
GRANT NUMBER E136-SO

Financing Agreement

(Enhancing Public Resource Management Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E136-SO

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-six million eight hundred thousand Special Drawing Rights (SDR 46,800,000) (“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 its Respective Activities of the Project and cause Somaliland to carry out its Respective Activities of the Project, all in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Somaliland Subsidiary Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness comprise the following:
- (a) the Recipient has established and operationalized the PCU referred to in Section I.B.1(b) of Schedule 2 of this Agreement, in form and substance satisfactory to the Association;
 - (b) the Recipient has prepared and formally adopted the Project Operations Manual for its Respective Activities under the Project in a manner and substance satisfactory to the Association, pursuant to Section I.C.1 of Schedule 2 to this Agreement;
 - (c) the Recipient has prepared, cleared, disclosed and adopted the ESMF, LMP, SEAH-PRAP, and SMF (as those terms are referred to in the ESCP), in form and manner satisfactory to the Association;
 - (d) the Recipient has operationalized the grievance redress mechanism referred to in paragraph 6 of Section I.E in Schedule 2 to this Agreement, in a manner and substance satisfactory to the Association; and
 - (e) 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 under it (other than the effectiveness of this Agreement) have been fulfilled.
- 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 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:

E-mail:

mof@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:

Facsimile:

248423 (MCI)

(+1) 202 477 6391

AGREED as of the Signature Date.

FEDERAL REPUBLIC OF SOMALIA

By

Dr. Elmi Mohamoud Nur

Authorized Representative

Name: Dr. Elmi Mohamoud Nur

Title: Minister

Date: 10-Mar-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Keith E. Hansen

Authorized Representative

Name: Keith E. Hansen

Title: Country Director

Date: 25-Feb-2023

SCHEDULE 1

Project Description

The objective of the Project is to strengthen accountability, transparency, and institutional capacity in public resource management, across Participating Entities.

The Project consists of the following parts:

Part 1: Public Financial Management

Strengthen budget preparation, execution, and oversight through:

1.1: Supporting essential budget execution functions

Strengthen the budget execution functions in FGS, FMSs, and SL by:

- (a) Strengthening and updating the legal and internal control frameworks and business processes, and providing classroom and on-the-job support to implement the revamped controls and business processes;
- (b) Strengthening the functionalities, usage and security of the FMIS, including: (i) carrying out an assessment of existing FMIS; (ii) preparing a roadmap to implement the recommendations of the assessment under (b)(i); (iii) developing or improving the governance, sustainability, disaster recovery and change management plans and implementation of said plans; (iv) improving the information, communications and technology infrastructure for data centers, including, *inter alia*, storage, security, helpdesk; and (v) providing training to users and superusers;
- (c) Supporting the implementation of fundamental procurement reforms to improve controls, accountability and transparency including establishing and operationalizing a public procurement authority; improving procurement documentation; developing the procurement portal; building the capacity of civil servants; and conducting periodic procurement reporting; and
- (d) Strengthening internal and external audit and the Finance/Public Accounts Committees of the Parliaments, through: (i) supporting internal auditors' capacity building, and establish and operationalize audit committees to improve the follow-up on audit recommendations; (ii) supporting external audit capacity building, enhancement of methodologies, and improvement of physical infrastructure to conduct audits per international standards and on time; (iii) developing strategic plans and supporting the enhancement of the audit quality assurance, communication, human resource

management and information technology functions; and (iv) strengthening the process and capacity of Finance/Public Accounts Committees to improve the quality, frequency and reporting of parliament oversight of public finance.

1.2: Strengthening public financial management in the health and education sectors

Strengthen planning, budgeting and controls in the health and education sectors, in FGS, SL, PSS, and JSS by: (a) building capacity to strengthen the links between the sectors' policies and resources allocation reflected in the respective medium-term fiscal frameworks; (b) developing guidelines and building planning and budgeting capacity; (c) enhancing cash management practices at the sector level; and (d) building the compliance monitoring capacity of internal auditors, audit committees and procurement committees in these sectors.

1.3: Facilitating the harmonization of public financial management systems between FGS and FMSs

Establish a coherent and well-coordinated PFM system across FGS and FMSs by: (a) building capacity to support the harmonization of: (i) reporting and accounting structures and templates; (ii) roadmaps to improve disclosures in financial statements in line with International Public Sector Accounting Standard ("IPSAS"); and (iii) charts of accounts across the FMSs and FGS to build the foundation for consolidating fiscal information; (b) automating the generation of consolidated financial statements and fiscal reports via interoperable systems; and (c) carrying out an assessment of the public financial management system legislation of FGS and FMSs to improve intergovernmental fiscal coordination.

1.4: Improving budget preparation and transparency

Improve budget preparation processes, budget transparency, and public participation in the various stages of budgeting by:

- (a) (i) Improving capacity and processes to strengthen budget preparation and analysis at FGS, SL, PSS, and JSS, and any other FMSs selected in accordance with criteria set forth in the POM; (ii) supporting the establishment or enhancement of a medium-term fiscal framework underpinned by considerations on climate adaptation and climate risk mitigation activities, linkages to reliable revenue forecasting, and other key budget preparation processes; and
- (b) Enhancing budget transparency and public participation at FMSs and SL to build capacity and processes to: (i) prepare and publish budget

documentation; (ii) engage with citizens; and (iii) improve parliamentary oversight of the budget.

1.5: Strengthening climate-informed public investment management

(a) Support the FGS and PSS in carrying out an assessment and drafting appropriate amendments or proposed legislation to the legal and procedural framework on public investment management; (b) support the implementation of the relevant procedures for project screening and appraisal, incorporating climate screening and public-private partnership guidelines; and (c) providing on-the-job support to the respective concessions technical unit to assess project feasibility and prepare tender specifications.

Part 2: Domestic Revenue Mobilization

Support the domestic revenue mobilization priorities of FGS, FMSs, and SL to strengthen their inland revenue systems and capacity, and contribute to harmonizing tax administration in FGS and FMSs by:

2.1: Improving tax policy capacity

Strengthen tax policy capacity of the respective ministry of finance of FGS, FMSs, and SL and contribute to harmonizing tax policy in FGS and FMSs, through:

- (a) for FGS and FMSs: (i) building capacity of existing tax policy units in FGS and PSS to support the deepening of tax policy reforms; (ii) building research and analysis capacity for evidence-based tax policy in JSS, GSS, SWSS, and HSS; (iii) reviewing legal or regulatory frameworks for access to taxpayer data to inform consensus-building for harmonization; (iv) preparing quarterly and annual revenue performance reports by FGS and FMSs that are consolidated and disclosed online annually by the FGS; (v) reviewing of FMSs tax laws to inform consensus-building for harmonization; (vi) supporting FGS and FMSs dialogue and consensus-building on alignment and harmonization of tax policy; (vii) implementation of the medium-term revenue strategy and tax policy and tax administration harmonization transition plan once prepared and adopted by FGS, PSS, and JSS; and (viii) recording tax expenditures to prepare annual reports for submission to the respective legislature with the respective annual budget document.
- (b) for SL: (i) strengthening the tax policy unit within the existing fiscal policy section; (ii) building capacity of the tax policy unit to conduct a tax instruments problem-driven analysis and proposals for reforms; (iii) drafting regulations or guidance notes for new tax laws; (iv) preparing quarterly and annual revenue performance reports disclosing them online annually; (v) recording tax expenditures to prepare annual reports for

submission to the legislature with the annual budget document; and
(vi) supporting and implementing the Tax Policy 2021-25.

2.2: Improving and harmonize inland revenue and selected customs administration systems and capacity

Strengthen tax administration systems and capacity in the respective ministry of finance of FGS, FMSs, and SL and contribute to harmonizing tax administration in FGS and FMSs through:

- (a) Carrying out modernization and automation activities in FGS, FMSs and SL, including: (i) development and implementation of a ‘fit for purpose’ integrated tax administration automation system in the SL, FGS, PSS, and JSS, including necessary information, communications, and technology equipment and infrastructure; and (iii) development and implementation of information, communications, and technology strategies and training to facilitate the adoption of the integrated tax administration automation system by civil servants and taxpayers; and (iv) reviewing existing business processes and carrying out a needs assessment to develop and implement more efficient and harmonized automation systems and processes in GSS, SWSS, and HSS.
- (b) Carrying out capacity building activities, and financing Civil Servants Scholarships:
 - (i) for FGS and FMSs, building capacity for: (1) implementation of a harmonized taxpayer identification number structure; (2) designing and carrying out taxpayer registration campaigns; (3) implementation and harmonization of a taxpayer segmentation strategy in JSS, GSS, SWSS, and HSS; (4) review of the large taxpayer office performance in the FGS and PSS; (5) implementation of medium-term training plans developed by the FGS and PSS; (6) expansion of the domestic revenue mobilization training course piloted in PSS to the FGS and FMSs; (7) design of a Civil Servants Scholarship Program for targeted undergraduate and master’s level education; (8) supporting the Somalia Revenue Academy in Mogadishu to set up local units in the FMSs and harmonize countrywide training; and (9) development of a consensus-based domestic revenue mobilization human resources management strategy for the FGS and FMSs, and an organizational structure and staffing.
 - (ii) For SL, building capacity for: (1) carrying out a training needs assessment; (2) development and implementation of a medium-term training plan; (3) design of a Civil Servants Scholarship

- Program; (4) provision of a domestic revenue mobilization training course to all domestic revenue mobilization officials; (5) planning for and establishment of a revenue academy; (6) strengthening of the large taxpayer office, including equipment, staff capacity, and organizational structure; and (7) preparing a plan for the establishment of a revenue authority.
- (iii) for FGS, FMSs, and SL, financing of Civil Servants Scholarships.
- (c) Carrying out taxpayer education and facilitation activities, focused on communication and training, including:
- (i) For FGS and FMSs: (1) development and implementation of a taxpayer orientation and communication program including expansion of the domestic revenue mobilization training course to a broader audience; (2) proactive disclosure of revenue performance and forecasting reports; (3) holding of tax forums; (4) conducting taxpayer perception surveys; (5) development of FGS and FMSs consensus-based communication strategies for taxpayer engagement and taxpayer access to information; (6) support compliance-related knowledge and skills training, and development of the related training curriculum.
 - (ii) For SL, this subcomponent will finance: (1) development and implementation of a taxpayer orientation and communication program including expansion of the domestic revenue mobilization training course to a broader audience; (2) proactive disclosure of revenue performance and forecasting reports; (3) holding of tax forums; (4) development of communication strategies for taxpayer engagement and taxpayer access to information; (5) monitoring of compliance with the taxpayer service charter; (6) conducting taxpayer perception surveys; and (7) monitoring of facilitation and grievance redressal help desk services.

Part 3: Public Sector Management

Support the enhancement of systems, staff skills, and effectiveness of civil service management to improve government capacity to deliver services to citizens through:

3.1: Strengthening the capacity of central and line Ministries, Departments, and Agencies

Enabling MDAs selected in accordance with criteria set in the POM to deliver on their mandates, through:

- (a) (i) Developing and implementing strategic staffing plans; (ii) carrying out capacity development of selected central and line ministries, departments and agencies, including the civil service commissions, ministries of labor, ministries of planning, offices of the president in GSS, HSS, JSS, and SWSS, including strengthening institutional mandates and legal and policy frameworks; (iii) support priority capacity development interventions to central MDAs in FGS, PSS and SL; (iv) the provision of information technology equipment, furniture, and vehicles; and (v) the construction of office buildings and information technology laboratories.
- (b) Supporting SL in improving its delivery of priority government online administrative services selected in accordance with criteria set forth in the POM, including the establishment of citizen access points in at least three regions using existing infrastructure and office space.
- (c) Improving the quality of civil servants through: (i) conducting a training needs assessment to strengthen core training of civil servants; (ii) development of a human resources capacity development/training strategy (a) covering routine training modules along with medium- and long-term approaches, and (b) leveraging the usage of existing government schools; (iii) building/investing in a pipeline of future civil servants in selected functions through the development and implementation of internship programs; (iv) developing peer learning and mentoring networks for public financial management, domestic revenue mobilization, and public sector management in the FGS, FMS and SL; and
- (d) (i) Supporting the establishment and operationalization of Public Service Reform Committees within each FMSs; (ii) supporting the establishment and operationalization of an Intergovernmental Public Service Reform Committee integrated by the Public Service Reform Committees established under (d)(i) above; and (iii) enhancing coordination of civil service commission activities across FGS and FMSs by supporting consultations of the Intergovernmental Forum of Civil Service Commissions.

3.2: Implementing civil service management systems and policies, pay and grading, and pension

- (a) HRMIS: (i) procuring and implementing HRMIS in FGS and PSS; (ii) upgrading the HRMIS in GSS, HSS, JSS, and SWSS; (iii) interfacing HRMIS across the FGS and FMSs with the pension systems; (iv) providing training to HRMIS users in FGS, FMSs, and SL.
- (b) Human Resources Management Policies and Regulations: (i) carrying out an assessment of the performance and application of existing civil service management policies, regulations, procedures, and guidelines in (A) FGS and

FMSs, and (B) SL; (ii) implementing the action plan resulting from the assessment carried out under (b)(i) above; (iii) review of the civil service laws to reflect significant changes made in the policies and regulations.

- (c) Pay and Grading: (i) implementing pay and grading systems in the FGS and PSS; (ii) designing a standard pay and grading methodology for the FGS and FMSs to guide future reviews; (iii) conducting pay and grading-related awareness-raising and communication activities; (iv) conducting a comparative public and private sector salary survey for each FMSs; and (v) developing a pay and grading policy for GSS, HSS, JSS, and SWSS.
- (d) Pension: (i) developing a pensions policy and legal framework for GSS, HSS, JSS, and SWSS; (ii) supporting the development of governance and administrative framework options, including the design and budget requirements for pensions in GSS, HSS, JSS, and SWSS; (iii) supporting the implementation of the pensions policy developed under (d)(i) above; (iv) supporting the operationalization of the FGS and PSS pension systems through establishing the required institutional and governance structures, implementing communications strategies, setting up pension payment systems, designing and procuring pension management information systems, linking said pension management information systems to other government systems such as the HRMIS, FMIS, and national identification systems, and training implementers and system users; (vi) developing proposals for revisions of the civil service laws to reflect the provisions of the pensions legal framework.

Part 4: Integrated Governance Support

4.1: Interconnectivity of public finance and human resource systems

Support the vertical interconnectivity and interoperability of existing and new systems in FGS and FMSs and the horizontal interoperability between the FMIS, domestic resource mobilization, HRMIS, and pensions system in FGS, FMSs and SL by: (a) establishing platforms to securely exchange information between FMIS, HRMIS/payroll, tax/customs, pension, and other solutions; and (b) build related capacity to ensure the sustainability of the interoperability framework and the interconnectivity of systems.

4.2: Human resource management in PFM and DRM

In FGS, FMSs, and SL: (a) carrying out PFM and DRM functional reviews; (b) supporting job evaluations and development of job descriptions for PFM and DRM staff; (c) establishing positions and organizational structures for PFM and DRM; (d) developing harmonized competency frameworks; (e) carrying out a skills gap analysis performed against the required competencies; (f) developing and implementing a training plan for PFM and DRM staff.

4.3: Change management to support DRM and PFM systems and civil service reform

Developing and implementing in FGS, FMSs, and SL: (a) a change management strategy; and (b) a communications strategy and related action plan.

Part 5: Project Management, Coordination, and Support in Delivery

Support the management, coordination, and monitoring and evaluation of Project activities

5.1. Project management

Support the PCU in FGS, FMSs, and SL: (a) to liaise the overall coordination of the Project; and (b) provide support services to implementing agencies in procurement, financial management, monitoring, and evaluation, environmental and social, communications and other pertinent functions.

5.2. Results monitoring and impact evaluation

Support to FGS, FMSs, and SL in: (a) capacity development for regular monitoring and evaluation at different implementation levels of the Project, including writing and disseminating reports on implementation progress; (b) verification of results, qualitative assessment of progress, and improvement of government capacity on monitoring and evaluation; and (c) the carrying out of an independent impact evaluation of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. **Subsidiary Agreements.**

1. To facilitate the carrying out of the FMSs' Respective Activities under the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section III.1 of this Schedule available to the FMSs under the respective FMS Subsidiary Agreement to be between the Recipient and each such FMS, under terms and conditions approved by the Association (each, a "FMS Subsidiary Agreement").
2. To facilitate the carrying out of Somaliland's Respective Activities under the Project, the Recipient shall make part of the proceeds of the Financing, allocated from time to time to Category (2) of the table set forth in Section III.1 of this Schedule, available to Somaliland pursuant to a written agreement, under terms and conditions approved by the Association ("Somaliland Subsidiary Agreement").
3. The Recipient shall exercise its rights under each FMS Subsidiary Agreement and the Somaliland Subsidiary Agreement in such manner as to protect the interests of the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any FMS Subsidiary Agreement or the Somaliland Subsidiary Agreement, or any provisions thereof.
4. In the event of any conflict between the provisions of any FMS Subsidiary Agreement or the Somaliland Subsidiary Agreement and those of this Agreement, the provisions of this Agreement shall govern.

B. **Institutional Arrangements.**

1. Notwithstanding the provision of Section I.A above, the Recipient shall vest the overall responsibility for implementation on its Respective Activities under the Project in the FGS's Ministry of Finance ("MoF"). To this end, the Recipient shall:
 - (a) No later than 30 days from the Effective Date, establish, and thereafter maintain throughout the period of implementation of its Respective Activities under the Project, a steering committee with membership and terms of reference acceptable to the Association (variously, the "Project Steering Committee" or "PSC"), as further elaborated in the POM; which committee shall: (i) be responsible for strategic policy and decision making, technical coordination across FGS and FMSs, and leading on

harmonization where appropriate; (ii) meet periodically, as necessary, to provide policy guidance and high-level oversight to the PCU; (iii) take decision on high level critical implementation issues under the Project; (iv) closely coordinate and share information with the Recipient's intergovernmental fiscal forum; and (v) ensure inter-agency coordination and cooperation;

- (b) The Recipient shall establish and thereafter maintain throughout the period of implementation of its Respective Activities under the Project, the Project Coordination Unit ("PCU"), headed by a Project Manager/Coordinator, assisted by multi-disciplinary and competent staff, including a project manager for each participating FMS to independently coordinate the respective FMS activities under the Project, technical advisors (PFM, DRM, and PSM), a financial management specialist assigned from the External Assistance Fiduciary Sections Unit ("EAFS Unit") and specialists on procurement, monitoring and evaluation, environment, social safeguards, communications, all with experience and qualifications, in numbers and under terms of reference satisfactory to the Association; which unit shall be granted such powers, financial resources, functions and competencies, agreed with the Association, as shall be required for it to carry out the day-to-day implementation of Recipient's Respective Activities under the Project, including: (i) carrying out the financial management, procurement and contract management; (ii) ensuring inter-institutional coordination with FGS/FMSs and MDAs; (iii) ensuring/guaranteeing compliance with environmental and social requirements under the ESSs and ESCP; and (iv) carrying out monitoring and evaluation and reporting requirements; and
- (c) Maintain, throughout the period of implementation of its Respective Activities under Project, the EAFS Unit, established within MoF's Office of the Accountant General, with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association, and vested with such powers, financial resources, functions and competencies, acceptable to the Association and set forth in the COAP Manual, necessary to assist the PCU with the day-to-day financial management and fiduciary responsibilities under the Project, including carrying out the internal audit controls, preparing the interim financial reports, preparing the Project's financial statement and coordinating their external audit.

C. Project Manuals

- 1. The Recipient shall prepare and adopt a Project operation manual (variously the "Project Operations Manual" or "POM") in a manner and substance satisfactory to the Association, and thereafter implement its Respective Activities under the

Project, and cause the FMSs and MDAs to carry out their respective responsibilities under the Project, in accordance therewith; which manual shall set forth, *inter alia*: (i) the detailed description of activities and the respective implementation arrangements and modalities, including the setup and job descriptions/terms of reference and allocation of functions and responsibilities, reporting lines and accountabilities across MDAs; (ii) the detailed criteria for the selection of civil servants to be recipients of Civil Servants Scholarships, including a form of bond with the MoF to serve for at least four years upon completion of the education covered by said scholarship and the placement of the civil servant in the public function in an area related to the education financed by the scholarship; (iii) all necessary inter-institutional coordination arrangements for the Project, including allocation decision-making powers the various implementation units; (iv) the procedures for the preparation and approval of the Annual Work Plans and Budgets; (v) eligibility criteria for the participation of FMSs under the Project; (vi) terms and conditions of the FMS Subsidiary Agreements; (vii) the project procurement arrangements, including standard procurement documentation, contracts administration and management procedures; (viii) disbursement arrangements and financial management and reporting requirements (including financial approval hierarchies, segregation of duties, flow of funds, management of bank accounts, payment processes, management and accounting of assets, and preparation of internal audits and annual financial statements); (ix) Personal Data collection and processing in accordance with good international practice; (x) measures to mitigate fraud and corruption as well as other fiduciary risks; (xi) environmental and social risks mitigation measures (ancillary to those of the ESCP) including measures to address risk of gender based violence, sexual exploitation and abuse, sexual harassment, as well as operation of grievance redress mechanism; (xii) the Project monitoring and evaluation, and reporting requirements; and (xiii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. Without limitation on the provision of this Section I.C.1 above and in order to ensure the proper implementation of the Project in Somaliland, the Recipient shall ensure that, pursuant to the Somaliland Subsidiary Agreement:
 - (a) an operations manual which shall set forth detailed arrangements for Project implementation in Somaliland (the “Somaliland Manual”) is prepared and furnished to the Association for its review and approval, including, *inter alia*: (i) the detailed description of activities and the respective implementation arrangements and modalities, including the setup and job descriptions/terms of reference and allocation of functions and responsibilities, reporting lines and accountabilities across MDAs; (ii) the detailed criteria for the selection of civil servants to be recipients of Civil Servants Scholarships, including a form of bond with the SL ministry in charge of finance to serve for at least four years upon completion of the education covered by said scholarship and the placement

of the civil servant in the public function in an area related to the education financed by the scholarship (iii) all necessary inter-institutional coordination arrangements for the Project, including allocation decision-making powers the various implementation units; (iv) the procedures for the preparation and approval of the Annual Work Plans and Budgets; (v) the project procurement arrangements, including standard procurement documentation, contracts administration and management procedures; (vi) disbursement arrangements and financial management and reporting requirements (including financial approval hierarchies, segregation of duties, flow of funds, management of bank accounts, payment processes, management and accounting of assets, and preparation of internal audits and annual Financial Statements); (vii) Personal Data collection and processing in accordance with good international practice; (viii) measures to mitigate fraud and corruption as well as other fiduciary risks; (ix) environmental and social risks mitigation measures (ancillary to those of the ESCP) including measures to address risk of gender based violence, sexual exploitation and abuse, sexual harassment, as well as operation of grievance redress mechanism; (x) the Project monitoring and evaluation, and reporting requirements; and (xi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project;

- (b) the Association be afforded a reasonable opportunity to review the Somaliland Manual prior to its adoption;
 - (c) the Project activities in Somaliland are carried out in accordance with the Somaliland Manual;
 - (d) no provision of the Somaliland Manual is amended, suspended, abrogated, repealed, or waived without prior written approval by the Association; and
 - (e) in the event of any inconsistency between a provision of the Somaliland Manual and those of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall implement its Respective Activities under the Project, and cause the FMSs, and MDAs to carry out their respective responsibilities under the Project, in accordance with the POM, prepared and adopted by the Recipient in a manner and substance satisfactory to the Association.
4. The Recipient shall refrain from materially and/or substantially amending, revising, waiving, voiding, suspending, or abrogating, any provision of the POM, whether in whole or in part, without the prior written concurrence of the Association.

5. In the event of any inconsistency between a provision of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

D. Annual Work Plans and Budgets

1. The Recipient shall, by no later than October 31st of each year during the implementation of its Respective Activities under the Project, prepare and furnish to the Association an annual work plan and budget containing all activities proposed to be carried out under the Project during the following calendar year, as well as the proposed financing plan for the expenditures required thereunder, indicating the envisioned amounts and source of financing (variously the “Annual Work Plan and Budget” or “AWP&B”), all in accordance with the POM, each said Annual Work Plan and Budget of such scope and detail as the Association shall reasonably request.
2. The Recipient shall afford the Association a reasonable opportunity to exchange views with each of them with respect to each such AWP&B, and, thereafter, ensure that its Respective Activities under the Project are implemented with due diligence during said following calendar year in accordance with the AWP&B as shall have been approved by the Project Steering Committee, subject to the prior no-objection of the Association.
3. The Recipient shall not make or allow to be made any change(s) to the approved AWP&B without the Association’s prior written concurrence.

E. Environmental and Social Standards.

1. The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, 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, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, 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, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, 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. Without limitation upon the provisions of paragraph 2 above, if ninety (90) days prior to the Closing Date, the Association determines that there are measures and/or actions specified in the ESCP, and/or in the safeguard documents ancillary thereto, which will not be completed by the Closing Date, the Recipient shall, or if the Association so determines, shall cause Somaliland (as per the Somaliland Subsidiary Agreement), to:
 - (a) by not later than sixty (60) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and/or actions, including a timetable and budget allocation for such measures and/or actions (which action plan shall be deemed to be considered an amendment of the ESCP); and
 - (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
- 5. The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, 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.

6. The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, establish, publicize, maintain and operate an accessible grievance redress 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.
7. The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) to, furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering their Respective Activities during the said calendar quarter.

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:

| 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, Civil Servants Scholarships, Training & Workshops, and Incremental Operating Costs for the Recipient's Respective Activities under the Project (i.e. other than for activities in Somaliland) | 36,379,200 | 100% |
| (2) Goods, works, non-consulting services, consulting services, Civil Servants Scholarships, Training & Workshops, and Incremental Operating Costs for the Somaliland's Respective Activities under the Project | 10,420,800 | 100% |
| TOTAL AMOUNT | 46,800,000 | |

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, except that withdrawals up to an aggregate amount not to exceed SDR 5,000,000 may be made for payments made prior to this date but on or after November 1, 2022, for Eligible Expenditures; or
 - (b) under Category (2) until and unless Somaliland has: (a) executed the Somaliland Subsidiary Agreement setting forth implementation arrangements for Somaliland's Respective Activities under the Project (including the flow of funds out of the Grant proceeds), and all Somaliland's internal requirements for the agreement to be binding upon Somaliland in accordance with its terms have been duly obtained/secured; (b) prepared and formally adopted the Somaliland Manual for its Respective Activities under the Project; and (c) established the institutional arrangements set forth in the foregoing manual, as shall be

required to carrying out its Respective Activities under the Project, in a manner and substance satisfactory to the Association.

2. The Recipient shall refrain from transferring any funds out of the proceeds of the Financing to any individual FMS or SL, until the Recipient and respective FMS or SL have duly executed the respective FMS Subsidiary Agreement or Somaliland Subsidiary Agreement, as the case may be, in a manner and substance satisfactory to the Association. Any transfers from the Recipient to an FMS or SL in violation of this provision shall be deemed an ineligible expenditure.
3. The Closing Date is December 31, 2027.

APPENDIX

Definitions

1. “Annual Work Plans and Budgets” means the yearly work plans and budgets to be prepared, approved, and implemented by the Recipient pursuant to Section I.D of Schedule 2 to this Agreement as further elaborated in the Project Operations Manual.
2. “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.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Civil Servants Scholarships” means those scholarships for civil servants to be provided pursuant to the Civil Servants Scholarship Program, under Part 2.2(b)(iii) of the Project.
5. “Civil Servants Scholarship Program” means the scholarship program designed under Parts 2.2(b)(i)(7) and 2.2(b)(ii)(3).
6. “COAP Manual” means the comprehensive operation and accounting procedures manual dated January 1, 2019, adopted by the EAFS Unit, MoF – Office of the Accountant General, as amended from time to time with the prior written concurrence of the Association.
7. “DRM” means domestic revenue mobilization.
8. “EAFS Unit” means the Recipient’s external assistance fiduciary section unit established within MoF’s Office of the Accountant General, to carry out the overall financial management in respect of the external developmental assistance including proceeds received from the Association.
9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 3, 2022, 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 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.
11. “Federal Government of Somalia” and the acronym “FGS” means the Recipient’s government.
12. “Finance/Public Accounts Committees” means the committee in the respective legislatures of FGS, FMSs and SL that provides oversight to public finances by reviewing public accounts and reporting to the respective legislature.
13. “Financial Management Information System” or “FMIS” means the financial management information systems used in the Participating Entities.
14. “FMS” means, collectively, each of the states constituting the Somali federation, as acknowledged in Article 48 of the Recipient’s Provisional Constitution (2012).
15. “FMS Subsidiary Agreement” means each of the fiscal transfer agreements to be entered into by and between the Recipient and each FMS 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.A.1 of Schedule 2 to this 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.
16. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
17. “GSS” means Galmudug State of Somalia.

18. “HRMIS” means Human Resource Management Information System implemented in FGS, FMSs, and SL.
19. “HSS” means Hirshabelle State of Somalia.
20. “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 FGS, FMSs, and Somaliland’s civil service.
21. “Intergovernmental Forum of Civil Service Commissions” means the commissions of all FGS and FMS civil service commissions referred to in Part 3.1(d)(iii) of the Project.
22. “Intergovernmental Public Service Reform Committee” means the committee of all FGS and FMS agencies responsible for public service reform, comprising the FGS and FMS agencies responsible for the implementation of activities under Part 3 of the Project, as further set out in the POM.
23. “International Public Sector Accounting Standard” or “IPSAS” means those public sector standards for public sector entities as issued from time to time by the International Federation of Accountants (“IFAC”) (www.ifac.org).
24. “JSS” means Jubbaland State of Somalia.
25. “MDAs” means the ministries, departments and public agencies of the Participating Entities.
26. “Participating Entities” means Federal Government of Somalia (“FGS”), FMSs, and Somaliland (“SL”).
27. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one 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 the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata, and factors specific to the physical, physiological, genetic, mental, economic, cultural, or social identity of an individual.
28. “PFM” means public financial management.

29. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
30. “Project Coordination Unit” or “PCU” means the unit referred to in Section I.B.1(b) of Schedule 2 of this Agreement.
31. “Project Operations Manual” or “POM” means the manual referred to in Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior approval of the Association.
32. “PSM” means public sector management.
33. “PSS” means Puntland State of Somalia.
34. “Public Service Reform Committee” means the committee of agencies responsible for public service reform, comprising the agencies responsible for the implementation of activities under Part 3 of the Project, as further set out in the POM.
35. “Respective Activities” means:
 - (a) in respect of the Recipient: the Project activities carried out in the territory of the FMSs; and
 - (b) in respect of Somaliland: the Project activities carried out in the territory of Somaliland.
36. “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.
37. “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.
38. “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.
39. “Somalia Revenue Academy in Mogadishu” means the revenue academy under the ministry in charge of finance in the FGS.

40. “Somaliland” or “SL” means the Recipient’s territory of Somaliland.
41. “Somaliland Manual” means the manual referred to in Section I.C.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior approval of the Association.
42. “Somaliland Subsidiary Agreement” means the written legal agreement to be entered between the Recipient and Somaliland, pursuant to Section I.A.2 of Schedule 2 to this Agreement.
43. “Subsidiary Agreement” means, for purposes of the General Conditions, each FMS Subsidiary Agreement and the Somaliland Subsidiary Agreement.
44. “SWSS” means Southwest State of Somalia.
45. “Tax Policy 2021-25” means the Somaliland Tax Policy 2021-25 of the SL ministry in charge of finance development, dated October 2020.
46. “Training & 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 overseas by the FGS’, FMSs’, or SL’s officials or staff, in connection with the Project, including the purchase and publication of materials, rental of facilities, course fees and travel and subsistence of trainees.