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**GRANT NUMBER E283-SO**

# **Financing Agreement**

**(Third Additional Financing for the Shock Responsive Safety Net for Human  
Capital Project)**

**between**

**FEDERAL REPUBLIC OF SOMALIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## **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 seventy-six million, one hundred thousand Special Drawing Rights (SDR 76,100,000) (“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 recruited to the Project Implementation Unit, an environmental specialist, with qualifications, experience, and under terms of reference satisfactory to the Association;
  - (b) the Recipient has prepared, disclosed, consulted upon, and adopted the Environmental and Social Management Framework, Labor Management Procedures, SEA/SH Prevention and Response Action Plan, and Electronic Waste Management Plan, in form and substance satisfactory to the Association; and
  - (c) the Recipient has prepared and adopted the Security Risk Assessment Management Framework, 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 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 Somalia Street
    - Shangani District
    - Mogadishu, Somalia; and
  - (b) the Recipient's Electronic Address is:
    - Email: [info@mof.gov.so](mailto:info@mof.gov.so)

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:

Telex:  
248423 (MCI)

Facsimile:  
(+1)-202-477-6391

AGREED as of the Signature Date.

**FEDERAL REPUBLIC OF SOMALIA**

**By**

*H.E. Bihi Iman Egeh*

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**Authorized Representative**

**Name:** H.E. Bihi Iman Egeh

**Title:** Minister of Finance

**Date:** 22-Dec-2023

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Ragini Praful Dalal*

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**Authorized Representative**

**Name:** Ragini Praful Dalal

**Title:** Acting Country Director

**Date:** 20-Dec-2023

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to provide cash transfers to targeted poor and vulnerable households and establish the key building blocks of a national shock-responsive safety net system.

The Project consists of the following parts:

#### **Part A. Nutrition-linked Unconditional Cash Transfer**

1. Provision of unconditional cash benefits (Cash Transfer Program or CTP) to eligible and duly enrolled households (CTP Beneficiaries) in targeted areas.
2. Carrying out a program of activities related to the Cash Transfer Program, including communication and community consultations and outreach, registration of potential beneficiaries, enrolment and issuance of program card, payment delivery, grievance redress and monitoring and documenting lessons learned.
3. Providing Emergency Cash Transfers (ECT) to poor and vulnerable households not registered in the Cash Transfer Program, affected by the 2021-2022 drought crisis and 2023-2024 floods.

#### **Part B. Delivery Systems and Institutional Capacity Building**

1. Establishing key building blocks of a social protection delivery system, inter alia:
  - (a) support the social protection policy;
  - (b) strengthen institutional capacity of relevant ministries, departments and agencies (MDAs) at the Federal Government and Member State levels; and
  - (c) establish social safety nets delivery system to support the Federal Government manage and implement a safety net program, through the provision of technical advisory services for development of: (i) a social registry; (ii) payment delivery; (iii) management information system; (iv) operational procedures for registration, enrollment; (v) targeting system/policy; (vi) grievance redress; (vii) monitoring, community outreach and information campaign; and (viii) institutional capacity development.

**Part C. Project Management, Monitoring and Evaluation and Knowledge Management**

1. Establishing Project Implementation Units within the relevant MDAs at the Federal Government and Member State levels, including:
  - (a) strengthening the capacity of the Federal MoLSA PIU for coordination of respective MDAs, and day-to-day management of the Project, through the acquisition of goods, and provision of technical advisory services for supervision, monitoring and evaluation of Project activities, operating cost, approved training, workshops and operating costs, and employment of Project staff in such numbers as may be approved by the Association specifically to manage fiduciary aspects (i.e. procurement and financial management), and environmental and social safeguards; and
  - (b) developing the capacity at the Member State levels, through the acquisition of goods, provision of technical advisory services, operating cost, approved training, workshops and operating costs, and employment of Project staff in such numbers as may be approved by the Association specifically to manage fiduciary aspects (i.e. procurement and financial management), and environmental and social safeguards.

**Part D. Household Registration in the Unified Social Registry**

Collecting household data from CTP Beneficiaries and ECT Beneficiaries using a common registration form, to establish and populate the database of the Unified Social Registry.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

The Recipient shall implement the Project in accordance with the provisions of Section I (except I.E) of Schedule 2 to the Original Financing Agreement, as revised/updated pursuant to Section I of Schedule 2 to the First Additional Financing Agreement and Section I of Schedule 2 to the Second Additional Financing, which sections are incorporated hereto by reference.

##### B. Output Agreement

Without limitation to Section I.A above, the Recipient shall, by not later than three (3) months after the Effective Date of this Agreement, update the Output Agreement with WFP in a manner and substance satisfactory to the Association, in order to, inter alia, extend WFP's services for the provision of ECT and Cash Transfers under the Cash Transfer Program ("CTP") to CTP Beneficiaries under this Agreement.

##### C. Extension of Third-Party Monitoring Agreement

In furtherance of Section I.A above, the Recipient shall, within 3 months of the Effective Date: (a) amend the terms of reference of, and contract with, the TPM Consultant to extend the completion date; or (b) hire a new third-party monitoring consulting firm; and thereafter maintain such consultancy throughout the remaining period of implementation of the Project, all, in a manner and substance satisfactory to the Association, in order to continue monitoring the performance of the CTP until the new Closing Date.

##### D. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

- (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the Project, the Recipient shall ensure that such information, report or document does not include Personal Data.

**Section III. 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:

<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) Cash Transfers under Part A.1 and Emergency Cash Transfers under Part A.3 of the Project	66,968,000	100%
(2) Goods, non-consulting services, consulting services, Training and Operating Costs under Part A.2 of the Project	9,132,000	100%
<b>TOTAL AMOUNT</b>	<b>76,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is December 31, 2025.

## **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. “Cash Transfers” means the quarterly amounts (cash transfers) provided under the Cash Transfer Program to a CTP Beneficiary, in accordance with the CTP criteria, protocols and regulations set forth in the Project Operations Manual.
3. “Cash Transfer Program” or “CTP” mean the Recipient’s program providing quarterly financial assistance to CTP Beneficiaries and described under Part A.1 of the Project.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CTP Beneficiary” means a household that meets the eligibility criteria to receive a Cash Transfer under the CTP pursuant to the Project Operations Manual.
6. “ECT Beneficiaries” means the beneficiaries of the poor and vulnerable households not registered under the CTP, affected by the 2021-2022 drought and/or 2023-2024 floods, and eligible to receive the cash transfers provided under Part A.3 of the Project, pursuant to the criteria set forth in the Project Operations Manual.
7. “Emergency Cash Transfers” or “ECT” means the short-term emergency cash transfers (to be) provided to poor and vulnerable households not covered under the CTP, who have been affected by the 2021-2022 drought and/or 2023-2024 floods, in the amounts and pursuant to the eligibility criteria, protocols and regulations set forth in the Project Operations Manual.
8. “Electronic Waste Management 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 managing waste and hazardous materials, as such instrument may be updated from time to time with the prior written concurrence of the Association.
9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 23, 2023, 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.

10. “Environmental and Social Management Framework” or “ESMF” means the environmental and social framework to 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.
11. “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.
12. “Federal Government” means the Federal Government of Somalia.
13. “Federal Ministry of Labor and Social Affairs” or “MoLSA” means the Recipient’s ministry responsible for social affairs, or any successor thereto.
14. “First Additional Financing Agreement” means the additional financing agreement entered into by and between the Recipient and the International Development Association, on June 27, 2021, for the provision of a seventy-six million seven hundred thousand Special Drawing Rights (SDR 76,700,000) IDA grant to finance the Project (Grant Number D856-SO), as amended from time to time.

15. “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).
16. “Identifiable Individual” mean an individual who can be identified by reasonable means, directly or indirectly, by reference to an Attribute or combination of Attributes within the data, or combination of data with other available information.
17. “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.
18. “MDAs” means ministries, departments and agencies at the Federal Government or Member State levels.
19. “Member State” means any member state of the Federal Republic of Somalia pursuant to the Provisional Constitution of the Federal Republic of Somalia, and the term, “Member States” means all such member states.
20. MoLSA Project Implementation Unit” or “MOLSA PIU” means the unit referred to under Section I.A.2 of Schedule 2 to the Original Financing Agreement, and the term PIUs means all the PIUs as will be established within relevant MDAs at Member State levels.
21. “Operating Costs” means reasonable incremental Project-related costs incurred by, or on behalf of the Recipient, on account of the carrying out of Project activities, including office rental, office consumables, utility fees, operation and maintenance of office equipment and vehicles, bank charges, advertising and media projections costs, newspaper and periodical subscriptions, printing and stationery costs, in-country travel costs, boarding/lodging and per-diems for Project staff, and salaries of contractual staff (other than consultants) required for Project management, but excluding salaries of civil servants.
22. “Original Financing Agreement” means the financing agreement entered into by and between the Recipient and the International Development Association, on August 20, 2019, for the provision of a forty-six million eight hundred thousand

Special Drawing Rights (SDR 46,800,000) IDA grant to finance the Project (Grant Number D510-SO), as amended from time to time.

23. “Output Agreement” means the agreement entered into between the Recipient, acting through its Ministry of Labour and Social Affairs, and WFP for the management/administration of the CTP and the timely payment of Cash Transfers to CTP Beneficiaries, as amended to encompass the management/administration of the Emergency Cash Transfers program.
24. “Personal Data” means any information relating to an identified or Identifiable Individual.
25. “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
26. “Project Operations Manual” means the Recipient’s manual prepared and adopted pursuant to Section I.C.1 of Schedule 2 to the Original Financing Agreement for purposes of implementing the Project, as amended from time to time, with the prior concurrence of the Association.
27. “SEA” means sexual exploitation and abuse.
28. “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.
29. “Second Additional Financing Agreement” means the additional financing agreement entered into by and between the Recipient and the International Development Association, on July 6, 2022, for the provision of one hundred six million four hundred thousand Special Drawing Rights (SDR 106,400,000) IDA grant to finance the Project (Grant Number E077-SO), as amended from time to time.
30. “Security Risk Assessment Management Framework” 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 managing the security risks of the Project, including the risks of engaging security personnel to safeguard project workers, sites, assets, and activities, as such instrument may be updated from time to time with the prior written concurrence of the Association.
31. “SH” means sexual harassment.

32. “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.
33. “Training” 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 or federal member states 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.
34. “TPM Consultant” means the consultancy contract entered into by and between the Recipient and the Center for Consultancy & Research (CCORD) Emerens Consulting on August 26, 2020, for purposes of monitoring the CTP implementation, as amended from time to time.
35. “Unified Social Registry” means the unified registry for beneficiaries of social programs being developed under Part B.1.(c)(i) of the Project.
36. “WFP” means the World Food Program, a specialized agency/program of the United Nations.