
GRANT NUMBER E120-SO

Financing Agreement

(Somalia Inclusive Growth Development Policy Financing Series)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E120-SO

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL REPUBLIC OF SOMALIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program, and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 four million one hundred thousand Special Drawing Rights (SDR 74,100,000) (the “Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are April 15th and October 15th in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Recipient's federal minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions, the Recipient's address is:

Ministry of Finance
Corso Somalia Street
Shangani District
Mogadishu, Somalia; and

6.03. 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

Abdirahman Duale Beileh

Authorized Representative

Name: _____
Abdirahman Duale Beileh

Title: _____
Minister

Date: _____
29-Jul-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Allen Dennis

Authorized Representative

Name: _____
Allen Dennis

Title: _____
Acting Country Director

Date: _____
29-Jul-2022

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program include the following:

1. To support the harmonization of import duties across the major ports of Mogadishu, Bosaso and Kismayo, the Recipient's Council of Ministers has submitted the National Tariff Schedule to the Parliament as part of the 2022 Budget Appropriation Package.
2. To enhance the governance of intergovernmental transfers, the MoF has issued Regulations to support the implementation of the Public Financial Management Act, 2019 specifying modalities for the requisition, transfer and the execution of intergovernmental transfers.
3. To support the identification of the poorest and most vulnerable beneficiaries of the Baxnaano Safety Net Program, the MoLSA has issued a Ministerial Decree adopting a household welfare scoring system for the Unified Social Registry.
4. To develop a risk-based approach to prevent money laundering and the financing of terrorism, the MoF has published the National Risk Assessment.
5. To support the sustainable development of the Somali fisheries sector, the Recipient's Council of Ministers has submitted to Parliament the draft Fisheries Bill.
6. To establish an institutional framework for the electricity sector which creates an enabling environment for private sector provision of renewable energy supply, the Recipient's Council of Ministers has submitted to Parliament the Electricity Bill.
7. To support the implementation of the Company Act, 2019, the MoCI has issued Company Law Implementing Regulations.

Section II. Availability of Financing Proceeds

A. General.

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts.

The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

| Allocations | Amount of the Financing Allocated (expressed in SDR) |
|-------------------------------|---|
| (1) Single Withdrawal Tranche | 74,100,000 |
| TOTAL AMOUNT | 74,100,000 |

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions, all withdrawals from the Financing Account shall be deposited by the Association into Dedicated Accounts determined by the Recipient and acceptable to the Association.
2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Dedicated Accounts referred to in Section 2.03 (a) of the General Conditions; (b) the details of the Recipient's treasury single account to which the proceeds of the Financing will be/have been credited; (c) the record that an equivalent amount has been accounted for in the Recipient's financial management information system (i.e. the Recipient's budget management systems); and (d) the statement of receipts and disbursement of the accounts referred to in Section 2.03 (a) of the General Conditions.

E. Audit. Upon the Association's request, the Recipient shall:

- (a) have the accounts referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

- (b) furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
- (c) furnish to the Association such other information concerning the accounts referred to in Section 2.03 (a) of the General Conditions and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is January 31, 2024.

APPENDIX

Definitions

1. “2022 Budget Appropriation Package” means 2022 budget documents, including the Recipient’s proposed Appropriation Act for the 2022 Budget, the 2022 Budget Policy Framework and the Somali Customs Tariff 2022 schedule submitted to the Parliament for consideration pursuant to the Letter from the Recipient’s Prime Minister XRW/0281/05/2022 of May 26, 2022, and Decision of the Council of Ministers XRW/356/05/2022 of same date.
2. “Baxnaano Safety Net Program” means the Recipient’s cash transfer program established under Part A.1 of the Recipient’s “*Shock Responsive Safety Net For Human Capital Project*”, financed by the Association pursuant to the IDA Grants No. D510-SO (of August 19,2019), D856-SO (of June 27, 2021) and E077-SO (pending signature).
3. “Bosaso” means the Recipient’s port city of Bosaso (formerly known as Bender Cassim) in the northeastern province of Bari, in the Federal Members State of Puntland.
4. “Company Act, 2019” means the Recipient’s Company Act No. 18 of December 26, 2019.
5. “Company Law Implementing Regulations” means collectively, MoCI’s: (a) Regulation No. 001/2021 of January 27, 2021; and (b) Regulation No. 001/2022 of May 19, 2022.
6. “Council of Ministers” means the Recipient’s highest executive authority referred to and regulated in Articles 97 through 99 of the Recipient’s Provisional Constitution (2012).
7. “Electricity Bill” means bill for a National Electricity Act prepared by the Recipient’s Ministry of Energy and Water Resources, and submitted to the Parliament pursuant to Letter from the Recipient’s Deputy Prime Minister XRW/0540/12/2020 of December 17, 2020.
8. “Fisheries Bill” means bill for a federal Fisheries Act prepared by the Recipient’s Ministry of Fisheries and Marine Resources, and submitted to the Parliament pursuant to Letter from the Recipient’s Prime Minister XRW/0262/05/2022 of May 19, 2022.
9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).

10. “Kismayo” means the Recipient’s port city of Kismayo in the southern part of the Lower Juba province (Jubbada Hoose), in the Federal Members State of Jubaland.
11. “Ministerial Decree” means the MoLSA’s Ministerial Decree on adopting the Unified Social Registry’s household welfare scoring system for targeting beneficiaries of the Baxnaano Safety Nate Program, *i.e.*, Decree MoLSA/OM/321/2022 of May 10, 2025.
12. “MoCI” means the Recipient’s Ministry of Commerce and Industries.
13. “Mogadishu” means the port and capital city of the Recipient.
14. “MoF” means the Recipient’s Ministry of Finance.
15. “MoLSA” means the Recipient’s Ministry of Labour and Social Affairs.
16. “National Risk Assessment” means the Recipient’s “National Risk Assessment on Money Laundering and Terrorist Financing” published and publicly released by MoF on its website on May 18, 2022 (<https://mof.gov.so/publications/national-risk-assessment-money-laundering-and-terrorist-financing>).
17. “National Tariff Schedule” means the Recipient’s “Customs Tariff Schedule” published by MoF on its website on December 6, 2020 (<https://mof.gov.so/publications/somali-customs-tariff-2020>) and submitted to the Parliament for endorsement pursuant to/jointly with the 2022 Budget Appropriation Package.
18. “Parliament” means the Recipient’s Federal Parliament, established, regulated and operating pursuant to Charter 6 of the Recipient’s Provisional Constitution (2012).
19. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 15, 2022 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
20. “Public Financial Management Act, 2019” means the Recipient’s Public Financial management Act No. 17 of December 25, 2019.
21. “Regulations” means the Recipient’s “Public Financial Management Regulation 2022” issued by MoF pursuant to the Proclamation Circular MOF/OM/639/2022 issued by the Recipient’s Minister of Finance on May 19, 2022.

22. “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.
23. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
24. “Unified Social Registry” means the unified registry for beneficiaries of social programs being developed under Parts B.1.(c)(i) and D of the Recipient’s “*Shock Responsive Safety Net For Human Capital Project*”, financed by the Association pursuant to the IDA Grants No. D510-SO (of August 19,2019), D856-SO (of June 27, 2021) and E077-SO (pending signature).