
GRANT NUMBER D931-SO

Financing Agreement

(Somali Electricity Sector Recovery Project)

between

FEDERAL REPUBLIC OF SOMALIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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 one hundred six million five hundred thousand Special Drawing Rights (SDR 106,500,000) (“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, and cause Somaliland to carry out, its Respective Activities under the Project in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Somaliland Subsidiary Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness comprise the following:
- (a) the Recipient has established and operationalized the PSC and the ESWG, in a manner and substance satisfactory to the Association;
 - (b) the Recipient has prepared and formally adopted the Project Operation 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 selected and hired (and/or seconded from its own staff), to strengthen the capacity of the Project Implementation Unit, a security advisor with experience and qualification and under terms of reference satisfactory to the Association;
 - (d) the Recipient has operationalized the grievance redress mechanism referred to in paragraph 6 of Section I.G in Schedule 2 to this Agreement, in a manner and substance satisfactory to the Association; and
 - (e) the Recipient has prepared and adopted/approved a detailed capacity building plan covering the applicable ESSs pursuant to the provision of the ESCP, and 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 Somalia Street
Shangani District
Mogadishu, Somalia.
- 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

Abdirahman Duale Beileh

Authorized Representative
Abdirahman Duale Beileh

Name: _____

Title: _____ Minister _____

Date: _____ 17-Dec-2021 _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Keith E. Hansen

Authorized Representative
Keith E. Hansen

Name: _____

Title: _____ Country Director _____

Date: _____ 16-Dec-2021 _____

SCHEDULE 1

Project Description

The objective of the Project is to increase access to lower cost and cleaner electricity supply in Project areas and to re-establish the electricity supply industry.

The Project consists of the following parts:

Component 1: Sub-Transmission and Distribution Network Reconstruction, Reinforcement and Operations Efficiency in the Major Load Centers of Mogadishu and Hargeisa

1. *Generator Synchronization and Automation:* Upgrading and/or developing the infrastructure of selected electricity service providers (“ESPs”) in Mogadishu and Hargeisa through the supply or installation of equipment required for the automation and synchronization of their extant generation capacity.
2. *Sub-Transmission and Distribution Network Interconnection in the Major Load Centers of Mogadishu and Hargeisa:* (a) Upgrading and/or developing the infrastructure of selected ESPs in Hargeisa and Mogadishu through the supply and installation, and/or reinforcement, of distribution network infrastructure; and (b) constructing a greenfield 132 KV sub-transmission lines in Hargeisa and Mogadishu required to enable the generation synchronization and interconnection of the respective ESPs’ networks.

Component 2: Hybridization and Battery Storage Systems for Mini-Grids

Developing the infrastructure of selected ESPs by retrofitting existing generation stations in selected load centers, through the supply and installation of solar photovoltaic generation plants (each a “PV Plant”) and battery energy storage systems (“BESS”).

Component 3: Stand-Alone Solar Off-Grid Access to Public Institutions (Health and Education)

Installing, operating and maintaining solar-photovoltaic systems in selected public education and health facilities.

Component 4: Institutional Development and Capacity Building

1. *Policy and Regulatory Development:* Providing technical assistance for strengthening sector governance and regulation, including establishment of a regulator, licensing procedures/requirements, tariffs setting regulations, service and safety standards, and environmental and social requirements for sector operation.

2. *Sector Planning and Feasibility Studies for Renewable Energy Projects:* (a) Carrying out detailed feasibility studies for priority investments in renewable energy projects, including wind resources specific-site measurements and geothermal prospecting; and (b) preparing least cost development plans covering generation, transmission and distribution, as well as an electricity access strategy and investment prospectus.
3. *ESP and MoEWR/MoEM Business Support Services:* Providing business support services to: (a) selected ESPs to enhance their capacity for operating, managing and expanding their networks, complying with licensing regulations, including social and environmental requirements, and strengthening revenue streams; and (b) MDAs to strengthening their institutional capacity to develop sector policies, carry out sectoral planning and management, and establish an enabling environment for sector development and investment .
4. *Project Implementation Support including for Environment and Social Safeguards:* (a) Strengthening the institutional capacity of project implementation teams/units and associated MDAs for the carrying out of Project activities (including the Project's financial management, procurement, environmental and social management, and monitoring and evaluation), and the implementation of sector management and coordination; (b) establishing and/or enhancing the sector's fiduciary and environmental and social risks management systems and capacity; and (c) strengthening the institutional capacity of line ministries and agencies for the management and operation of solar photovoltaic systems in education and health facilities.
5. *Implementation of Gender Action Plan:* (a) Carrying out a gender diagnostic assessment to identify gender gaps and barriers in the energy sector; and (b) preparing and implementing a gender action plan and gender capacity building plan/pilot incubator to foster the employment of women engineers in the sector.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. **Subsidiary Agreement.**

1. 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").
2. The Recipient shall exercise its rights under 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 the Somaliland Subsidiary Agreement or any of its provisions.

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 its Ministry of Energy and Water Resources ("MoEWR"). To this end, the Recipient shall:
 - (a) establish and thereafter maintain throughout the period of implementation of its Respective Activities under the Project, a steering committee chaired by MoEWR, 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) meet periodically, as necessary, to provide policy guidance and high-level oversight to the PIU; (ii) take decision on high level critical implementation issues under the Project (e.g. terms and conditions of licensing and/or concession agreements; approval/adoption of the POM; approval of the AWP&B; etc.); and (iii) ensure inter-agency coordination and cooperation;
 - (b) maintain throughout the period of implementation of its Respective Activities under the Project, the Project Implementation Unit ("PIU"), headed by a Project Manager/Coordinator, assisted by multi-disciplinary and competent staff, 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 FMS and MDAs; (iii) liaising, contracting with, and monitoring the performance of, ESPs under the respective concession or licensing agreements; (iv) ensuring/guaranteeing compliance with environmental and social requirements under the ESSs and ESCP; and (v) carrying out monitoring and evaluation and reporting requirements;

- (c) maintain, throughout the period of implementation of its Respective Activities under 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 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;
- (d) select and hire, by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of its Respective Activities under the Project, the services of a consulting firm with qualifications and experience and under terms of reference acceptable to the Association, in order to perform the functions of the owner's engineer (the "Owner's Engineer") and assist the PIU with the implementation of the Project, including: (i) providing guidance and recommendations to the PIU on technical and policy matters in relation to the Recipient's Respective Activities; (ii) preparing bidding documents and subsequent changes/variations thereof; (iii) supporting the PIU in evaluating technical and financial proposals; (iv) supporting the PIU in supervising and certifying contractors' performance/delivery of contract obligations, including carrying out site and documentary inspections, and performing quality controls tests; (v) handling contractual matters and procurement disputes; (vi) certifying payment appropriation for invoices from service providers and/or Project contractors; (vii) providing training, guidance and recommendations to the PIU, and instructions to contractors, to ensure the Project's compliance with the ESSs, the ESCP, and any safeguard documents prepared thereunder; and (viii) preparing the Project Reports; and

- (e) maintain throughout at least the initial period of one (1) year of implementation of its Respective Activities under the Project, the services of an environmental and social development consulting firm (the “E&S Consultant”) with qualifications and experience and under terms of reference acceptable to the Association, in order to carry out the environmental and social monitoring and supervision of the Project, and assist the PIU in ensuring the Recipient’s and ESPs’ compliance with the health, safety, labor management, resettlement, gender inclusion, social risk management community engagement and security management procedures and/or requirements set forth in the ESSs, the ESCP and the ancillary documents.
2. The Recipient shall establish and operationalized, and thereafter maintain, in a manner an substance satisfactory to the Association, an energy sector working group, headed by the Director General of MoEWR, with membership and terms of reference acceptable to the Association, including private sector, development partners, academia and consumer associations (the “ESWG”), as further elaborated in the POM, which group shall: (a) provide a forum for sectoral dialogue among consumers, ESPs and the government; (b) assist the government in formulating sectoral policies and prioritizing investments; (c) ensure accountability of ESPs and the government in implementing and enforcing the licensing and concession agreements; and (d) ensure that the benefits of the Project accrue to consumers and the citizenry.

C. Project Manuals

1. The Recipient shall prepare and adopt a Project operation manual (variously the “Project Operation Manual” or “POM”) in a manner and substance satisfactory to the Association, and thereafter implement its Respective Activities under the Project, and cause the FMS, MDAs and or ESPs 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, or the various implementation units and Project consultants to be established or engaged as per Section I.B of this Schedule; (ii) all necessary inter-institutional coordination arrangements for the Project, including allocation decision-making powers the various implementation units; (iii) the procedures for the preparation and approval of the Annual Work Plans and Budgets; (iv) the project procurement arrangements, including standard procurement documentation, contracts administration and management procedures; (v) eligibility criteria, integrity due diligence procedures, and terms and conditions required for licensing/concession agreements (including key service performance indicator), for the selection ESPs to benefit from the investments to be made under Components 1 and 2 of the Project; (vi) the

prioritization/eligibility criteria agreed with MoE and MoH for the selection of educational and health facilities for the implementation of investment activities under Component 3; (vii) 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) ancillary to those of the COAP Manual; (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) arrangements to address community health, safety and security risks and impacts including measures to avoid or minimize the transmission of communicable disease such as COVID-19 and to address other impacts on the Project of COVID-19 pandemic; (xi) the Project monitoring and evaluation, and reporting requirements; and (xii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall implement its Respective Activities under the Project, and cause the FMS, MDAs and or ESPs to carry out their respective responsibilities under the Project, in accordance COAP Manual, prepared and adopted by the EAFS Unit in a manner and substance satisfactory to the Association.
3. The Recipient shall refrain, from materially and/or substantially amending, revising, waiving, voiding, suspending or abrogating, any provision of the POM and/or COAP Manual, whether in whole or in part, without the prior written concurrence of the Association.
4. In the event of any inconsistency between a provision of the POM and/or COAP Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Updated Licensing Agreements.

1. In carrying out Components 1.1, 1.2(a) and 2 of the Project, and prior to commencing any civils works for sub-project benefiting one or more ESPs, unless the Association otherwise agree, the Recipient through the PIU shall agree in writing, with the respective ESPs, the terms and conditions for the update of the ESP(s)' license and/or concession agreement(s) (each a "Revised License/Concession Agreement"), as the case may be, which agreement(s) shall provide for:
 - (a) the Recipient's carrying out the investments set forth in Components 1.1, 1.2(b) and 2 of the Project in accordance with this Agreement, and

thereafter providing the turn-key facilities/assets, built and/or refurbished thereunder, to the respective ESP(s) upon their commissioning, the granting of all government's approvals and the Owner's Engineer's declaration of readiness for beneficial use and the issuance of the corresponding operational acceptance certificate;

- (b) the Recipient's securing the rights of way and statutory clearances, acquiring land (when required in addition to the land made available by the ESP(s) as per subparagraph (g) below), and/or making resettlement compensation payments, needed for or arising from the implementation of the Project;
- (c) the ESP(s)' taking immediate possession of the distribution lines, PV Plants, substation bays, transformers, retrofitted and/or new generators, and any other assets built and/or refurbished under Components 1 and 2 of the Project, upon the assets': (i) having been commissioned and test charged; (ii) having obtained all governmental approvals; and (iii) having been declared ready for beneficial use by the Owner's Engineer and issued the corresponding operational acceptance certificate;
- (d) the ESP(s)' operating and maintaining the assets, whether owned or transferred under concession (including the assets transferred as per subparagraphs (a) and (c) above) on its/their own and at its/their own cost, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including the provisions of the ESSs and the requirements of the ESCP and ancillary documents;
- (e) the ESP(s)' time-bound commitment to achieving minimum performance standards, including but not limited to: (i) hours of service; (ii) expansion of service access (i.e. increase connections and area of coverage, as well connection of targeted educational and health facilities); (iii) reduction of technical losses; (iv) improved receivables collection; (v) reduction of service tariffs; (vi) corporate financial management ratios; and (vii) minimum social and environmental standards for service provision and assets management and operation (including operational health and safety standards);
- (f) the ESP(s)' obligation to: (i) provide all available data, as reasonably requested by the Recipient and/or the Association, on assets inventory, status and performance; (ii) facilitate access to the Recipient and/or the Association, to the premises and assets being refurbished/improved, as well any documentation related thereto (including unannounced visits); and (iii) arranging shut-downs (without compensation) as reasonably

required by the Recipient's contractors and/or the Owner's Engineer in relation to the carrying out of Project investments;

- (g) the ESP(s)' obligation to facilitate their own or leased tracts of land for the installation of PV Plants and/or BESS;
 - (h) the ESP(s)' obligation to prepare a phased operations and maintenance plan to be concurred by the Owner's Engineer, including: (i) recruitment, training, and deployment/redeployment targets as needed (including a female employment action plan); (ii) proper/adequate asset insurance; and (iii) the provision of necessary repairs and renewals promptly as needed;
 - (i) the ESP(s) obligation to refrain from: (i) selling, granting, transferring and/or abandoning any assets built or refurbished under the Project; and (ii) creating any lien on the said assets, without the prior written approval of the Recipient, and the prior concurrence of the Association;
 - (j) ESP(s)' adherence and subjection to the Association's Anti-Corruption Guidelines; and
 - (k) the Recipient's right to suspend or terminate the Revised License/Concession Agreement(s), repossess the assets built/refurbish under the Project and/or obtain a refund therefor, upon the ESP(s) failure to perform any of its obligations under the Revised License/Concession Agreement(s).
2. The Recipient shall refrain, and cause the ESP(s) to refrain, from materially and/or substantially amending, revising, waiving, voiding, suspending or abrogating, any provision of the Revised License/Concession Agreement(s), 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 Revised License/Concession Agreement(s) and those of this Agreement, the provisions of this Agreement shall prevail.
 4. In carrying out Sub-component 1.2(b) of the Project, and prior to commencing any civils works on any sub-transmission, the Recipient through the PIU shall have entered into power purchase agreements with a critical number of off-takers, under terms and conditions acceptable to the Association, to justify the investment in such sub-transmission line.

E. Business Support Services to ESPs

In carrying out Sub-Component 4.3 of the Project, the Recipient shall select and hire, by no later than one (1) year after the Effective Date, the services of a consulting firm with qualifications and experience and under terms of reference

acceptable to the Association, in order to provide business support services to Beneficiary ESPs to strengthen their technical and institutional capacity in key functions of the electricity utility business, including but not limited to: (a) corporate governance (e.g. organizational guidelines and procedures); (b) commercial and network management and operations (e.g. development of operational standards and manuals); (c) staff training and development, and adoption/improvement of human resource policies; (d) data collection and administration, performance analysis and record keeping procedures; and (e) corporate planning (e.g. preparation and implementation of corporate strategic plans and annual business plans).

F. Annual Work Plans & Budget

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 Fiscal 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 Fiscal 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.

G. Environmental and Social Standards.

1. The Recipient shall, and shall cause Somaliland (as per the Somaliland Subsidiary Agreement) and the Beneficiary ESPs (as per the Revised License/Concession Agreements) 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) and the Beneficiary ESPs (as per the Revised License/Concession Agreements) 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) and the Beneficiary ESPs (as per the Revised License/Concession Agreements) 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 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) and the Beneficiary ESPs (as per the Revised License/Concession Agreements) 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 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) and the Beneficiary ESPs (as per the Revised License/Concession Agreements) 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, Training & Workshops and Incremental Operating Costs for the Recipient's Respective Activities under the Project (i.e. other than for activities in Somaliland)	71,000,000	100%
(2) Goods, works, non-consulting services, consulting services, Training & Workshops and Incremental Operating Costs for the Somaliland's Respective Activities under the Project	35,500,000	100%
TOTAL AMOUNT	106,500,000	

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;
 - (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 a Project operation manual for its Respective Activities under the Project; and (c) established the institutional arrangements set forth in the forgoing 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 Closing Date is December 31, 2026 .

APPENDIX

Definitions

1. “Annual Work Plan & Budget” or the term “AWP&B” means each annual work plans, together with their envisioned budgets, to be prepared by the Recipient for its Respective Activities under the Project, pursuant to the provisions of Section I.F of Schedule 2 to this Agreement.
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. “Benadir Regional Administration” means the regional authority established and operating as a regional member state administration referred to in Article 48 of the Recipient’s Constitution.
4. “Beneficiary ESP” means an ESP selected pursuant to the POM as beneficiary of the physical investments made, and/or technical assistance provided, under the Project.
5. “BESS” means battery energy storage systems.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “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.
8. “Component” means each of the clustered Project activities grouped under the titles: “*Component 1: Sub-Transmission and Distribution Network Reconstruction, Reinforcement and Operations Efficiency in the Major Load Centers of Mogadishu and Hargeisa*”; “*Component 2: Hybridization and Battery Storage Systems for Mini-Grids*”; “*Component 3: Stand-Alone Solar Off-Grid Access to Public Institutions (Health and Education)*”; and “*Component 4: Institutional Development and Capacity Building*” in the Project description in Schedule 1 to this Agreement.
9. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus SARS-CoV-2.

10. “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.
11. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 28, 2021, 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.
12. “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.
13. “E&S Consultant” means the environmental and social consultant hired pursuant to the Recipient’s contract SO-MoEWR-203622-CS-CQS, dated April 22nd, 2021.
14. “ESP” means an electricity service provider, i.e. a private sector venture providing power services (whether generation, transmission and/or distribution) under a license and/or concession agreement extended by the Recipient, the FMS, the Benadir Regional Administration or Somaliland.
15. “ESWG” means the energy sector working group to be established by the Recipient pursuant to Section I.B.2 of Schedule 2 to this Agreement.
16. “Fiscal Year” means the Recipient’s fiscal year commencing on January 1 of each calendar year and finishing on December 31 of the same calendar year.

17. “FMS” means any of the federal member states constituting the Somali federation, as acknowledged in the Recipient’s Provisional Constitution (2012) including Benadir Regional Administration and Somaliland.
18. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
19. “Hargeisa” means the capital city of Somaliland.
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 Recipient’s and Somaliland’s civil service.
21. “KV” means kilovolts.
22. “MDAs” means the ministries, departments and public agencies of the Recipient, the Federal Member States, the Benadir Regional Administration, and/or Somaliland.
23. “MoE” means the Recipient’s Ministry of Education, or any successor thereto.
24. “MoEM” means Somaliland’s Ministry of Energy and Minerals, or any successor thereto, satisfactory to the Association.
25. “MoEWR” means the Recipient’s Ministry of Energy and Water Resources, or any successor thereto, satisfactory to the Association.
26. “MoF” means the Recipient’s Ministry of Finance, or any successor thereto.
27. “MoH” means the Recipient’s Ministry of Health, or any successor thereto.
28. “Mogadishu” means the capital city of the Recipient.
29. “Owner’s Engineer” means the consulting firm to be hired by the Recipient pursuant to Section I.B.1.(d) of Schedule 2 to this Agreement.
30. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

31. “Project Implementation Unit” and the term “PIU” mean the implementation unit established by the Recipient pursuant to Section I.A.3 of Schedule 2 to the Somalia Multi-Partner Fund Grant Agreement, entered into by the Recipient and the Association, acting as the administration of the Somalia Multi-Partner Fund, for the financing of the Somali Electricity Access Project (SMPF Grant TF A9159-SO).
32. “Project Implementing Entity” means, for purposes of the General Conditions, Somaliland.
33. “Project Operation Manual” and the term “POM” mean the implementation manual for the Project to be prepared and adopted by the Recipient as a condition precedent to the effectiveness of this Agreement, 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.
34. “Project Steering Committee” or the term “PSC” means the Recipient’s high-level committee to be established pursuant to Section I.B.1(a) of Schedule 2 to this Agreement.
35. “PV Plant” means a photovoltaic generation plant/system.
36. “Respective Activities” means for:
 - (a) in respect of the Recipient: The activities carried out in the territory of the FMS and/or Benadir Regional Administration; and
 - (b) in respect of Somaliland: The activities carried out in the territory of Somaliland.
37. “Revised License/Concession Agreement” means each of the ESPs’ license and/or concession agreements for the operation of generation, transmission and/or distribution of power facilities in the territory of the Recipient, whether their owned or operated as concessioner of the Recipient or Somaliland, as revised pursuant to Section I.D.1 of Section 2 to this Agreement.
38. “Security Management Plan” means the security management plan to be prepared by the Recipient, in a manner and substance satisfactory to the Association pursuant to the ESCP, and to be disclosed on the Association’s website, setting out the security guidelines, protocols and principles, to safeguard the lives and properties of individuals and communities involved in, affected by or benefiting from, the Recipient’s Respective Activities under the Project, as well as the assets created/acquired thereunder, all in accordance with the requirements of the ESSs, as said instrument may be updated from time to time with the prior written concurrence of the Association.

39. “Security Risk Assessment” means the security risks assessment to be carried out by the Recipient in connection with the implementation of its Respective Activities under the Project, in a manner and substance satisfactory to the Association and pursuant to the ESCP, an to be disclosed in the Association’s website, which assessment shall provide/collect the necessary information required for the preparation of the Security Management Plan, as said assessment may be updated from time to time with the prior written concurrence of the Association.
40. “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.
41. “Somaliland” means the Recipient’s territory of Somaliland.
42. “Somaliland Subsidiary Agreement” means the written legal agreement to be entered between the Recipient and Somaliland, pursuant to Section I.A.1 of Schedule 2 to this Agreement.
43. Sub-Component” means each of the clustered Project activities singled out in individual paragraphs under Components 1 and 4 under the titles: (a) “*Generator Synchronization and Automation*” (Sub-Component 1.1); (b) “*Sub-Transmission and Distribution Network Interconnection in the Major Load Centers of Mogadishu and Hargeisa*” (Sub-Component 1.2); (c) “*Policy and Regulatory Development*” (Sub-Component 4.1); (d) “*Sector Planning and Feasibility Studies for Renewable Energy Project*” (Sub-Component 4.2); (e) “*ESP and MoEWR/MoEM Business Support Services*” (Sub-Component 4.3); (f) “*Project Implementation Support including for Environment and Social Safeguards*” (Sub-Component 4.4); and (g) “*Implementation of Gender Action Plan*” (Sub-Component 4.5).
44. “Subsidiary Agreement” means, for purposes of the General Conditions, the Somaliland Subsidiary Agreement.
45. “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 Recipient’s, Somaliland’s, the FMS’ and/or ESPs’ officers, 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.