workers program as set forth in the Project Operations Manual.
18. “FMFF” means the Finance Ministers’ Fiscal Forum comprised of the ministers of finance of, and/or representatives from, MoF and FMS-MoFs.
19. “FMS” means, collectively, each of the states constituting the Somali federation, as acknowledge in Article 48 of the Recipient’s Provisional Constitution (2012).
20. “FMS-MoFs” means the Ministries of Finance of the EFMS, or any successors to them acceptable to the Association.
21. “FY” means the Recipient’s fiscal year commencing on January 1 of each calendar year and finishing on December 31 of the same calendar year.
22. “Functional Assignment Agreement” means an agreement or memorandum of understanding to be entered into by and between the Recipient and each FMS and/or BRA, in a manner and substance satisfactory to the Association, whereby: (i) the FGS and FMS/BRA agree on the division of functions in health and education service delivery and/or data management; and/or (ii) the FGS and FMS/BRA subscribe to the harmonization of legislation, policies, and standards.
23. “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).
24. “Incremental Operating Costs” means the reasonable incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, maintenance small office works and maintenance, of 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, excluding the salaries of the Recipient's and the EFMS's civil service.

25. "Intergovernmental Education Coordination Forum" or "IGECEF" means the forum for intergovernmental education institutions from the FGS, FMS, and BRA, set up to inter alia, strengthen the fundamental collaborations and advance education systems and processes among the FGS, FMS, and BRA.
26. "Internal Audit Charter" means the charter which provides for the internal audit department centralized at the FGS Ministry of Finance, with a mandate that allows it to undertake internal audit activities across all ministries, departments and agencies.
27. "IT" means information technology.
28. "IUFR" means each of the interim unaudited financial report to be prepared by the Recipient pursuant to the format agreed with the Association and attached by the Association to the Disbursement and Financial Information Letter.
29. "Labor Management Procedures" means the labor management procedures to be adopted by the Recipient in a manner and substance satisfactory to the Association, pursuant to the ESCP, setting out the Project's approach and requirements to labor in meeting national requirements as well as the objectives of ESS #2 (on labor and working conditions and ESS #4 (on community health and safety), including procedures on incident investigation and reporting, recording and reporting of non-compliance, emergency preparedness and response procedures, protection of project workers from discrimination, forced labor and child labor, occupational health and safety, codes of conducts and continuous training and awareness for workers, as said instrument may be updated from time to time with the prior written concurrence of the Association.
30. "*Marwo Caafimaad*" means the Recipient's female health worker program being implemented by the FGS and the EFMS pursuant to the "*Compendium to Implement Community Based Female Health Workers' Program: The 'Marwo Caafimaad' Program*", dated September 2014, as updated to the date of this Agreement.
31. "MDAs" means the ministries, departments and public agencies of the Recipient and/or the FMS.
32. "Ministry of Finance" and the acronym "MoF" mean the Recipient's Ministry of Finance, or any successor to it acceptable to the Association.
33. "MoEs" means the Ministries of Education of the FMS and/or BRA, as the case may be, or any successors to them acceptable to the Association.

34. “MoHs” means the Ministries of Health of the FMS and/or BRA, as the case may be, or any successors to them acceptable to the Association.
35. “National Civil Service Commission or “NCSC” means the independent body established by the Recipient’s Law No. 10 of 2006, with the mandate to recruit civil servants of the FGS.
36. “OAuG” means the Office of the Auditor General of the Recipient, or any successor acceptable to the Association.
37. “Office of the Accountant General” means the office of the Recipient’s Accountant General, or any successor acceptable to the Association.
38. “Performance-Based Condition” and the acronym “PBC” means each of the disbursement-linked targets/results set forth in the table in Schedule 3 to this Agreement. For avoidance of doubt, the dates stated in the respective columns are temporal references for the achievement of any such PBC are provided for indicative purposes only, and unless otherwise expressly or implicitly required by the wording of a given PBC, the PBC can be achieved in advance or after such indicative period.
39. “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.
40. “Project Grievance Mechanism Report” means the report to be prepared and adopted by the Recipient covering the period January 2023 to January 2024, in a manner and substance satisfactory to the Association, pursuant to the ESCP, showing the report of all grievances received within the period and how they were resolved.
41. “Project Management Team” means the management team established by the Recipient under the RCRFP Series.
42. “Project Operations Manual” and the acronym “POM” mean the Project operations manual prepared and adopted by the Recipient for the implementation of the RCRFP Series, as same will be updated before the Effective Date of this Agreement, and from time to time with the concurrence of the Association.
43. "RCRF" means the Recurrent Cost & Reform Financing project that is being financed by the Association as part of the RCRFP Series.
44. “RCRFP Series” means the series of projects financed by the Association on its own behalf and as trustee of the Somalia Multi-Donor Partner Trust Fund, pursuant to, inter alia, TF Grants TF0A0534, TF0A6971, TF0A8244, and TF-B8760, and the Association’s Grants D378-SO, D658-SO, and E1020-SO.

45. “Respective Activities means:
- (a) In respect of FGS: Component 1, Sub-component 2.1 and the activities under Sub-component 3.3 and Component 5 carried out at federal level; and
 - (b) In respect of the EFMS: Sub-components 2.2, 2.3, 2.4, 3.1 and 3.2 and Component 4, as well as the activities under Sub-component 3.3. and Component 5 carried out at a local/regional level.
46. “SEA” means sexual exploitation and abuse.
47. “SEA/SH Prevention and Response Action Plan” means the plan to be prepared and adopted by the Recipient, in a manner and substance satisfactory to the Association, pursuant to the ESCP, for assessing and managing the risks of SEA and SH, as such instrument may be updated from time to time with the prior written concurrence of the Association.
48. “SH” means sexual harassment.
49. “Service Delivery Transfer Agreement” means each of the agreements to be entered into by and between the Recipient and each FMS and/or BRA, in a manner and substance satisfactory to the Association, whereby: (i) the FGS shall providing for fiscal transfers (in the case of the ESMF, additional to those of the Subsidiary Agreement) on account of FMS’/BRA’s achievement of pre-agreed service delivery results in the education and health sectors; and (ii) the FMS/BRA consent to, and undertake to cooperate with, the FGS’ and the Association’s monitoring, evaluation and/or validation of such results.
50. “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.
51. “Sub-component” means each group of activities clustered in the same numbered paragraph within each of the Components 1 through 4, of the Project, individually considered.
52. “Subsidiary Agreement” means each of the fiscal transfer agreements to be entered into by and between the Recipient and each EFMS for purposes of regulating the on-granting of the proceeds of the Financing and the implementation arrangements, responsibilities and obligations, fiduciary and safeguards standards and agreed results for their Respective Activities under the Project, all pursuant to the provisions of Section I.B of Schedule 2 to the Additional Financing Agreement and the terms and conditions set forth in the POM, as the same may be amended from time to time with the prior written concurrence of the Association.

53. “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient, or, subject to prior approval by the Association, attended abroad by the Recipient’s and the EFMS’s officials and staff in connection with the Project, including the purchase and publication of materials, rental of facilities, course fees and travel and subsistence of trainees.
54. “Verification Consultant(s)” means an independent monitoring and supervision consultant(s) – individual or firm - to be hired by the Recipient for the verification of the achievement of the PBCs under this Agreement.
55. “Verification Protocol” means the PBCs verification protocol agreed on May 18, 2020 between the Recipient and the Association, as updated, for purposes of: (i) defining the PBC terms and requirements; (ii) listing the documentary evidence to be provided in support thereof; and (iii) providing the verification procedures and responsibilities to certify compliance with/achievement of each PBC, as such verification protocol may be revised, updated or supplemented from time to time with the mutual agreement of the Recipient and the Association.
56. “Verification Report” means each of the reports to be prepared by the Verification Consultant(s) pursuant to paragraph (c) of Section I.B(1) in Schedule 2 to this Agreement, in accordance with the Verification Protocol, for purposes of certifying the achievements of the PBCs, which reports shall serve as the basis for the processing of the Grant withdrawal applications pursuant to Section II.B.1(b) of Schedule 2 to this Agreement.