
GRANT NUMBER: IDA D677-SO

Financing Agreement

(Shock Responsive Safety Net for Locust Response Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER: IDA D677-SO

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the 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 twenty nine million three hundred thousand Special Drawing Rights (SDR 29,300,000) (“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 and the MPA Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Recipient has signed the Standard Output Agreement with WFP pursuant to

Section I.B of Schedule 2 to this Agreement, in a manner and substance satisfactory to the Association.

- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Recipient's Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions, the Recipient's address is:

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

- 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

H.E. Abdirahman Duale Beileh

Authorized Representative

H.E. Abdirahman Duale Beileh

Name: _____

Title: _____ Minister _____

Date: _____ 17-Jul-2020 _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Camille Nuamah

Authorized Representative

Camille Nuamah

Name: _____

Title: _____ acting Country Director _____

Date: _____ 17-Jul-2020 _____

SCHEDULE 1

Project Description

The objective of the Project is to protect food security and livelihoods of Poor and Vulnerable Households affected by the locust outbreak.

The Project constitutes a phase of the MPA Program, and consists of the following parts:

Component 1: Emergency Cash Transfers

Providing Emergency Cash Transfers to approximately 100,000 Poor and Vulnerable Households in Locust Affected Areas.

Component 2: Project Management, Monitoring & Evaluation

Strengthening the institutional capacity of MoLSA and its SNHCP PIU to carry out the Project, including liaising and coordinating with FMS, contracting out and managing the Emergency Cash Transfers delivery through WFP, monitoring and evaluating the implementation of Project activities, and ensuring compliance with fiduciary (i.e. procurement and financial management) and social and environmental standards and requirements.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall vest all responsibilities for Project implementation (except for financial transactions handled by the EAFS Unit pursuant to the COAP Manual) in MoLSA, which shall carry out the Project in coordination with the FMS. To this end, the Recipient shall:
 - (a) maintain, throughout the period of implementation of the Project, the SNHCP PIU within MoLSA's Social Service Department: (i) led by a Project Manager & Social Protection Coordinator, assisted by competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association, as set forth in the POM; and (ii) vested with such powers, financial resources, functions and competencies, acceptable to the Association and set forth in the POM, as shall be required for: (A) carrying out the day-to-day management and administration of the Project, including procurement and contract management, financial monitoring and reporting, and compliance with safeguards documents and requirements (i.e. ESSs, and ESCP); (B) preparing annual work plans and budgets; (C) coordinating Project activities with relevant MDAs and the FMS; and (D) performing monitoring and evaluation, outreach and communication activities under the Project and preparing and submitting to the association regular Project Reports; and
 - (b) maintain, throughout the period of implementation of the Project, the EAFS Unit, established within MoF's Office of 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 SNHCP PIU 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.

B. WFP's Standard Output Agreement.

1. In carrying out of Component 1 of the Project, the Recipient shall enter into an output agreement with WFP, under terms and conditions approved by the

Association (the “Standard Output Agreement”), whereby the Recipient shall: (a) hire the services of WFP for the implementation and Emergency Cash Transfers program in accordance with the provisions of the Project Operations Manual, including: (i) conducting registration of Poor and Vulnerable Households as per the selection criteria and prioritization principles set forth in the POM, (ii) carrying out communication and sensitization activities in targeted communities; (iii) managing grievance complaints; (iv) transferring beneficiary data to MoLSA in accordance with appropriate protocols prepared under the SNHCP; and (v) reporting regularly to MoLSA on the progress achieved in the implementation of Project activities and any challenges and/or obstacles thereto; and (b) agree the direct payment/advance of the proceeds of the Financing from the Association to WFP to facilitate and speed up the defrayment of such benefits to Poor and Vulnerable Households in Locust Affected Areas.

2. As part of the Standard Output Agreement the Recipient shall ensure that WFP:
 - (a) maintains in a separate account in its records (“Financing Control Account”) a complete, true and faithful record of all the advances received from, and transaction done with, the proceeds of the Financing and of all the expenditures paid from such advances;
 - (b) retains all records (contracts, orders, invoices, bills, receipts, Emergency Cash Transfer wiring instructions and other documents) evidencing the expenditures under the Project until at least the later of: (i) one (1) year after the Association has received the interim unaudited financial reports covering the period during which the last withdrawal from the Financing Control Account was made; and (ii) two (2) years after the Closing Date;
 - (c) prepares, on a quarterly basis, interim unaudited financial reports, as per the format to be agreed with the Association to adequately reflect the operations, resources and expenditures related to the Project, the first said interim unaudited financial reports shall be furnished to the Association no later than thirty (30) days after the end of the first quarter after the date of the Standard Output Agreement;
 - (d) at the request of the Recipient, carries out an audit of Project activities with terms of reference acceptable to the Recipient and/or the Association; and
 - (e) does not transfer or channel any of the proceeds of the Grant to public officials or employees employed by any government entities of the Recipient or its FMS, nor procure any items from them or their immediate family members.
3. The Recipient shall exercise its rights under the Standard Output Agreement in such manner as to protect the interests of the Recipient and 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 the Standard Output Agreement or any of its provisions.

4. In the event of any conflict between the provisions of the Standard Output Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

C. Project Documents

1. The Recipient shall implement the Project pursuant to, and cause WFP and any consultant/contractors to abide by:

- (a) the Project Operations Manual, prepared and adopted for the Project in a manner and substance satisfactory to the Association, setting forth the institutional arrangement necessary for the implementation of the Project, including *inter alia*: (i) the detailed guidelines and procedures for Project implementation, including monitoring and evaluation, procurement, coordination, financial, administrative and accounting procedures, corruption and fraud mitigation measures; (ii) eligibility criteria, methodology and procedural standards and prioritization principles for the selection of Poor and Vulnerable Household; (iii) terms and conditions of the Emergency Cash Transfers (i.e. amounts, periodicity, etc.); (iv) detailed guidelines and procedures for data collection, protection and processing in accordance with applicable national laws and good international practices; (v) allocation of functions, responsibilities and terms of reference for WFP's implementation and administration of the Emergency Cash Transfer scheme (e.g. surveying and selection of beneficiaries, data-sharing protocols and management information systems, cross-checks, financial management duties, flow of funds and settlement of payments/disbursements, monitoring and evaluation systems, grievance redress mechanisms and help-lines, and payment reconciliation protocols, etc.); (vi) governance and accountability reassurances, including terms of reference for independent operational audits; and (vii) measures for managing the environmental and social aspects of the Project and complying with the ESSs and the ESCP, including procedures for the processing of e-waste generated under the Project; and

- (b) the COAP Manual, prepared and adopted by the EAFS Unit in a manner and substance satisfactory to the Association.

2. The Recipient shall refrain from materially and/or substantially amending, revising, waiving, voiding, suspending or abrogating, any provision of the POM

and/or the COAP Manual, whether in whole or in part, without the prior written concurrence of the Association.

3. In the event of any inconsistency between a provision of the POM or the COAP Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Third Party Monitoring

The Recipient shall select and engage, by no later than four (4) months after the Effective Date, and thereafter retain throughout the period of implementation of the Project, the services of a duly qualified and experienced monitoring consultant satisfactory to the Association, under terms of reference acceptable to the Association, in order to carry out quarterly operational audits of the implementation of the Emergency Cash Transfers program throughout the scheme's cycle, including, *inter alia*: (i) beneficiary feedback on the registration and enrolment processes; (ii) timeliness and transparency of Emergency Cash Transfers' payments; (iii) accessibility and responsiveness of the various grievance redress mechanisms; (iv) outreach, effectiveness and impact of the public information/awareness campaigns; (v) management and oversight of the Emergency Cash Transfer scheme; and (vi) compliance with the provisions of the Project Operations Manual.

E. 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, and 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 maintain, publicize and operate the grievance mechanism established under SNHCP, to receive and facilitate resolution of concerns and grievances of Project-affected people and Project workers, 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 quarter, covering the calendar quarter.
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 activities described in Schedule 1 of this Agreement, 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services under Component 1 of the for the Project	4,400,000	100%
(2) Emergency Cash Transfers	24,200,000	100%
(3) Goods, non-consulting services, consulting services, Workshops and Training; and Incremental Operating Costs under Component 2 of the Project	700,000	100%
TOTAL AMOUNT	29,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed eleven million seven hundred twenty thousand Special Drawing Rights (SDR 11,720,000) may be made for payments made prior to this date but on or after February 1, 2020, for Eligible Expenditures under Categories (1) (2) and (3).
2. The Closing Date is June 30, 2022.

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. “Baxnaano Beneficiaries” means the beneficiaries of the cash transfers provided under the SNHCP.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Component” means each of the clustered activities grouped under the titles: “*Component 1: Emergency Cash Transfers*”; and “*Component 2: Project Management, Monitoring & Evaluation*” in the Project description in Schedule 1 to this Agreement.
5. “COAP Manual” means the comprehensive operation and accounting procedures manual dated December 1, 2018, 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.
6. “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.
7. “Emergency Cash Transfers” means the unconditional cash grants to be paid for a period of six (6) month, or any such other period agreed by the Recipient with the Association: (a) as a top-up to Baxnaano Beneficiaries in the Locust Affected Areas; or (b) as a periodic grant to Poor and Vulnerable Households not registered as Baxnaano Beneficiaries but residing in the Locust Affected Areas; all pursuant to the provisions of the Project Operations Manual.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 19, 2020, 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.

9. “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 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.
10. “Financing Control Account” means the account to be opened by WFP in its financial management records pursuant to the Standard Output Agreement and the provisions of Section I.B.2(a) and (b) of Schedule 2 to this Agreement.
11. “FMS” means each of the states constituting the Somali federation, as acknowledge in the Recipient’s Provisional Constitution (2012).
12. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
13. “Incremental Operating Costs” means reasonable incremental Project-related costs incurred by the Recipient on account of the carrying out of the Project, including: (a) office rental; (b) office consumables; (c) utility fees; (d) operation and maintenance of office equipment and vehicles; (e) bank charges; (f) advertising and media projections costs; (g) newspaper and periodical subscriptions; (h) printing and stationery costs; (i) in-country travel costs, boarding/lodging and *per-diems* for Project staff; and (j) salaries of contractual staff (other than consultants) required for Project management, but excluding salaries of civil servants.
14. “Locust Affected Areas” means the Recipient’s districts affected by the locust infestation as detailed in the POM as such list of districts may be amended from time to time by the Recipient subject to the prior written concurrence of the Association.
15. “MDAs” means the ministries, departments and public agencies of the Recipient and/or the FMS.

16. “MoF” means the Recipient’s Ministry of Finance, or any successor to it, acceptable to the Association
17. “MoLSA” means the Recipient’s Ministry of Labor and Social Affairs, or any successor to it, acceptable to the Association.
18. “MPA Program” means the multiphase programmatic approach program designed to respond to the threat posed by the locust outbreak and to strengthen systems for preparedness.
19. “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.
20. “Poor and Vulnerable Households” means households residing in the Locust Affected Areas whose livelihoods depend on activities related to agriculture (small crop) or livestock either as subsistence farmers or as farm laborers, and those assessed to be at risk of food insecurity, identified and selected pursuant to the eligibility criteria and prioritization principles set forth in the Project Operations Manual.
21. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
22. “Project Operations Manual” and the acronym “POM” mean the Project operation manual to be adopted by the Recipient pursuant to Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended, from time to time, with the prior written concurrence of the Association.
23. “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.
24. “SNHCP” means the Recipient’s Shock Responsive Safety Net for Human Capital Project, financed by the Association pursuant to Grant No. D510-SO, of August 20, 2019 .
25. “SNHCP PIU” means the Project implementation Unit established under the SNHCP and referred to in Section I.A.2 of Schedule 2 to the SCHCP financing

agreement (IDA Grant D510-SO) entered into by the Recipient and the Association on August 20,2019 .

26. “Standard Output Agreement” means the Agreement to be entered into between the Recipient and WFP for purposes of carrying out Component 1 of the Project, pursuant to Section I.B. of Schedule 2 to this Agreement.
27. “WFP” means the United Nations’ World Food Programme.
28. “Workshops and 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 FMS’ 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.